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Building Authentic Sustainability Credentials - all roads lead to culture

September 2022

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Introduction





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Introduction

tml Partners' ESG breakfast roundtable brought together senior marketers in investment management. They used the forum to discuss the importance of nurturing and demonstrating culture as a key aspect in building authentic sustainability credentials and addressing some of the key challenges facing the investment management industry today.

The session opened with a presentation from Benjie Elston, Director, Head of Sustainability at White Marble, followed by an engaging debate among attendees, chaired by Twink Field, CEO and Founder of White Marble.



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Hosts:

Twink Field – White Marble Consulting

Benjie Elston – White Marble Consulting

Emma Morrison – tml Partners

Rebecca Vogel – White Marble Consulting

Seb Wainwright – tml Partners

Simon Bassett – tml Partners

Participants:

Andrew Kelly – Coller Capital

Caroline Wells – CBRE Investment Management

Colin Bennett – GAM

Courtney Waterman – Publicis

David Bower – FE fundinfo

Hazel Pitchers – Merakiting Ltd

Kristen Burt – K Burt Consulting Ltd

Martin McGovern – UBS Asset Management

Nic Basson – Old Street Digital

Rose Hargreaves – 7IM

Ross Duncton – Columbia Threadneedle

Paul Van Eynde – BNP Paribas Asset Management



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Presentation overview





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The evolution of brands

The concept of what a brand is, and stands for, has evolved significantly over the past few decades. From the 80s style of brand building and marketing where there was an understanding that you had a corporate message and that you sent it from a to b, and the recipient received this information as intended with little emotional value or connotations.

In the 90s and early 2000s we saw a shift to a more human focus, when the consumer was placed at the centre of a brand's identity, and personality & identity became important factors at play.

Brands today need to represent their communities, and respond rapidly to technical, environmental and cultural shifts.

As investor awareness of, and demand for, sustainability and ESG has increased, and investment and asset managers have become more aware of their responsibilities in this regard, there has been an observable shift in our industry. Many brands are reorientating their messaging to incorporate sustainability more overtly into their brand identity and messaging. This has led to a saturation of the market around sustainability and future-oriented messaging. Interestingly, this is not necessarily happening among those seen to have 'leading' sustainability credentials.

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An evolving landscape

Regulation and associated reporting requirements are evolving at pace, but there is significant variation across the globe.

From SFDR in Europe and the incoming SDR in the UK, to proposed taxonomies in the US and Asia, investment firms are having to deal with an increasing range of terminology and product categories, some of it contradictory in nature.

This will mean global firms with a presence in the US, UK, Europe and Asia are potentially looking at having to classify their products, and disclose their corporate activity, in at least four different ways.

If firms are to retain their identity across borders in the face of such regionalised linguistic and reporting requirements, building and demonstrating a strong culture is crucial.

Much delayed SDR (Sustainable Disclosure Requirements) coming into play in 2023 in the UK also propose including disclosure requirements that demonstrate sustainable credentials at a corporate level in order to successfully classify a product as sustainable.



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Diversity is nothing without equity and inclusion

In 2022, we are still seeing regular headlines and scathing exposés calling out major firms in the investment industry for their discriminatory cultures and normalisation of abusive behaviour.

Diversity means nothing without equity and inclusion – and this requires a culture that is open and willing. Corporate performance only benefits from diversity within an equitable and inclusive culture.

THE  TIMES
Pinned to the wall, mooded at like a
cow – my hell at Goldman Sachs

**FT  FINANCIAL
TIMES**
Ex-BNP banker wins £2mn
payout for gender discrimination

THE  TIMES
Woman wins tribunal case after
boss leered at breasts

Bloomberg
Barclays hit with race
discrimination claims in London

 REUTERS
Former exec sues CIBC for \$1 million
over sexual racial discrimination

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Culture needs to be a unifying element

There are many aspects a business needs to consider when thinking about its corporate responsibility. This framework, adapted from Archie B Carroll's pyramid of corporate social responsibility, is a useful tool to help businesses think about their priorities from the ground up.

Regardless of the order in which an individual business may see these elements (and there is certainly no correct version), the common thread that runs through them to create an authentic, meaningful and effective brand proposition, is culture.





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Culture as a moral issue, a regulatory issue and **a differentiating issue**

Culture is too broad a topic to cover in justice in the time available. Given its relevance and clear priority to many business, we took diversity as a proxy for cognitive diversity and culture, and showed how to break it down into different lenses.



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Diversity as a moral issue

This concerns issues and policies such as equal opportunities hiring and commitments to inclusive environments for all societal groups.

This is not where firms can, or should, be trying to differentiate themselves. In a way, seeing homogeneity here is a good thing, operating a fair and inclusive workforce should not be a differentiating factor, it should be the norm. Some of the many and varied initiatives, commitments and frameworks that leaders in this space are engaging with are:



civic alliance



VERCIDA GROUP

CEO ACTION FOR DIVERSITY & INCLUSION

girls who invest®



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Diversity as a regulatory issue

Regulators and listing authorities across the globe are increasingly requiring firms to disclose diversity statistics. Some examples include:

Nasdaq's Board Diversity Rule

All operating companies listed on Nasdaq's US exchange are required to publicly disclose diversity statistics regarding their board of directors.

Nasdaq

UK gender pay gap reporting

Any employer who has a headcount of 250 or more must comply with regulations on gender pay gap reporting. This requires employers to annually report and publish specific figures about their gender pay gap.

Gov UK

SFDR Social Taxonomy

Following the format of the EU's Green Taxonomy, the Social Taxonomy will seek to define what is classifiable as a social economic activity.

EU Platform on Sustainable Finance


FCA Women in Finance Charter

An initiative by HM Treasury that seeks to increase the representation of women in the financial services sector, particularly at senior levels.

FCA

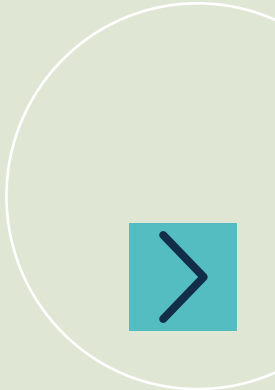
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Diversity as a differentiating issue



While there is a requirement for firms to collectively raise standards of diversity, equity and inclusion from a moral perspective, there is little value in throwing resource at trying to shout louder in a crowd. To build differentiation, firms need to align behind key strategic objectives where they have a voice; where they have authenticity, have something different to say, and can take a truly long-term view.

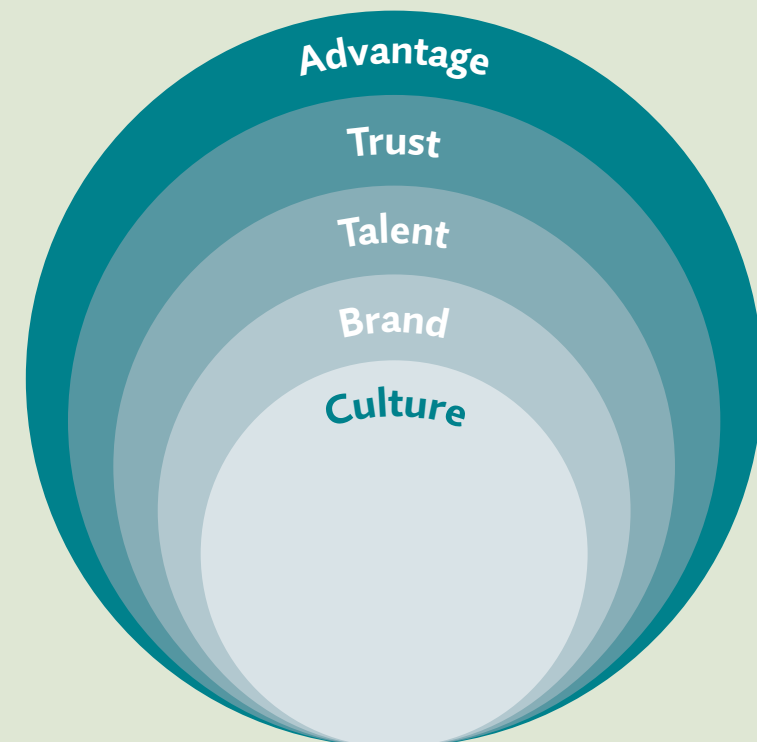
To differentiate on culture, firms need identify what it is they want to be known for, take a stance on, and where they are willing to go beyond regulatory requirements or industry standards.



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In summary – culture and your competitive advantage

- Brands are less about what you do and more about the who, how and why.
- Strong cultures and clear values attract and keep the best talent.
- The quality of your people underpin your clients' experience with your brand.
- The ability and stability of your people determines client satisfaction and trust.
- Gaining client loyalty and growing advocacy is intrinsically linked to culture.





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Discussion



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The second half of the event was dedicated to a group discussion that covered the importance and role of culture in businesses, and some of the challenges and solutions that the leaders in the room experienced.

The key points discussed included:



The importance of role models to foster diversity

The importance of empathetic leadership

The challenges of building and maintaining culture

The importance of education

The changing priorities of jobseekers

The tension between brand consistency and regional/client type variation

The intersection of culture and being genuinely client-centric

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Role models

Role models are naturally crucial to foster diversity – both at the board level and within the business. However, it's often the culture – not the role models – that need to change.

Longevity is also really important, role models have greater influence when they are visible and present over a sustained period of time – from a corporate perspective, this is also a strong indicator of a good and supportive culture.

Examples from 7IM & GAM

7IM – “Showcasing evidence of greater gender diversity on our website led to a marked increase in diverse (female) applicants and (subsequently) hires at all levels of seniority.”

GAM – “Diversity at board level is having a direct and visible impact on diversity throughout the business – yes there is a need to make change from the ground up, but the speed and scale of impact with c-suite buy in should not be underestimated.”

Challenges to marketing diversity

Risk of looking like you are virtue signalling/
showcasing token diverse individuals who are not representative of the business as a whole.

Risk of losing high quality people when they are extensively promoted, either because they get poached or because they feel uncomfortable being showcased in this way.

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Leadership

- Leadership has an enormous impact on culture as the behaviour of people at the top sets the tone for what is acceptable and deemed appropriate throughout the whole business.
- Businesses in financial services have not always been very good at choosing their leaders – the skills that make a good fund manager or CIO are not necessarily the same skills that make a good CEO.
- There is a different skill set, built around empathy and open-mindedness that is arguably essential to fostering good culture.
- Culture can take years, even decades to build yet can be destroyed in a matter of months by bad leadership.
 - Example: “When a new CEO came into the business with a background of running money ... they brought a different attitude and were much more vocal ... shouting at people for mistakes. Within months, the whole company was shouting at each other ... and the culture was destroyed.”

The challenges of building and maintaining culture

- Building culture is hard work and it is a misnomer that it should be an organic and spontaneous thing.
- It is now harder, if not impossible, to seek differentiation as a business that promotes and allows flexibility when hybrid/flexible working is virtually standard across the industry.
- Hybrid/flexible working also presents challenges to building and continuing culture and identity, especially for new joiners, as employees spend less time in the office together and unplanned social events are less frequent.
- Behaviours that are tolerated are a key aspect of culture. We need to have the confidence to say no – to a client, to a behaviour, to an individual (a challenge when key distribution or investment individuals may have outsize influence)
- There are different and amplified challenges of building and maintaining culture in larger organisations:
 - Not knowing all employees and colleagues sets a very different tone from smaller, more intimate workforces
 - Companies that cross geographic borders and therefore have to deal with regional, cultural and perhaps linguistic variations. What may be deemed an optimal working environment in one culture is not necessarily the same for another.



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The importance of education

- One of the major challenges to building a more inclusive and equal culture is the lack of availability of diverse candidates with the relevant skills and experience.
- This has partly been driven by the traditional recruitment grounds for roles in financial services being focused on existing networks and students of STEM subjects in higher level education. Both these areas are traditionally male, middle class and Anglo-Saxon.
- It is therefore crucial to support organisations that are working to overcome stereotypes and to create opportunities for minorities/demographics not traditionally offered to them to explore careers in financial services. Examples include:



girls who
invest®



In²science^{UK}



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The changing priorities of job seekers

- Job seekers are prioritising culture and work-life balance when assessing potential roles and employers, even within remuneration-focused sectors such as investment management. This is true throughout age-groups and is likely tied to the changes many office workers experienced during Covid-19 lockdowns. For younger generations, there are also higher expectations of prospective employers' social and environmental activities and commitments.
- Edelman Trust Barometer – looking at why people are leaving/considering leaving roles. The majority cite wanting to work in a culture that is better aligned with their values and lifestyle. [Edelman Trust Barometer 2021](#)

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The tension between brand consistency and regional/client variation

- Many marketing departments with global remits face an ongoing challenge to maintain a unified and identifiable brand and culture, while also adapting and flexing as required for different client segments in different regions. To address their needs and speak their language (literally and figuratively) while staying true to their core identity.
- Many firms also face challenges to maintain relationships with existing stakeholders, in many cases from older generations, who appreciate and expect a certain version of culture and client service, while also preparing for/appealing to their clientele of the future. This is true both for clients and employees.

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Snapshot – United States

This is especially true for brands with a core sustainability/ESG tenet to their identity who have a presence in the United States currently, where an anti-ESG ‘backlash’ is prompting many to significantly tone down ESG messaging, particularly at a product level. Meanwhile, many institutional investors continue to ask increasingly detailed and probing questions of firm-level sustainability commitments and metrics, especially regarding DE&I in the United States.



Brands in this situation, and the marketing departments within them, face a challenge to support their sales and investor relations colleagues while also:

- Staying true to their core beliefs as a business (and not falling into the trap of saying only what they think their clients want to hear)
- Continuing with their sustainability agenda and projects at a corporate level
- Continuing with longer term product development pipelines
- Responding to the needs of other client types who are seeking greater disclosure and evidence of commitment to a sustainability agenda

The reasons for doing so are two-fold. To remain true to their core values, and to ensure they are well positioned as and when sentiments swings the other way and ESG is back in favour in this region.

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The intersection of culture and being genuinely client-centric

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- Client-centricity has become one of those tropes every asset manager rolls out as part of their messaging; it is essentially a regulatory requirement seen as a key brand tenet. However, a truly client-centric culture shouldn't need to keep referencing it. This takes us back to the power of strong marketing and the ability to show rather than tell a client/prospect what your core values/brand attributes are.
 - It takes both confidence and strong principles to (a) be honest about who you want as your clients and (b) to face your clients when performance is behind the market because of investment decisions made inline with principles beyond pure risk and return. To have this level of transparency and commitment is to be truly client-centric, and requires a culture that respects and encourages these decisions.
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Final observations

In a highly saturated and homogenous market, culture is one of the few remaining arenas where brands can compete and show genuine differentiation.

Culture...

- Reflects the beliefs, qualities and governance of leadership
- Determines whether you are truly client-centric
- Is built on the values you share and the actions you take/tolerate
- Informs how you attract and retain talent
- Demonstrates your authenticity, internally and externally

Ultimately, the winners will find a way to both measure it and articulate its value



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The hosts – tml Partners

tml Partners is an international, award winning executive recruitment firm specialising in senior marketing appointments.

We are proudly B Corp Certified which means we have to meet the highest standards of social and environmental impact

Harnessing a unique and dynamic approach to recruitment, tml Partners are a team of highly experienced marketing recruitment consultants who specialise in finding the right talent to fill senior marketing positions across the globe. With operations across Europe and the US, our specialist marketing recruiters excel in filling these crucial roles with proficiency and speed unrivalled by generalist headhunters or in-house resourcing.

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The hosts – White Marble

White Marble Consulting is end-to-end marketing partners who help investment managers define, develop and implement marketing strategies. Our integrated thinking spans a range of marketing disciplines, enabling us to embed best practice in all projects.

We are financial marketing experts with deep industry knowledge and specialist expertise. From strategy to implementation, we help you embed marketing best practice.

We partner with asset and wealth managers of all sizes, across Europe, the US and Asia.

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Thank you