

Commitment to DE&I is growing among UK asset owners but gaps remain.

London, UK – 29 April 2024: Pensions for Purpose is pleased to announce the release of *‘Navigating diversity, equity & inclusion - an asset owner perspective’* – its landmark report on how asset owners engage with diversity, equity & inclusion (DE&I). This independent paper, sponsored by Jupiter Asset Management, offers an in-depth insight into how asset owners consider DE&I in their own organisations, with third-party providers and in their investments.

Amongst the report’s top findings are that all asset owners surveyed believe DE&I correlates directly with business performance, they have integrated DE&I into their business models to varying degrees, and these policies cover their third-party providers such as investment consultants and asset managers.

A surprising finding amid progress

While institutional investors have made positive progress in embedding DE&I principles within their own organisations and in interactions with third-party investment consultants and asset managers, the report uncovers a surprising discrepancy: a marked lack of engagement on DE&I in their underlying portfolio companies. Beyond headline policies or statements, there appears to be a mismatch in understanding how these policies translate into practice on the ground. This finding challenges investors to deepen their DE&I engagement, extending beyond surface-level commitments to ensure meaningful implementation across all investment tiers.

DE&I best practice for asset owners

The research outlines universal DE&I best practice considered applicable across asset owner organisations. The recommendations vary in complexity, but offer a roadmap for institutions aiming to enhance their DE&I initiatives internally and in their external partnerships. Paraphrased from the report, the main suggestions are:

1. Initiate mandatory internal DE&I training to establish a common understanding.
2. Incorporate DE&I considerations in the manager selection process.
3. Engage with managers on DE&I from the outset of a commercial relationship.
4. Employ qualitative and quantitative analyses when surveying third-party providers.
5. Set clear standards for diversity across investment committees.
6. Make certain investment consultants understand how asset owners wish to consider DE&I factors in their investments.
7. Reflect DE&I values in voting and stewardship.
8. Ensure DE&I is a standalone item in meetings with asset managers.

Progress made so far – and the future for DE&I among institutional asset owners

In the last two years, pension funds have significantly advanced their DE&I strategies, integrating these principles deeply into their operations, from manager selection to organisation-wide training and communication. They’ve established specific DE&I action plans, scoring systems and criteria for voting, evidencing a holistic approach to embedding DE&I in their decision-making.

Looking forward, asset owners expect to enhance DE&I strategies by focusing on high-quality data and broader disclosure, such as the gender pay gap, while expanding their DE&I efforts beyond board-level to include the entire workforce, mindful of regional and cultural variances. There's a move to develop DE&I initiatives more broadly across markets and to increase diversity in senior positions, positioning DE&I as a parallel priority to challenges like climate change.

DE&I is set to become central in manager selection, integrated with environmental, social and governance risks. As the industry evolves, so will DE&I strategies, with ambitions to set clear key performance indicators for progress and extend diversity efforts beyond gender to address broader issues like disability and socio-economic disparities. Despite varying views on DE&I's part in asset allocation, there's a unanimous conviction around its growing importance in engagement and stewardship activities.

Karen Shackleton, Chair and Founder of Pensions for Purpose said: "The common belief in the potential of DE&I to boost business performance is a great starting point to raise awareness of the importance of the topic. Our research shows commendable progress and significant areas for deeper engagement with DE&I. Surprisingly, it is not yet impacting underlying investments significantly. However, we found commitment to DE&I is growing amongst asset owners, who realise there is more to be done and the overall trajectory for DE&I, especially looking beyond gender, is positive. We would expect future research on this topic to show progression."

Bruna Bauer, Impact Lens Analyst at Pensions for Purpose said: "This study was launched to explore the nuanced relationship between DE&I and overall business outcomes – acknowledging DE&I has only recently become a focal point for UK asset owners and simply achieving diversity in an organisation does not automatically lead to better business performance, without considering other elements like belonging, power balance and culture."

Abbie Llewellyn-Waters, Lead Investment Manager at Jupiter Asset Management said: "We are delighted to have partnered with Pensions for Purpose for this important research. It is our long-held view that companies which balance the needs of three key stakeholders, planet, people and profit, are well placed to generate attractive returns over the long-term. Integrating social outcomes into our investment framework has been a core tenet of our capital allocation since inception of the Jupiter Global Sustainable Equity strategy. As such, we are encouraged by the report's findings that DE&I considerations are becoming increasingly important in the view of asset owners, pension fund members and investment consultants.

We recognise the challenges stemming from data availability and consistency; however, we are encouraged by the ambition this report highlights to align interests and provide clarity for asset owners on the real-world social outcomes of their investments, which is also why we spend a considerable amount of time in reporting on these outcomes in our Sustainability Reports, so that the individual members can understand how their long term savings support social equality outcomes."

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NOTES TO EDITORS

About Pensions for Purpose:

Pensions for Purpose exists as a bridge between asset managers, pension funds and their professional advisers, to encourage the flow of capital towards impact investment.

Impact investments are made with the intention to generate positive, measurable, social and environmental impact alongside a financial return.

Pensions for Purpose seeks to empower pension funds to make informed, sustainable investment decisions through our member Community, training, events, Impact Lens research and unique Knowledge Centre.

About Jupiter Asset Management:

Jupiter was founded in 1985 to deliver investment performance for our clients through active asset management. From our origins in 1985, Jupiter now offers a range of actively managed strategies available to UK and international clients including equities, fixed income, multi-asset and alternatives. Jupiter is a constituent member of the FTSE 250 Index.

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