

Racial Disparities in the Workforces of Sustainable, Responsible, and Impact (SRI) Investing Mutual Funds

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For decades, our industry has engaged meaningfully with companies on research, advocacy, benchmarking and problem-solving to improve environmental, social and governance (ESG) outcomes for the planet we all share.

Yet our data shows that most of our firms are maintaining exclusionary, predominantly white environments that are failing to employ people of color. Until our industry addresses its racial inequities, our work will continue to fall short.

Table of Contents

Introduction

3

Methodology

4

Data

5

Findings

6

Observations and Analysis

11

Conclusion

14

Resources

15

About the Authors

16

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Introduction

Creating a world in which all people have opportunity to live lives that are rich, equal, and just has long been a driving force for the Sustainable, Responsible, Impact (SRI) and Environmental, Social, Governance (ESG) investing community, herein referred to as the SRI community. As issues of race and racism in the United States have become regular headline news, some SRI investors are asking what they can do to address racial disparities within corporate America. By attending to what gets invested and divested, and engaging in shareholder advocacy, the SRI community has the tools and opportunity to create positive changes in corporate behavior. As calls for Diverse, Equitable, and Inclusive (DEI) workplaces continue to increase, the SRI community is the group of investment professionals best positioned to address these issues.

But is the SRI community equipped to successfully weigh in on issues of equity at public companies? We think not, unless we are also willing to assess racial equity in our own community. We set out to collect workforce demographic data about mutual fund companies in the SRI community to get a better idea about our own industry's gender and racial makeup.

We acknowledge that when looking at racial disparity, diverse racial representation is only one factor. It is important to look at who is at the table (diversity), what tools are being used to build a new table (equity), and whose voices are heard at the table (inclusion). The lack of racial diversity we found in our industry is a manifestation of systemic racial inequities, like in so many other industries where white people are over-represented and people of color are under-represented. This research focuses on racial diversity – at all levels up and down the corporate ladder – as a first step toward confronting all of the ways in which racial bias impacts the work we do. We have also included some data and observations on gender representation.

Methodology

Our dataset is imperfect, and exists in the context of our industry, which is lacking a consistent, formal process to understand how we measure up on racial diversity. **Our goal was not to build a perfect dataset, but rather to put us on a journey toward building an industry where we can name race, racism, and the impact of our racial identity in the work we do.**

The dataset represents:

15 U.S. based mutual fund families exclusively focused on SRI / ESG investing
85 mutual funds total
699 people (including Board Directors and company employees)

Data Collection Process: We reached out to 16 mutual fund companies representing \$63 billion in assets. We asked these firms to provide demographic data about the racial and gender makeup of their companies, broken into three categories: Board of Directors, Portfolio Managers, and Other Staff. 100% of the companies we reached out to responded to us with a willingness to participate. Ultimately, 15 companies provided data we could use. (For details, see Observations and Analysis.)

Parameters: We limited our research to retail mutual funds based in the United States that are exclusively focused on SRI or ESG investing, with at least \$20 million in assets, and a share class available to retail investors.¹

Response Rate: We received responses from every company we contacted. The 100% response rate reflects an industry willing to be transparent, which is a big step in the right direction. We excluded one firm that initially expressed willingness to participate in the process but declined to provide the data we requested, claiming the demographic information was proprietary.



¹There are internationally based companies that run mutual funds in the U.S. However, for this report, we chose to focus on racial disparities in U.S. based companies. We believe it is important to examine racial disparities at all companies that manage institutional money, and we encourage further research across our global industry.

Data

Racial & Ethnic Categories: We compared the data we collected from mutual funds to corresponding data from the 2015 U.S. Census to understand how the racial diversity of our industry compares to the racial diversity of the U.S.² When sharing their employee demographic data with us, some firms reported employees whose racial and ethnic identities fell into categories that don't directly match the U.S. Census categories. To reflect the data that firms reported, we included the categories White, Black, South Asian, Arab/Middle Eastern, AAPI (Asian American and Pacific Islander), Native American, and Latino/Latina.

“People of Color Led” Firms and “White Led” Firms: Two of the responding firms employ People Of Color (POC) in greater numbers than the other 13 firms, so much so that when we look at our dataset as a whole, we see a picture of racial diversity in the industry that does not represent what is happening industry-wide. At these two companies, both the Board of Directors and the staff are at least 40% people of color. For the purposes of looking at this distinction in the dataset, we refer to these two firms as “POC Led” in the presentation of our findings, and we refer to all other firms as “White Led.”

We present the findings in three ways:

- 1) data from all responding firms
- 2) the combined data of only white led firms (which comprise the majority of firms)
- 3) the combined data of only the two People of Color Led firms

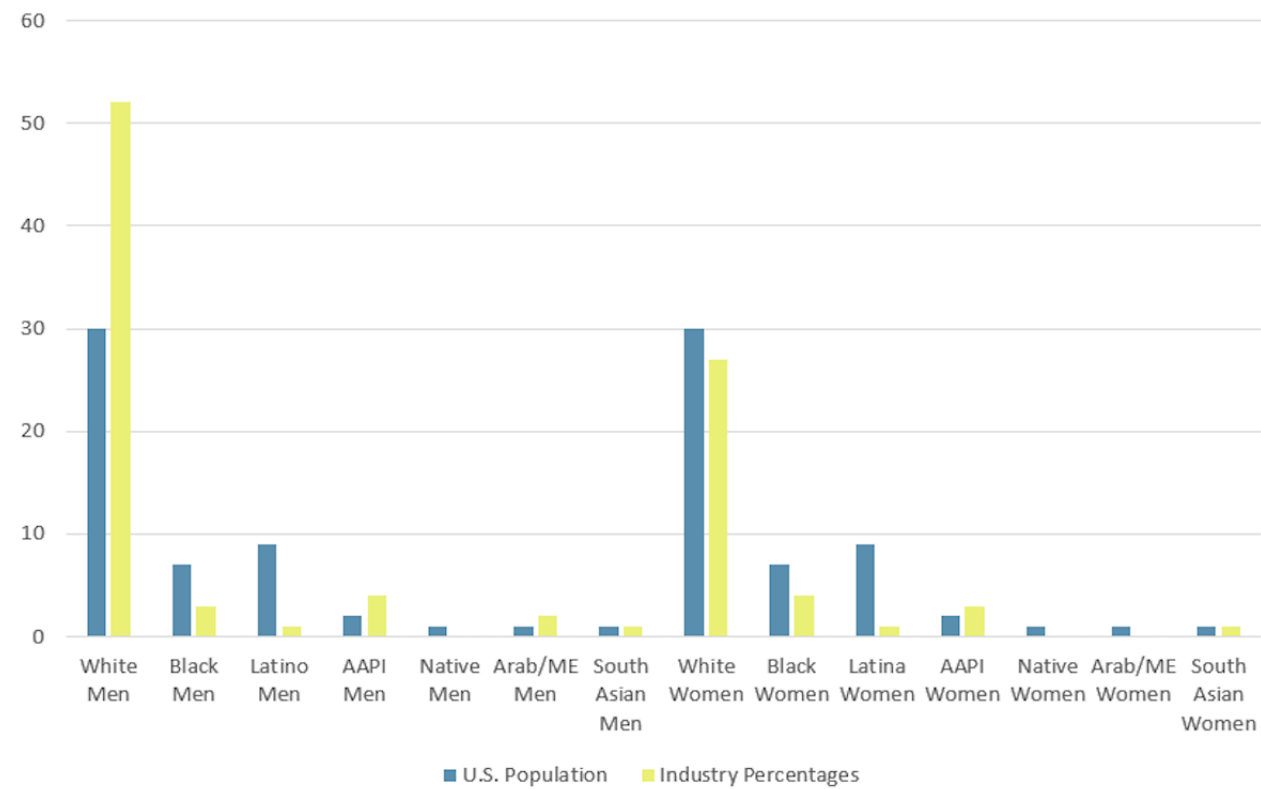


Gender Breakdown: All firms reported gender data using a gender binary – men or women. People in our industry who identify as gender nonconforming (GNC), genderqueer or nonbinary may not be accurately reflected in the dataset, which reinforces gender inequities. In the future, we urge companies to collect gender data in a way that allows people to self-report their gender identity.

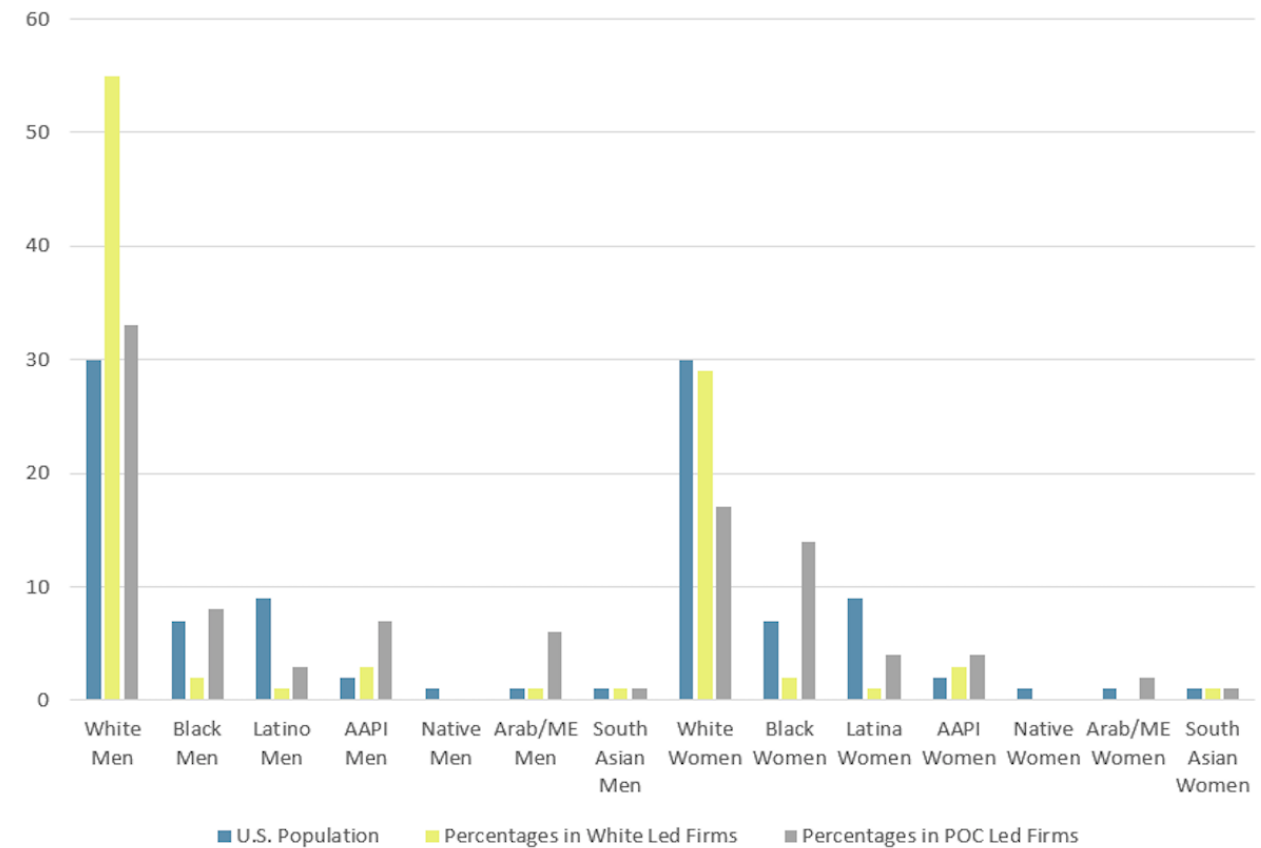
² For the sake of simplicity, we rounded census data on gender to 50% female, 50% male in each racial category.

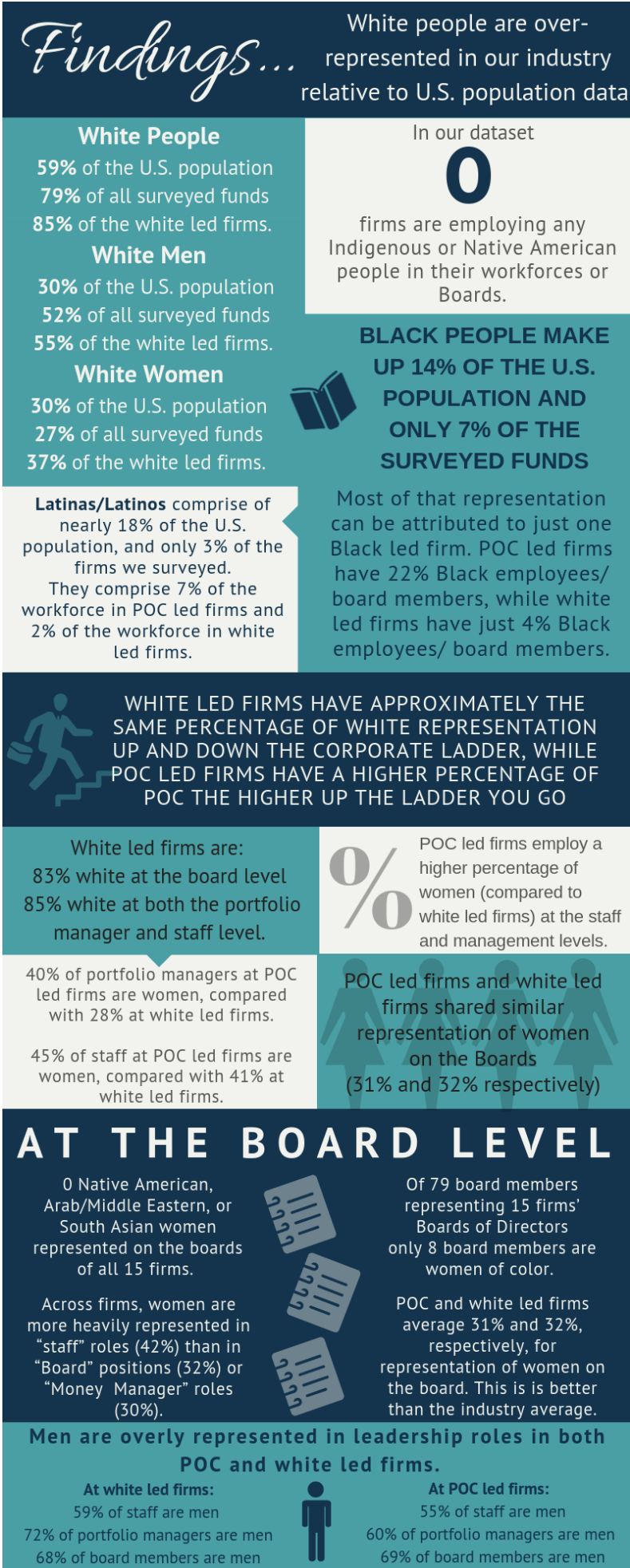
Findings

Racial Representation at 15 SRI Mutual Funds Compared to U.S. Population



Racial Representation at White-Led Funds and POC-Led Funds, Compared to U.S. Population





Findings: Firm Wide Data

White people, and particularly white men, are over-represented in our dataset relative to U.S. population data.

- White people make up 79% of all surveyed funds, and 85% of the white led firms (compared to 59% of the U.S. population).
- White men make up 52% of all surveyed funds, and 55% of white led funds (compared to 30% of the U.S. population).
- White women make up 27% of surveyed funds, and 37% of white led funds (compared to 30% of the U.S. population).

In our dataset 0 firms are employing any Indigenous or Native American people in their workforces or Boards.

Black people make up 14% of the U.S. population, and only 7% of the surveyed funds. Most of that representation can be attributed to just one Black led firm.

- POC led firms are 22% Black across the workforces and Boards
- White led firms are 4% Black across the workforces and Boards

Latinas/Latinos comprise nearly 18% of the U.S. population, and only 3% of the firms we surveyed.

- POC led firms are 7% Latina/Latino across the workforces and Boards
- White led firms are 2% Latina/Latino across the workforces and Boards

7% of the surveyed funds' workforces and boards identify as AAPI, compared to 4% of the U.S. population.

- POC led firms are 11% AAPI across the workforces and Boards
- White led firms are 6% AAPI across the workforces and Boards

2% of the surveyed funds' workforces and boards identify as South Asian, similar to the 2% US population.

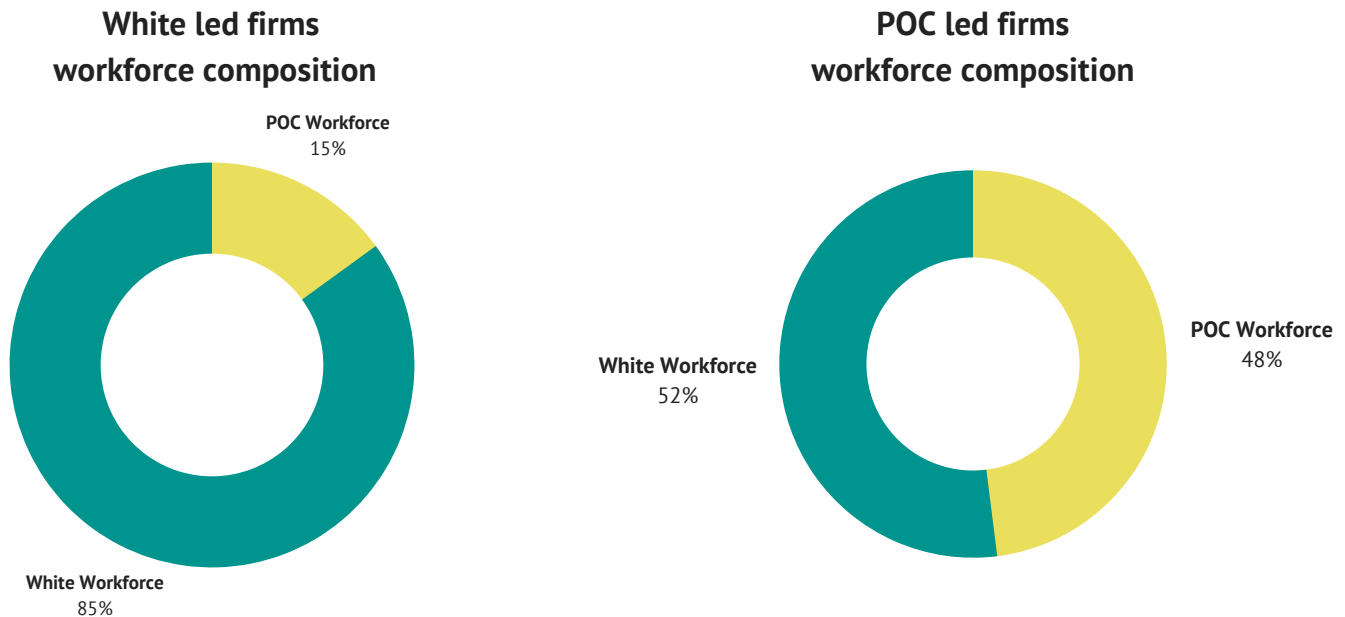
- POC led firms are 2% South Asian across the workforces and Boards
- White led firms are 2% South Asian across the workforces and Boards

2% of the surveyed funds workforces and boards identify as Arab or Middle Eastern, similar to the 2% US population.

- POC led firms are 8% Arab or Middle Eastern across the workforces and Boards
- White led firms are 1% Arab/Middle Eastern across the workforces and Boards

Findings: Workforce Data (Includes Money Managers and Staff)

- **White** people are over-represented in our dataset, relative to U.S. population data (in which white people make up 60% of the U.S. population). White people make up 52% of the workforce in POC led firms, and 85% in white led firms.



- **Latinas/Latinos** comprise 8% of the workforce in POC led firms, and 2% of the workforce in white led firms. Latinas/ Latinos make up 18% of the U.S. population.
- **Black** people comprise 20% of the workforce in POC led firms, and 4% of the workforce in white led firms. Black people make up 14% of the U.S. population.
- People identifying as **AAPI** comprise 12% of the workforce in POC led firms, and 7% of the workforce in white led firms. People identifying as AAPI make up 4% of the U.S. population.
- People identifying as **Arab or Middle Eastern** comprise 7% of the workforce in POC led firms, and 1% of the workforce in white led firms. People identifying as Arab or Middle Eastern make up 2% of the U.S. population.
- People identifying as **South Asian** comprise 1% of the workforce in POC led firms, and 2% of the workforce in white led firms. People identifying as South Asian make up 2% of the U.S. population.

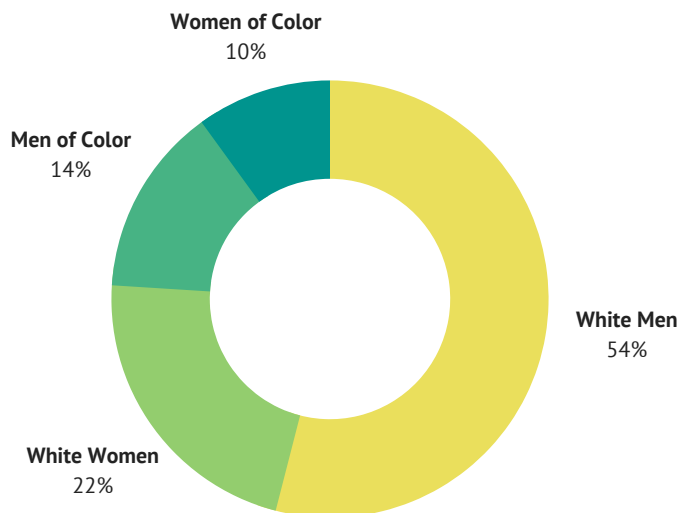
**POC led firms
employ more
women, compared
to white led firms.**

40% of portfolio managers at POC led firms are women, compared with 28% at white led firms.

45% of staff at POC led firms are women, compared with 41% at white led firms.

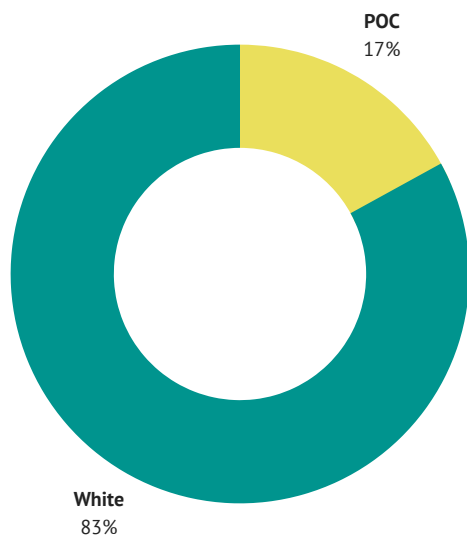
Findings: Board Level Data

Out of 79 board members representing 15 Firms' Boards of Directors:



In our dataset
0
firms are employing any
Indigenous or Native
American people in their
workforces or Boards.

White led firms
Board of Directors composition



POC led firms
Board of Directors composition



- **White** people comprise 39% of the boards in POC led firms, and 83% of the boards in white led firms. White people make up 59% of the U.S. population.
- **Latinas/Latinos** comprise 0% of the boards in POC led firms, and 2% of the boards in white led firms. Latinas/ Latinos make up 18% of the U.S. population.
- **Black** people comprise 39% of the boards in POC led firms, and 9% of the boards in white led firms. Black people make up 14% of the U.S. population.
- People identifying as **AAPI** comprise 0% of the boards in POC led firms, and 3% of the boards in white led firms. People identifying as AAPI make up 4% of the U.S. population.
- People identifying as **Arab or Middle Eastern** comprise 15% of the boards in POC led firms, and 0% of the boards in white led firms. People identifying as Arab or Middle Eastern make up 2% of the U.S. population.
- People identifying as **South Asian** comprise 8% of the boards in POC led firms, and 3% of the boards in white led firms. People identifying as South Asian make up 2% of the U.S. population.

Observations and Analysis

For decades, the SRI community has engaged meaningfully with companies on research, advocacy, benchmarking, and problem-solving to improve environmental, social and governance (ESG) outcomes for the planet we all share. **People of color, who have historically been harmed first and worst by corporate irresponsibility, environmental destruction, and unfair hiring practices, have long been leading the fights for environmental and social change. Yet, our data shows that most of our firms are maintaining exclusionary, predominantly white environments that are failing to employ people of color. Until our industry addresses its racial inequities, our work will continue to fall short.**

Silence Around Race

One firm who was initially willing to participate in this study ultimately told us that racial data about its employees is proprietary information, and declined to share that data with us directly. This firm instead referred us to photos on their website to deduce the racial demographics of its employees. In our experience, using website photos to determine race and gender data about companies' workforces and Boards is common in our industry. This raises several points for us to consider within our own firms, and as we engage public companies on Diversity, Equity and Inclusion (DEI) issues:

- Using website photos to identify the racial identity of Board members and staff at companies is a problematic – yet common – practice. **In addition to being imprecise, the practice of using website photos to deduce racial demographic information is indicative of a larger discomfort in our industry to speak directly about issues of race.** This discomfort is also expressed through a lack of any formal data collection process about the workforces in our industry. This brings up interesting points for reflection:

The idea that racial demographic data is proprietary only serves to hide racial inequities in our industry.

- There is no standardized process for companies in our industry to disclose demographic data.
- Companies may not feel comfortable asking their employees how they racially identify, either because it is taboo to talk about race, and/or because racial diversity is not a priority.

Observations and Analysis



Who reports on Identity?

Our industry could benefit from identifying best practices for collecting and disclosing demographic information. We believe that it is important for individuals to self-report their own identity, otherwise inaccuracies and avoidance are inevitable.

The “Pipeline Problem” Myth

Of note, the representation of people of color at POC led firms offers a counter to any argument about the so-called “lack of POC talent” in our industry, often referred to as a “pipeline problem.”



Observations and Analysis

Limitations of Data:

- We did not give firms criteria on how to collect demographic data, so companies may have collected that data in different ways. The variance in the data collection process poses many possible limitations, including the possibility of missing data and/or inaccurate data.
- We asked companies to self-report employee demographic data using U.S. Census categories.³ Since census categories are not inclusive, some firms added categories that are more representative of their firms' employees identities. So that we could more accurately compare to the US population, we added those categories based on data from NGOs that represent Southeast Asian and Arab/Middle Eastern populations.
- U.S. Census categories have continued to change over time, and may not accurately capture the racial identities of all people living in the U.S. For example:
 - People of European, Middle Eastern or North African descent are categorized as white by the U.S. Census, rendering invisible European, Middle Eastern or North African Census participants who identify as people of color. In this data collection process, we added racial and ethnic categories from the Arab American Institute⁴ to reflect the self reported data from the mutual fund companies that did not align with U.S. Census categories. The categories remain very broad, and still may not provide accurate information about the racial and ethnic identities of all employees in the dataset.
 - “AABI” (Asian American and Pacific Islander) is an extremely broad category that incorporates many identities, including and not limited to people who identify as Chinese, Japanese, Korean, Vietnamese, Filipino, Hawaiian, Samoan, and more. Like other broad racial and ethnic categories, the use of AAPI as a category may hide the lack of representation among some Asian groups in our industry because it is used as a catch-all, and the experiences of Asian people in our industry and beyond are not monolithic.⁵

³ White, Black/African American, American Indian/Alaska Native, Asian, Native Hawaiian or Other Pacific Islander

<http://www.census.gov/topics/population/race/about.html>

⁴ <http://www.aaiusa.org/demographics>

⁵ <http://www.pewresearch.org/topics/asian-americans/>

Conclusion

Those of us who have historically held institutional power — those of us with racial privilege, white people — may currently be ill-equipped to see the depths of the harm that need to be addressed or to envision the corresponding solutions.

As a predominantly white industry, we have not (yet) applied our collective rigor toward understanding how companies reinforce racial inequities through their corporate policies and practices, products and services, nor toward understanding how our industry replicates racial inequities in our own decision-making — including, but not limited to, the racial inequities in our own firms.

We believe the root cause of the lack of racial diversity in our industry is a deeply entrenched system of racial bias that impacts each of our firms, every company we engage, and our society broadly.

We encourage SRI companies to take an active and participatory stand to create a more racially equitable workplace, starting by examining how we became a racially exclusionary industry, and by examining the impact. We acknowledge every firm is different and we urge every firm to attend to this question in their own way. We encourage you to start conversations within your own organizations and think about how to improve.



What now?

As a starting point toward a deeper examination of racial and gender disparities in our industry, we urge all SRI companies and organizations to collect and publicly disclose the gender and racial breakdown of their workforces and Boards.

Resources for Continued Learning

Reference Guide:

[Continuum on Becoming an Anti-Racist Multicultural Organization](#) by Crossroads Ministry

Self Assessment Scale:

[Racism Scale: Where do you fall?](#)

Book:

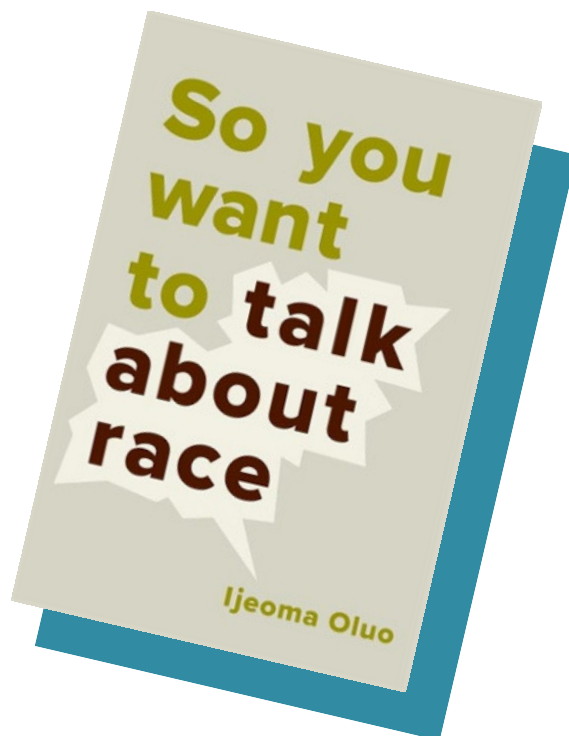
[So You Want to Talk About Race](#) by Ijeoma Oluo

Book:

[White Fragility](#), by Robin DiAngelo

Podcast:

2050 Trailblazers. *Episode of particular note in this context:* [How to Build an Inclusive Hiring Process in the Financial Planning World](#) with Katie Augsburger



Equity Consultants:

[Ready Set](#) is a company dedicated to shifting corporate culture to be inclusive and equitable.

Equity Consultants:

[Danielle Burns](#) at Walking on the Glass Floor

Article:

[Women of Color Get Asked to Do More “Office Housework.” Here’s How They Can Say No](#) by Ruchika Tulshyan, *Harvard Business Review*

Report:

[Women in the Workplace 2018](#), McKinsey

Report:

[The Competitive Advantage of Racial Equity](#) by FSG and PolicyLink

Article:

[Language of Appeasement – Diversity and Inclusion vs. Equity and Social Justice](#) by Dafina-Lazarus Stewart



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Renee is the Director of Impact at Impact Investors. She has been a financial advisor in the Sustainable and Impact Investing industry for 18 years, including running her own

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Danielle is a passionate and experienced financial business development and marketing professional with 20 years of experience in corporate communications, brand management,

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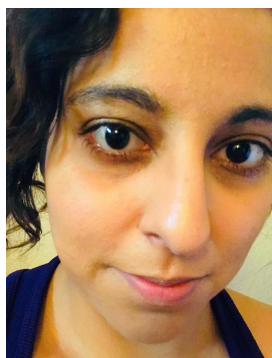


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Sonya Dreizler, the founder of Solutions With Sonya, partners with financial services firms to drive rollout, adoption, and growth of Impact Investing,

ESG, and SRI solutions. Her clients include RIAs, BDs, custodians, mutual funds, and fintech companies. She also authors Connected Investing, a popular weekly newsletter covering Impact Investing, ESG, and SRI news, trends and interviews. Sonya is a former financial services CEO with 15 years of industry experience.



Nami Thompson, Expert Advisor

Nami is a facilitator of diversity, inclusion, and civic engagement in Boulder, CO. Her approach is rooted in collective liberation. Nami also works with the Colorado Public Health Association to disseminate research-based strategies for addressing the upstream causes of health inequity.