A REVIEW OF DIVERSITY AND INCLUSION PERFORMANCE AT AMERICA'S LARGE INVESTMENT FIRMS

HYBRID HEARING

BEFORE THE

SUBCOMMITTEE ON DIVERSITY AND INCLUSION

OF THE

COMMITTEE ON FINANCIAL SERVICES

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A REVIEW OF DIVERSITY AND INCLUSION PERFORMANCE AT AMERICA'S LARGE INVESTMENT FIRMS

Thursday, December 9, 2021

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DIVERSITY AND INCLUSION,
COMMITTEE ON FINANCIAL SERVICES,
Washington, DC

The subcommittee met, pursuant to notice, at 11:04 a.m., in room 2128, Rayburn House Office Building, Hon. Joyce Beatty [chairwoman of the subcommittee] presiding.

Members present: Representatives Beatty, Pressley, Lynch, Tlaib, Dean, Garcia of Texas, Williams of Georgia; Wagner, Budd, Gonzalez of Ohio, Rose, and Timmons.

Ex officio present: Representative Waters.

Chairwoman BEATTY. The Subcommittee on Diversity and Inclusion will come to order.

Without objection, the Chair is authorized to declare a recess of the subcommittee at any time. Also, without objection, members of the full Financial Services Committee who are not members of this subcommittee are authorized to participate in today's hearing.

As a reminder, I ask all Members to keep themselves muted when they are not being recognized. The staff has been instructed not to mute Members, except when a Member is not being recognized by the Chair, and there is inadvertent background noise.

Members are also reminded that they may only participate in one remote proceeding at a time. If you are participating today, please keep your camera on. And if you choose to attend a different proceeding, please turn your camera off.

Today's hearing is entitled, "A Review of Diversity and Inclusion Performance at America's Large Investment Firms."

I now recognize myself for 4 minutes to give an opening statement.

When I became Chair of the first-ever Subcommittee on Diversity and Inclusion, asset management was high on the list of priorities that I wanted the subcommittee to focus on, not only because of power, wealth, and the jobs it creates, but also because of the limited data available in this space suggesting it was one of the worst performers on diversity and inclusion within the financial services sector.

Last Congress, as you will remember, we held a hearing on diverse asset management and heard from: researchers at the Knight Foundation; the founder of the largest African American-owned asset management firm, John Rogers; and the Chicago pension system, a leading institutional investor in diverse asset management.

While this hearing demonstrated the breadth of the problem, we need to hear directly from the country's largest asset managers themselves and give them the opportunity to present us with their own data. That is why I want to thank our Full Committee Chairwoman Maxine Waters. Earlier this year, she and I worked together, and through her leadership, we sent a letter to the country's 31 largest asset management companies with more than $47 trillion in asset management requesting their diversity data, and their policies and practices.

After months of analysis, the committee staff published a report earlier this week entitled, "Diversity and Inclusion: Holding America's Largest Investment Firms Accountable." This wide-ranging report accounts for how America's largest asset management companies approach diversity and inclusion with respect to their workforce, their boards of directors, procurement, asset management, underwriting, and practices and policies.

Also, it includes several recommendations that Congress, regulators, and companies can take to help ensure a more diverse and inclusive asset management industry.

Now, here is what we have been waiting for: This report found that women and minorities are underrepresented in C-suites and on the boards of America's largest asset management firms.

A little data: With women, representing 27.5 percent of the C-suites and 28 percent of the board seats, and minorities representing 17.3 percent of the C-suites and 17.5 percent of the board suites, only a third of the companies reportedly tracked diversity data with regards to the asset management firms they do business with, and thus their business diversity. They reported spending an average of .57 percent of total asset management services with women-owned businesses and 3.9 percent on minority asset managers. Only 21 percent of the companies reporting tracked diversity data with regards to the underwriting firms with which they do business.

These findings reinforce what we heard from John Rogers, who sat where you are sitting now to testify, when he said, "We must tackle inequality through business opportunity."

While this report and this hearing will not transform the industry overnight, we seek to bend the arc of progress and expand employment and business opportunities for both men and women, and minorities, by opening eyes and drawing attention to the glaring inequities in this corner of our society.

And as I wrap up, let me simply say thank you to the witnesses today, and thank all of the firms that participated in the data submission for this report, and I look forward to hearing the testimonies of our witnesses today.

Now, it gives me great honor to recognize the ranking member of the subcommittee, a colleague, a friend, and someone who takes diversity very seriously, and I am pleased to now yield to the Honorable Ann Wagner for 5 minutes for an opening statement.

Mrs. WAGNER. Thank you, Chairwoman Beatty. You have been a tremendous friend and colleague in this space and so many others.

I want to thank our witnesses also for appearing before this subcommittee to discuss diversity within the asset management industry.

Studies have shown that across the financial services industry, companies with a diverse workforce out-perform their less-diverse peers. A study conducted by Sheen Levine, a professor at Columbia University, found that, "ethnically diverse trader teams priced assets more accurately, therefore yielding higher returns; while ethnic homogeneity promoted conformity and mispricing."

Despite strides in diversity and inclusion across the banking sector, women and minorities within America's asset management sector are still underrepresented. Progress is being made, however, and today's witnesses will provide us with their strategies that have proven successful, and also the challenges their firms face in hiring and retaining a diverse workforce.

When looking at the report and the data gathered from 31 U.S. firms, it is important to remember that every firm has its own story to tell. While an initiative or a program may yield positive results for one firm, it may not for another. As Mr. Pan, the President and CEO of the Investment Company Institute, said in his testimony, some of their members have been engaged in this area for many years and are leaders. But he also has members who have more recently begun to engage on this issue.

Today's hearing should remain focused on what is working, what needs improvement, and also learning about the overall benefits of a diverse workforce.

In 2019, I requested a GAO study to assess how firms are supporting increased participation among women in STEM programs at the secondary, the undergraduate, and the graduate levels, and what best practices firms are using to recruit and retain women with STEM degrees.

Earlier this year, the GAO published this study, which I would request be submitted for the record, Madam Chairwoman.

Chairwoman BEATTY. Without objection, it is so ordered.

Mrs. WAGNER. The study found that several factors affect women's participation in STEM degree programs, along with a career in the financial services industry. After over a year of research and interviews with stakeholders, this report outlined factors that include young girls' early exposure to STEM topics, access to resources such as computers and high-speed Internet, and even a sense of whether they belonged in the STEM degree programs.

This report also found that in order to encourage elementary or high school girls to learn about STEM, many financial services firms provide funding and other support to non-profit organizations that focus on increasing girls' participation in STEM, such as ICI's partnership with Girls Who Invest. With this support, non-profit organizations introduce girls to coding and basic programming and other activities that may inspire an interest in STEM education.

We also learned that firms offer scholarships to women in STEM, sponsor conferences, and work with colleges and universities to recruit women with STEM degrees.

We should be encouraging more partnerships such as those mentioned in this GAO report that I requested. Firms that make the effort to promote interest among women in both STEM and financial services will reap the rewards.

I look forward to our further discussions, Madam Chairwoman, with our witnesses, about how we can include more women in the financial services industry talent pool, and the work that they are already doing in this space.

Thank you, and I yield back.

Chairwoman BEATTY. Thank you.

Now, I have the opportunity to recognize the Chair of the full Financial Services Committee, a national leader in diversity and inclusion who is committed to making a difference, and who is also a founder of this first-ever Diversity and Inclusion Subcommittee, none other than the gentlewoman from California, Chairwoman Maxine Waters.

I yield to you for 1 minute.

Chairwoman WATERS. Thank you so very much, Chairwoman Beatty. I am so proud that your efforts have culminated in yet another groundbreaking report, this time on the diversity of our nation's largest investment firms.

In March 2021, Chairwoman Beatty and I sent letters to 31 firms that manage more than $400 billion in assets and requested their diversity and inclusion data, practices, and policies. The firms in this report oversee assets totaling more than twice the size of the United States' gross domestic product (GDP). They invest the retirement savings of millions of Americans and drive investment in companies and communities.

The committee's report makes it clear that these firms have much work to do in transparency, and accountability is the path to progress.

So, I look forward to discussing the findings of this report. And again, I thank you so very much, Chairuwoman Beatty, for the progress that you are making in this whole area of diversity and inclusion.

I yield back the balance of my time.

Chairwoman BEATTY. Thank you, Madam Chairwoman.

We will now recognize and welcome the testimony of our distinguished witnesses: Ms. Michelle Gadsden-Williams, managing director and global head of diversity, equity and inclusion with BlackRock; Mr. Eric Pan, president and CEO of the Investment Company Institute; Mr. Ronald Parker, president and CEO of the National Association of Securities Professionals, better known to many as NASP; Mr. Cyrus Taraporevala, president and CEO of State Street Global Advisors; and Mr. Michael Clements, Director of Financial Markets and Community Investment at the Government Accountability Office (GAO).

Please, to all of the Members and those watching, we are having a hybrid hearing, so there are people seated with us in the room, and I will direct your attention to the screen.

Witnesses, you are reminded that your oral testimony will be limited to 5 minutes. You should be able to see a timer on your screen that will indicate how much time you have left, and a chime will go off at the end of your time. I would ask that you be mindful of the timer, and quickly wrap up your testimony if you hear the chime, so that we can be respectful of both the witnesses' and the subcommittee members' time.

And without objection, your written statements will be made a part of the record.

With that said, Ms. Gadsden-Williams, you are now recognized for 5 minutes to give an oral presentation of your testimony.

STATEMENT OF MICHELLE GADSDEN-WILLIAMS, MANAGING DIRECTOR AND GLOBAL HEAD OF DIVERSITY, EQUITY AND INCLUSION, BLACKROCK

Ms. GADSDEN-WILLIAMS. Chairwoman Beatty, Ranking Member Wagner, Chairwoman Waters, Ranking Member McHenry, and distinguished members of the subcommittee, my name is Michelle Gadsden-Williams, and I am the global head of diversity, equity and inclusion at BlackRock. Thank you for the opportunity to testify on BlackRock's behalf in terms of our diversity, equity and inclusion (DEI) initiatives.

DEI is core to our purpose, and I am pleased to appear before you today to discuss our commitment and our ongoing efforts in this critical area.

I have spent over 30 years of my career leading DEI strategies for several multinational organizations in different industries in the U.S. and abroad. So, I understand the complexities and nuances, as well as the challenges of this work across businesses and cultures.

I chose to join BlackRock in September of last year because I was convinced the organization truly wants to accelerate progress in DEI holistically. From our perspective, DEI is a critical business imperative that will position us and all of our key stakeholders for greater success in the long term.

Now that I have been with BlackRock for 15 months, I continue to be impressed, but more importantly inspired, by our unwavering leadership and steadfast commitment, our movement with a real sense of purpose and urgency around issues pertaining to our people and our culture, and our relentless focus to ensure that DEI is not simply about doing the right thing or limited to talent and culture only.

To be clear, we still have a lot of work to do at BlackRock. But through our continued commitment and focus, I know that we are on the right path to making meaningful and sustained progress.

We have instituted a multi-year DEI strategy which closely aligns with our business imperatives, and has three distinct pillars. I will briefly touch on those areas where we have made progress, and also on our areas of opportunity. My written testimony includes more detail on each of these things, as well as other aspects of our DEI strategy.

First, at the core of our DEI strategy is our most important asset, our people. At the start of each year, we set public representation targets and build goals into each business' objectives. In the summer of 2020, we committed to increasing our overall workplace representation of Black and Latinx employees by 30 percent, to doubling the number of Black and Latinx senior leaders, and to increasing our senior female representation to 32.5 percent by 2024.

We are hiring women at almost parity and also achieved our initial goal of 30 percent of senior BlackRock employees being women globally. We have substantially increased the diversity of our new hires to the firm over the past year.

Second, BlackRock has increased our supplier and vendor diversity efforts from historically underrepresented groups, including companies owned by and operated by minorities, women, military veterans, disabled veterans, people with disabilities, and members of the LGBTQ+ community. We started dedicated diverse broker and manager programs to increase connectivity and engagement with firms owned by minorities, women, and disabled veterans while helping them to grow their businesses.

We also established a partnership with the Thurgood Marshall College Fund where we are donating a portion of the net revenues from BlackRock's management fee of a $7.5 billion money market fund to support students of Historically Black Colleges and Universities (HBCUs) and predominantly Black institutions.

Third, our diversity strategy also focuses on the positive impact that we can have on the long-term success and sustainability of underserved communities through policy and philanthropic efforts. We strive to lead the industry on transparency on our diversity disclosures such as by releasing Sustainable Accounting Standards Board (SASB) and EEO-1 disclosures. In 2020, the firm announced a $10 million philanthropic commitment to advance racial equity as part of the firm's long-term social impact initiatives.

Importantly, success across DEI strategies requires leadership commitment from the top, and I am proud of the support and the focus coming from our CEO, Larry Fink, our Board of Directors, and other senior leaders across BlackRock.

Thank you again for the opportunity to testify today and to allow me to share more about BlackRock's strategy. We have made meaningful progress, but we certainly recognize that there is so much more work that lies ahead to realize meaningful and substantive change. We appreciate the committee's focus on these important issues, and I look forward to answering your questions. Thank you.

[The prepared statement of Ms. Gadsden-Williams can be found on page 44 of the appendix]

Chairwoman BEATTY. Thank you so much, Ms. Gadsden-Williams.

Mr. Pan, you are now recognized for 5 minutes to give an oral presentation of your testimony.

Members, please look to the screen.

STATEMENT OF ERIC J. PAN, PRESIDENT AND CEO, INVESTMENT COMPANY INSTITUTE (ICI)

Mr. PAN. Chairwoman Beatty, Ranking Member Wagner, Chairwoman Waters, Ranking Member McHenry, and distinguished members of the subcommittee, thank you for the opportunity to testify on behalf of the Investment Company Institute (ICI).

My name is Eric Pan, and I joined ICI as president and CEO in November of 2020. I am very pleased to be here today to share with you both ICI's and our members' commitment to increasing diversity and inclusion in the asset management industry.

ICI applauds the work of this committee to make diversity and inclusion a core pillar of ensuring that our financial system works for all Americans.

As the leading association representing regulated funds, ICI's members include mutual funds, exchange-traded funds, unit investment trusts, money market funds, and other funds publicly offered to investors in jurisdictions worldwide. With more than $40 trillion in assets under management, our members provide the investment vehicle choice to more than 100 million Americans, all seeking to create financial security and save for major financial milestones such as education, a home, and retirement.

Now, I would like to take this opportunity to actually thank you, Chairwoman Beatty, for your participation this past October in joining the ICI and industry leaders, including our Board Chair and CEO of New York Life Investment Management, Yie-Hsin Hung, when you came to discuss the importance of increasing diversity and inclusion in the asset management industry. This event was part of ICI's broader initiative to making diversity and inclusion a key priority for us as an organization and for the industry.

At this event, Chairwoman Beatty, in addressing some of the challenges the asset management industry faces in making real progress, you said that the best thing we could do is, "be transparent, be accountable, and most importantly, be proud that you are part of making a difference, making a change, and growing this wonderful America that we live in."

I fully support your statement. Across our membership, we are seeing a growing momentum in the discussion and, most importantly, in the actions of our members to make diversity and inclusion a top priority. I am seeing a commitment to intentionality and a focus on making progress.

This is reflected in the activity of ICI's own Board of Governors, which has set the tone for how important it is for us as an industry to make progress, and it is helping ICI launch initiatives to facilitate change across the industry. I would note that a discussion of diversity and inclusion is a regular agenda item at all ICI Executive Committee and Board meetings.

Now, as has been noted, some of our members have been engaged in this area for many years and are leaders in the industry in this area, demonstrating the types of initiatives, programs, and measures that work. But we also have members who have only more recently begun to engage on this issue and are trying to identify ways to make changes within and outside of their organizations.

All of this is to say that we as an industry are a work in progress in developing the strategies, practices, and actions that will achieve enduring results. In my written testimony, I discuss three core themes about the industry's work on diversity and inclusion, which also happen to track with the subcommittee's focus on examining the financial services industry more broadly. Given time constraints, let me just highlight them here.

The first theme is disclosure, which ICI believes enables the industry to have a fact-based dialogue on diversity and its impact on the industry and its investors.

The second theme discusses the industry's efforts around measurement and benchmarking to make meaningful progress toward creating a more diverse and inclusive industry in fund management and in fund governance.

The last theme is an overview of the initiatives that ICI and the industry have launched to make meaningful progress toward ensuring that women and people of color are fully represented at every level of the asset management industry.

In closing, I want to reiterate that the asset management industry plays a significant role in improving the financial well-being of investors by helping them build security. We are well-positioned to support women and people of color, and also to break down the barriers within the industry. Clearly, the industry must improve in this area, and we are working toward that goal, including at ICI.

Thank you for the opportunity to address the subcommittee today, and I look forward to answering your questions.

[The prepared statement of Mr. Pan can be found on page 52 of the appendix.]

Chairwoman BEATTY. Thank you very much, Mr. Pan, and thank you for quoting me at the conference. I greatly appreciate it.

Mr. Parker, you are now recognized for 5 minutes to give an oral presentation of your testimony.

STATEMENT OF RONALD C. PARKER, PRESIDENT AND CEO, NATIONAL ASSOCIATION OF SECURITIES PROFESSIONALS (NASP)

Mr. PARKER. Thank you, and good morning. First, I would like to thank the U.S. House of Representatives Financial Services Subcommittee, and particularly Chairwoman Maxine Waters, Chairwoman Joyce Beatty, and Ranking Member Ann Wagner, for having me testify today.

My name is Ronald C. Parker, and I serve as the president and CEO of the National Association of Securities Professionals, a trade association that advocates for and supports the development of ethnic minorities within the financial services industry. We work on behalf of over 600 members across the country, with our members coming from large and small firms, and covering all asset classes.

I am here today to share some information about the current state of the industry when it comes to ethnic minority representation, to share some facts around the realities of minorities in the industry and some solutions that the NASP organization supports to bolster inclusion and equality in the financial services industry.

I would like to make four points in my remarks.

Point one. There are substantial resources, over $100 trillion, that are under the control of governments, endowments, companies, and other institutions that are managed by third-party investment professionals. While minority- and women-owned asset management firms make up 8.6 percent of this sector, they only manage about 1.8 percent of all assets under management.

Point two. We all understand that the consultants, asset managers and others owe a duty of fiduciary care when selecting asset managers and must pick top-performing, trustworthy managers. However, we know that the minority-owned firms produce some of the best results in the industry, often with fewer resources. Yet, according to the magazine, Institutional Investor, and research done by the Knight Foundation, as mentioned earlier, these organizations are stuck managing pennies on the dollar.

Point three. We also find that the request for proposal (RFP) process requires high levels of assets under management to even consider minority-owned smaller firms for investment opportunities. According to that GAO report that Congresswoman Wagner mentioned, the minimum size requirements for assets under management could potentially exclude smaller minority- and women-owned firms. This process needs to be addressed.

Point four. While these two patterns note the impact of the financial services industry directly, we also believe that the overall support of business supplier diversity will be a key to minority asset managers' success as well. It is imperative that public, private, and non-profit enterprises embrace business diversity by increasing the utilization of business diverse-owned professional services firms in addition to working within diverse businesses of their traditional procurement.

Now, for solutions.

NASP supports the passage of the Diverse Investment Advisors Act, spearheaded by Chairwoman Beatty and championed by the NASP Legislative Committee, that was put forth in 2019. By establishing this, "Rooney Rule," or, we would suggest, "Beatty Rule," these firms will be guaranteed the opportunity to make their case alongside other firms in the process that is less about longstanding relationships and more about bringing new investment philosophies and strategies to the table.

This legislation would specifically address the issues of fiduciary care by ensuring that the top-performing minority- and women-owned firms, regardless of ownership, have access to the same RFP process and competitive processes of those firms.

NASP also stands behind the legislation to amend the Dodd-Frank Act, Section 342, by requiring that the diversity and inclusion efforts be tracked and added to the Uniform Financial Institutions rating system. This legislation would require that firms track their diversity efforts and performance, and hold accountable the person who is in the office of the CEO.

We also realize that NASP has worked very closely with the U.S. Securities and Exchange Commission, and we would like to compliment Gilbert Garcia and Garcia Hamilton & Associates for their work in recommending changes as it relates to the Office of Minority and Women Inclusion (OMWI) of the SEC.

It is our hope that through legislation, rulemaking, and data collection and analysis, we can frame and execute creative ways to address this issue. We must move from promises to practice to process.

I thank you, and I yield back my time to the Chair.

[The prepared statement of Mr. Parker can be found on page 62 of the appendix.]

Chairwoman BEATTY. Thank you, Mr. Parker, for your testimony.

Mr. Taraporevala, you are now recognized for 5 minutes to give an oral presentation of your testimony.

STATEMENT OF CYRUS TARAPOREVALA, PRESIDENT AND CEO, STATE STREET GLOBAL ADVISORS

Mr. TARAPOREVALA. Chairwoman Beatty, Ranking Member Wagner, Chairwoman Waters, Ranking Member McHenry, and distinguished members of the subcommittee, thank you for providing me the opportunity to testify today.

I am Cyrus Taraporevala, the chief executive officer of State Street Global Advisors, the $4 trillion investment management arm of State Street Corporation, headquartered in Boston, Massachusetts.

The evidence is clear that greater diversity—racial, ethnic, cultural, and gender—contributes to better corporate performance.

While I am proud of State Street's actions and achievements to date, increasing diversity and inclusion remains a work in progress for all of us, and there is clearly a lot more work ahead of us. Hence, I support the committee's efforts in this area.

In July of 2020, we announced our 10 actions to address issues of racism and inequality, which have now become an important part of our corporate culture and governance and go to the core of how we operate. I provide more details in my written statement, but here are a few highlights of some of our progress, which falls under three broad pillars.

First, for our Board and workforce, we have increased the racial diversity of our corporate board from 9 percent to 25 percent. We have adopted a global diverse candidates slate requirement for hiring of middle management and above, the U.S. version of which I am going to refer to as the Rooney Rule. We have committed to the MLT Black Equity at Work certification, and we recently announced that we will undertake a full civil rights audit to gain additional perspective and strengthen our programs and initiatives, and we now recognize Juneteenth as a corporate holiday.

Second, for our industry and other stakeholders, we enhance the diversity and effectiveness of the syndicates underwriting our corporate debt by introducing Black-, Latinx-, women-, and veteran-owned firms in issuances of $1.3 billion over the past year. We conducted an audit of our charitable foundation, resulting in our formally including racial equity as a funding focus. We have announced strategic partnerships with industry groups and non-profits A Better Chance, the National Association of Securities Professionals, the Toigo Foundation, and the Association of the Luxembourg Fund Industry, to increase representation of Black and Latinx talent in our industry.

And third, for the companies in which we invest, in 2017 we launched our, "Fearless Girl" campaign to draw attention to gender diversity in boardrooms. You may be familiar with the statue we placed on Wall Street which identified 1,500 companies lacking women on their boards, 900 of which have since added at least one woman director. In 2020, we expanded that campaign to include racial and ethnic diversity.

We have urged our portfolio companies to disclose the racial and ethnic composition of their boards, and over time, to add at least one director from underrepresented communities, and we have also called for companies to disclose their EEO-1 data on employees, which is something we do.

We have made significant progress, but, as the committee's report reveals, there remains much more to be done. Sustainable, meaningful advancements in diversity and inclusion require enduring changes to the way we all operate, and State Street, and I personally, are committed to staying that course.

Once again, thank you for the opportunity to testify today.

[The prepared statement of Mr. Taraporevala can be found on page 66 of the appendix.]

Chairwoman BEATTY. Thank you, Mr. Taraporevala, for your testimony today.

And now, Mr. Clements, you are recognized for 5 minutes to give an oral presentation of your testimony. Please look to the screen.

STATEMENT OF MICHAEL E. CLEMENTS, DIRECTOR, FINANCIAL MARKETS AND COMMUNITY INVESTMENT, U.S. GOVERNMENT ACCOUNTABILITY OFFICE (GAO)

Mr. CLEMENTS. Chairwoman Beatty, Ranking Member Wagner, Chairwoman Waters, Ranking Member McHenry, and members of the subcommittee, I am pleased to be here today to discuss our prior work addressing key practices to increase opportunities for minority and women asset managers in Federal retirement, insurance, and endowment programs.

The financial services industry provides services that help families build wealth, and is essential to the economic well-being of the country. However, GAO's prior work has shown that the financial services industry has made limited progress in increasing diversity.

Federal retirement, insurance, and endowment programs control significant financial resources which could provide opportunities for minority- and women-owned asset managers. Yet, we previously found limited participation among diverse asset managers in Federal programs.

We identified four key practices that can be used as part of an institutional investor's asset management selection process to help ensure that qualified minority- and women-owned firms are considered. We identified these key practices through a review of industry reports and interviews with State, local, and private retirement plans and foundations, and we subsequently validated these practices by obtaining feedback from experts and industry stakeholders.

The first key practice is top leadership commitment. Top leadership can demonstrate commitment to increasing opportunities for minority- and women-owned asset management firms.

The second key practice is to remove potential barriers. Investors should review policies and practices to remove barriers that limit the participation of smaller, newer firms. For example, investors could adjust thresholds for assets under management, insurance, and length of track records to ensure that requirements are proportional to the size of the firm.

The third key practice is outreach. Investors should conduct outreach to inform minority- and women-owned asset managers about investment opportunities and the selection process. For example, investors could meet with industry associations and participate in networking events with minority- and women-owned asset managers.

The fourth key practice is to communicate priorities and expectations. Investors should explicitly communicate priorities and expectations about inclusive asset management practices to staff and consultants to make sure that those expectations are met.

It is important to note that these practices do not require investors to develop allocations for minority- and women-owned asset management firms, or to change performance standards. Further, many non-Federal plans and foundations, after being interviewed, have implemented these practices to increase opportunities for minority- and women-owned firms and told us that using these practices does not conflict with their fiduciary responsibilities where the firms are selected based on their track record of performance and that they may benefit their clients.

Since our 2017 report, we have examined to what extent seven Federal retirement, insurance, and endowment programs use these practices. The Federal Reserve System, the Pension Benefit Guaranty Corporation, and the Smithsonian Institution used all four practices. In contrast, the Federal Retirement Thrift Investment Board used none of the key practices, and other Federal vendors only used some. We recommended that the Board and other entities fully implement the key practices.

In the intervening year, the Board and other entities have taken action to address our recommendations. For example, the Trustees of the Army and the Air Force Exchange Service Pension Plan issued a letter to plan consultants stating it was the trustees' intent to increase opportunities for minority- and women-owned asset managers, and requested that the consultant take action to increase opportunities for those asset managers.

Our work has shown that implementing a more inclusive selection process for asset managers can widen the pool of candidates, which can help ensure that retirement plans are identifying the best asset managers and better manage investment personnel.

Chairwoman Beatty, Ranking Member Wagner, and members of the subcommittee, this completes my oral statement. I would be pleased to respond to any questions you may have. Thank you.

[The prepared statement of Mr. Clements can be found on page 34 of the appendix.]

Chairwoman BEATTY. Thank you so much, Mr. Clements, for your testimony and comments.

I now recognize myself for 5 minutes for questions.

The first question is for you, Ms. Michelle Gadsden-Williams. As a professional with more than 25 to 30 years of experience, how important is it for someone in your position to be empowered to have a buy-in with the CEO, and with the Board? And what is your actual level of interaction with both at BlackRock?

Ms. GADSDEN-WILLIAMS. Thank you, Chairwoman Beatty, for the question. I think it is critically important that I have access and exposure to the right leaders in the organization in order to accelerate progress on DEI. I report to the Chief Human Resources Officer at BlackRock, Manish Mehta, who reports to our CEO, Larry Fink. I report regularly to our Board of Directors. I just presented to them in March when we unveiled our strategy to the entire firm and to the Board, and 6 months later, I gave them an update in terms of where we are relative to our progress.

To answer your question, it is incredibly important for me to have access and exposure, and also feel a sense of commitment from these entities that we are committed to doing the right thing.

If I may, one of the many reasons why I decided to join BlackRock—there are a couple of things. There are several things that I look for in my conversations with CEOs and other leaders when it comes to diversity, equity and inclusion. It is the courage to act, the commitment to lead, and the conviction to change. And if any of these things are missing from that conversation, I tend to look elsewhere because I have seen the movie before where there are organizations that are not quite as committed, and I was convinced when I was being courted by BlackRock a year-and-a-half ago, and even more so now that I am on the inside, that we are committed to DEI and to doing all of the things and have consistently demonstrated actions that convince me as their head of diversity globally that we are committed to accelerating the pace of change going forward.

Chairwoman BEATTY. Thank you. Thank you so much. And we will be following that commitment to change, so I have made a special note of that, and you may tell your president and CEO I said so.

The next question is for you, Mr. Pan. From the findings of the report, only 32 percent of the firms that reported tracking asset management spent only about 21 percent reported in tracking underwriting spending. I am a firm believer in what does not get counted does not get measured, and what does not get measured does not get done.

As a trade association that represents many of these firms, how can you commit to assisting these firms to standardize tracking these metrics and encouraging your members to implement data collection? I only have a short time, because I am trying to get to everybody, so if you could give me the abbreviated answer?

Mr. PAN. I think the short answer is it has to start from the top, right? As I said in my opening statement, there is a commitment at ICI to improve diversity and inclusion. When the Board of Governors, who are the leaders of the industry, get together, they talk about D&I, and there is clearly a change in tone. A lot of the desire for better metrics and better information has to start off first with recognition of the issue, and we are there.

I think when you talk more granularly about what can be provided, these are discussions that are ongoing right now.

Chairwoman BEATTY. Thank you very much.

Mr. Parker, this question is for you. Chairwoman Waters worked very hard and allowed me to work with her to get the SEC's Asset Management Advisory Committee to focus more on D&I. I know that NASP also joined in support of writing a letter.

As you may know, on November the 4th the SEC's Asset Management Advisory Committee disbanded. Do you believe this is a misstep by the SEC to not re-constitute an advisory committee to ensure more diversity representation?

Mr. PARKER. Yes. Thank you, Chairwoman Beatty, for the question. Yes, I do, and we believe that it is a misstep. Why? Because we have seen that while there is oversight and governance by the regulatory agencies, having an external point of view, to be registered on the record, starts with the conversation. The art of the conversation is all about leadership. And we think reconstituting this particular advisory council will serve as a resource to the SEC in getting what we call on-the-street, Main Street feedback of what is working well and what needs to be addressed going forward.

Chairwoman BEATTY. Thank you for that, and we would like to follow up with you on that.

I only have 3 seconds left. But, Mr. Clements and Mr. Taraporevala, I will have questions I will send to you because I enjoyed hearing your testimony.

At this time, at the request of our ranking member, Mr. Rose is recognized for 5 minutes.

Mr. ROSE. Thank you, Chairwoman Beatty. And thanks to Ranking Member Wagner for her gracious indulgence.

Thank you also for holding this subcommittee hearing on this important topic, and I want to thank all of our witnesses for taking the time to join us today and testify, and for your thoughtful prepared statements.

Mr. Taraporevala, State Street Global Advisors' inclusion and diversity webpage states that in August 2020, State Street launched 10 actions to directly address and strengthen racial equity across your firm, and I believe you mentioned that in your opening statement.

How do you define, "equity," versus "equality?"

Mr. TARAPOREVALA. Thank you for the question. We view equity as really a level playing field in every sense of the word. There are lots of technical definitions to it which I will not get into, but it is really a level playing field, and I think that is the key.

Mr. ROSE. Thank you for that insight.

Ms. Gadsden-Williams, the word, "equity," appears in your business title, so I think this will be a fairly easy question for you. How do you define, "equity," versus "equality?"

Ms. GADSDEN-WILLIAMS. As a seasoned DEI executive, as you can imagine, diversity of yesteryear was focused on—it was more of a head count exercise, versus inclusion, which speaks more to the environments that we are trying to create.

Equity is the most important factor in the equation, at least in my view, and it is all about creating parity, fairness, and fair outcomes to advancement by way of policies and programs for all individuals within an organization.

Mr. ROSE. Thank you, as well.

On September 22, 2021, the Heritage Foundation held a panel discussion entitled, "Unequal Protection: The Push to Replace Equality with Equity is Unconstitutional." This discussion was held as a part of the Heritage Foundation's, "Preserve the Constitution 2021" event series. The description of the event states that, "Equity is being embraced wholesale by schools, corporate America, and even the Biden Administration. It has infiltrated hiring, curriculum, admissions, trainings, and more. But equity is not the same as equality and delivers very different results. Rather than providing all individuals with equal opportunities to succeed, equity segregates individuals by race, while driving a narrative of oppressor versus victim. It calls for institutions to treat people unequally in order to achieve equal outcomes. Equity recklessly embraces legally prohibited classifications as a way to eliminate perceived differences in outcome in violation of equal protection in Federal law."

Mr. Taraporevala, do you believe that it is fair to use equity as an excuse to treat people unequally in order to achieve a desired outcome?

Mr. TARAPOREVALA. With all due respect, I do not actually agree with those definitions that you just laid out.

Mr. ROSE. To the question, though, do you believe that it is fair to use equity as an excuse to treat people unequally?

Mr. TARAPOREVALA. No. As I said, the definition is an equal playing field, both in terms of the inputs and the outcomes.

Mr. ROSE. Thank you.

Ms. Gadsden-Williams, do you believe that it is fair to use equity as an excuse to treat people unequally in order to achieve a desired outcome?

Ms. GADSDEN-WILLIAMS. Thank you for your question, Representative. I am a firm believer that equity is far more important than equality. They are very different, at least in my opinion. It is all about creating the right opportunities, the right support systems and mechanisms so that all individuals will have an opportunity to realize their ambitions internally. That is my response to your question, Representative.

Mr. ROSE. In the remaining moments I have left, about a year-and-a-half before I was born, back in February of 1965, Dr. King, in his famous, "I Have a Dream" speech, said, "I have a dream that my four little children will one day live in a nation where they will not be judged by the color of their skin but by the content of their character." I fear that equity, as currently defined and being implemented across our society, will take away the essence of Dr. King's dream. I have two little children, and I hope they can grow up in a country where they will be judged based on the content of their character.

Thank you, and I yield back.

Mr. PARKER. Chairwoman Beatty, if I may just weigh in on this, given my numerous years in the private sector? I would like to weigh in with the fact that diversity is a factor—

Chairwoman BEATTY. Mr. Parker, we may have to come back, and someone will yield, because the gentleman controls the time, and his time has expired.

Mr. PARKER. Okay.

Chairwoman BEATTY. The Chair now recognizes the gentlewoman from California, Chairwoman Waters, who is the Chair of the full Committee on Financial Services, and the founder of this first-ever Diversity and Inclusion Subcommittee, for 5 minutes.

Chairwoman WATERS. Thank you very much, Chairwoman Beatty.

Ms. Gadsden-Williams, and Mr. Taraporevala, I am committed to ensuring highest returns for consumers and retirees, and we have heard today that diverse asset managers perform as well, if not better, than non-diverse asset managers. Both BlackRock and State Street manage the Thrift Savings Plan (TSP), the largest retirement plan in the world, and I am concerned that BlackRock and State Street have not done enough to ensure actual diversity in business, specifically contracting with diverse asset managers and related businesses. And the TSP has done very little. The Federal Thrift Investment Board, which manages the TSP, was called out in October 2020 and again in November 2021 by Senator Menendez.

What steps have been taken at BlackRock and State Street to increase engagement with diverse asset managers and related firms?

Ms. GADSDEN-WILLIAMS. We at BlackRock are committed to both supplier and vendor diversity, as well as asset managers. We have a number of programs in place, and our goal is to increase the number of diverse brokers, the number of diverse managers, and the number of diverse suppliers. It is our goal to remain connected and to engage with these individuals so that we can continue on this journey. It is certainly an area of opportunity for us. We recognize that, but we also recognize that we have a lot of work to do there. But we are certainly committed to it.

Chairwoman WATERS. Let me ask you, have you responded to Senator Menendez's inquiry about the pilot program trying to get information about what progress has been made? Are you aware of his very, very strong letter that was directed toward BlackRock?

Ms. GADSDEN-WILLIAMS. Thank you for your question, Chairwoman Waters. Unfortunately, this is out of my purview. I cannot answer that question, but I will circle back with my colleagues so that we can get back to you and your office with a response to that question.

Chairwoman WATERS. You mentioned contracting, and I am very interested in contracting, because Chairwoman Beatty and I are interested in wealth building, and this is one of the areas that if minority asset firms were contracted with, it could create a lot of wealth in our communities.

You mentioned that you have done better or well contracting with LGBTQ, Black, and Latinx. Could you give me some definitive numbers on that?

Ms. GADSDEN-WILLIAMS. With all due respect, Chairwoman Waters, I do not have that information in front of me. Again, this is outside of my scope of responsibility. We will get back to you with those specifics.

Chairwoman WATERS. Mr. Taraporevala, could you give me some information about what is happening and what progress have you made working with this tremendous opportunity that you have been afforded, basically doing the contracting and working with our Pension Benefit Guaranty Corporation (PBGC)?

Mr. TARAPOREVALA. Chairwoman Waters, let me first and foremost reiterate that we are very committed to increasing the diversity of our suppliers and vendors, and this year we have increased our spend with diverse suppliers by over 50 percent. In my earlier remarks, I also—

Chairwoman WATERS. Could you disaggregate that for me? Tell me how many contracts, what are the percentage of contracts with Blacks, with Latinx, with women, what do they amount to, what is the bottom line? Can you give us some definitive information?

Mr. TARAPOREVALA. I will have to get back to you with those details. Let me then come to your question about the TSP, which, as you know, is overseen by the Federal Retirement Thrift Investment

Board. We are hired as a manager by that board, and we run the money for those mandates ourselves internally. And, therefore, my prior comments about how we are committed to increasing the diversity of our workforce is the most relevant question when it comes to how we run those mandates and perform the job for which we have been hired.

Chairwoman WATERS. Okay.

Chairwoman Beatty, I am going to yield back the balance of my time. I know you have a lot of others who have questions, but I think we need definitive information when they come before us. Otherwise, we don't know what they are doing.

Chairwoman BEATTY. Thank you, and I certainly agree with you, Chairwoman Waters. I would say to those last two witnesses that, per our guidelines, the expectation is you will have a time limit to submit those answers in writing to this committee.

Thank you, Chairwoman Waters.

The gentlewoman from Missouri, the ranking member of the subcommittee, Mrs. Wagner, is now recognized for 5 minutes.

Mrs. WAGNER. Thank you, Madam Chairwoman.

Ms. Gadsden-Williams, in your testimony you mentioned BlackRock's leadership development programs. Could you describe the Women in Leadership Forum and how this program has helped women achieve senior-level positions?

Ms. GADSDEN-WILLIAMS. Thank you for your question, Ranking Member Wagner. The Women in Leadership Program is one of our signature leadership development programs where we identify high-potential women in the organization, put them through a rigorous learning and development opportunity to upscale themselves in a number of different ways, from core competencies, technical competencies, behavioral competencies, and they have sponsors and so forth that are also assigned to them in the program as a support mechanism, and that is essentially the crux of the program.

Mrs. WAGNER. When did you begin the program, and what has been its evolution? When did you begin this program?

Ms. GADSDEN-WILLIAMS. I'm sorry?

Mrs. WAGNER. When did you begin this program, and what has been its evolution?

Ms. GADSDEN-WILLIAMS. Unfortunately, I do not have the timing of when we started it. That was prior to my tenure at BlackRock.

Mrs. WAGNER. But it has been in place for some time?

Ms. GADSDEN-WILLIAMS. Yes, it has been in place for some time.

Mrs. WAGNER. Okay. In the United States, what percent of senior BlackRock employees are women? Do you have that figure?

Ms. GADSDEN-WILLIAMS. Forty-three percent.

Mrs. WAGNER. Forty-three percent?

Ms. GADSDEN-WILLIAMS. Correct.

Mrs. WAGNER. That's pretty amazing. I would be very interested to know the genesis of your Women in Leadership program, and how that has developed to allow you to reach a place of some 43 percent of BlackRock employees, of senior BlackRock employees in leadership.

Mr. Pan, we have discussed in this subcommittee the results of firms implementing a Rooney Rule when it comes to candidates being considered for a position. But I am interested in hearing how this reverse Rooney Rule is working for your member firms. Could you please discuss the hiring practices of ICI's member firms and how many of them have hired diverse interview panels and slates for new hires?

Mr. PAN. I do not have the information as to specific firms and their experience and practice with these types of interview panels. What I can tell you is that one of the initiatives that the ICI has done is we have a special committee of members focusing on D&I, where they come together and they exchange information about their experiences. They share best practices, they share ideas, innovations that they are doing to try to tackle D&I.

I think one takeaway from these discussions is that firms are very different from each other. They have unique circumstances. We do not have one program that all of them—not to use a phrase, but one-size-fits-all is often not the solution. Instead, I think there is great value to them kind of picking each other's brains, and that is going on right now.

Unfortunately, I do not have specific information about how individual firms have experience with these types of interview panels.

Mrs. WAGNER. I would like to ask this first to Ms. Gadsden-Williams, and then Mr. Pan, time allowing. When it comes to diversifying the workforce within the financial services industry, past witnesses have highlighted that diversifying the talent pool is kind of a key solution. The lack of female and minority students enrolled in STEM programs at the high school and college level has led to a pipeline problem that is creating challenges across the financial services industry.

How can the asset management industry better increase participation in STEM-related fields of study for college, high school, and even middle school students in America?

Ms. Gadsden-Williams, first.

Ms. GADSDEN-WILLIAMS. I'm sorry, I could not hear very well.

Mrs. WAGNER. Okay.

Mr. Pan, did you hear my question?

Mr. PAN. Yes, I did. Basically, there are two parts. We see it as education and exposure, meaning part of it is, how do you make these students—whether in STEM, and, of course, asset management, which looks for talent in a wide variety of disciplines, even non-STEM—aware of core opportunities in our industry?

We partner with organizations, especially those organizations that do work a lot with women and minority students, to just make them aware. That is the education part.

Then, there is the exposure part. For those students who are interested in exploring careers in the field, how do they make themselves known?

Mrs. WAGNER. Pardon me. My time has expired, but I would submit to all of you to take a look at the GAO study that I requested in 2019, the findings that came out. I think this is a very important pipeline issue that we need to tackle when it comes to getting women and minorities involved in STEM fields and the financial services industry.

I appreciate the Chair's indulgence, and I yield back.

Chairwoman BEATTY. Thank you.

The gentlewoman from Massachusetts, Ms. Pressley, who is also the Vice Chair of our Subcommittee on Consumer Protection and Financial Institutions, is now recognized for 5 minutes.

Ms. PRESSLEY. Thank you, Madam Chairwoman. I am so appreciative of your leadership in convening this hearing.

Ms. Gadsden-Williams, thank you for being here today. BlackRock has an office in Boston, as you well know, and employs some of my constituents, and the well-being of my constituents is very important to me. Over the last year, many brave employees and former employees have come forward to share their experiences of sexism, sexual harassment, and racism at BlackRock.

These stories are deeply troubling. Essma Bengabsia, an Arab-American Muslim woman, was mocked for using a standard Muslim greeting, repeatedly bullied, threatened with sexual harassment, and called un-American. A Black woman was sexually harassed by her manager. Latinx and Black employees have been called aggressive. A Black gay employee was told to, "not be too flamboyant."

Your head of international and corporate strategy, Mark Weidman, has been identified as notorious for making inappropriate comments, especially towards women, yet he remains in a leadership position.

The problem is clearly a systemic one. Hiring women and people of color into a hostile environment where they promptly leave, traumatized, is not the progress that we are aiming for. In fact, it is not progress at all.

Ms. Gadsden-Williams, according to your testimony, BlackRock has increased the diversity of its new hires. I am interested to know if these new hires are sticking around? Is the retention rate for Black and Brown employees as high as the retention rate for White employees?

Ms. GADSDEN-WILLIAMS. Thank you for your question, Representative Pressley. The events that you are speaking of and that were recounted in recent reports have absolutely no place at BlackRock, and we have taken some actions to build a more inclusive work environment within our firm. Some of the activities that we have done in response to those claims are improving training for all employees, providing discussion venues to raise concerns, and increasing accountability for inclusivity, including among our senior leaders and managers, who have an obligation to ensure that we are creating the right kind of environment to address non-inclusive behavior when they see it.

To answer the second part of your question, I do not have those stats in front of me at the moment, but I will get back to you and your office on those statistics around retention of women and/or people of color.

Ms. PRESSLEY. Yes. Specifically, is there a retention gap, and how disparate is it according to White employees? As the Chairwoman said earlier, for all of the data points that we are seeking, there will be a timeline, so we eagerly await your response.

What about the retention rate for women versus men?

Ms. GADSDEN-WILLIAMS. Again, Representative, I do not have those stats in front of me at the moment. I would rather come back to you with firm statistics and data to support this conversation.

So, we will get back to your office with that information in due course.

Ms. PRESSLEY. Okay. And would you happen to have any information on promotion rates? Are the promotion rates for the new hires who are women and people of color as high as White male employees, and are they being hired into management or revenue-generating roles at the same rate as administrative roles? I am just building upon what Chairwoman Waters was alluding to, and your earlier testimony in saying that there needs to be a paradigm shift and one that you certainly want to be leading, that diversity is not about counting heads but it is really about inclusion, and we also care about promotion and wealth building, especially since there is such a large racial wealth gap, and that certainly abounds in my district.

Can you speak to any of those promotion rates or where people are being hired into? Are they in administrative roles, management, or revenue-generating roles?

Ms. GADSDEN-WILLIAMS. Year after year, we have seen increases in terms of diverse talent pipelines from women and people of color, particularly Black professionals and Latinx professionals. I do not have the specific data that you are requesting at this moment, but we will get back to you with that information. But I can confidently say, based on our pipeline efforts and initiatives that we have in place, from recruiting, retention, promotions, we have annual talent reviews that are meaningful, I think we have all the right systems and processes in place to ensure that, year after year, we are making meaningful, substantive changes in those areas in making sure that women and/or people of color—

Ms. PRESSLEY. Reclaiming my time—I am so sorry. I am trying to get one more question in on the record. We look forward to you getting that to us.

I spoke with a former BlackRock employee who told me the firm has offered the victims of sexism or racism a severance benefits package tied to a non-disclosure agreement (NDA), which prohibits them from speaking publicly about their experience or to sue for any reason.

Chairwoman BEATTY. I'm sorry, your time has expired, but you can enter it into the record, and we will request that response.

Ms. PRESSLEY. Thank you.

Chairwoman BEATTY. Thank you.

The gentleman from Ohio, Mr. Gonzalez, is now recognized for 5 minutes.

Mr. GONZALEZ OF OHIO. Thank you, Chairwoman Beatty and Ranking Member Wagner, for holding this hearing today, and to our witnesses for agreeing to be here with us to discuss this important topic.

While there is still a lot of work to do, I have been encouraged by the progress we have seen in recent years, and I am encouraged by the conversation that we are having here today in many ways.

My perspective has always been that you should probably get your own house in order first before you start sort of pushing others to do things that you yourself might not be willing to do. And so, with that in mind, I sent a letter, along with Representatives Beatty, Wagner, and Sylvia Garcia, to the PBGC encouraging them to expand their pilot program to include smaller asset managers, and to maintain a commitment to including women- and diverse-owned firms while still maintaining their fiduciary responsibility.

Mr. Parker, my first question is going to be for you. Do you believe that there are other opportunities that we should focus on to promote women- and diverse-owned firms within the various Federally-run pension programs while maintaining fiduciary standards?

Mr. PARKER. Thank you for the question, Representative. Yes, I do believe that we should institute intentional systems to gain exposure to talent that may not be recognized, and to potential that may not be fully tapped. I think by having an intentional, structured program with some regularity, we will build a cadence of engagement.

Mr. GONZALEZ OF OHIO. Thank you. Some of the institutional investors that we spoke with—I am going to stay with you, Mr. Parker—what they would say is, we have these emerging manager programs where we try to get smaller firms, more diverse asset managers, in the door, and then they can hopefully graduate to the bigger platform where they can get the major investments from the institutions.

Some of them have described sort of a chasm where in the jump from emerging manager to the full portfolio, there is a fallout that happens. In your world, have you observed something similar? And if so, what do you think we can do to bridge that gap, to make sure that more people can cross that chasm, if you will?

Mr. PARKER. Thank you for the question, Representative. I would say to you that intentional mentoring protege programs that would allow for these emerging managers at a certain stage to be exposed to new areas of the financial services sector—cryptocurrency, ETFs—we are working with some members who are in this particular hearing to create unique ways in which proteges and mentors can exchange ideas and build upon experiences and capabilities that can be useful in that growth trajectory, but yet not subjecting any firm to under-performing against its aspirations and the principles and standards of the clients.

Mr. GONZALEZ OF OHIO. Great.

Ms. Gadsden-Williams, same question, if you could? The question I just asked was, how do we help diverse asset managers bridge that gap from emerging manager programs to the broader platform for major institutional investors?

Ms. GADSDEN-WILLIAMS. Thank you for the question, Representative. Generally speaking, we are very much committed to diversifying our asset management. We are certainly committed to this, but this is certainly outside of my purview and area of responsibility.

Mr. GONZALEZ OF OHIO. Fair point.

Mr. Parker, back to you. You mentioned cryptocurrencies. We had a great hearing on this yesterday. One of the things that excites me about cryptocurrencies is I think it presents an opportunity for minority communities to get in at the ground level of a technology revolution and to reverse some of the previous discrimination we have seen in the traditional finance sector.

How do you view cryptocurrencies in the context of the broader diversity and inclusion discussion?

Mr. PARKER. Thank you for the question, Congressman. I would say that any area that is an emerging area allows for underrepresented groups to get in on the ground floor. I think cryptocurrency, blockchaining, and other New Age, 4th Industrial Revolution tendencies allow for women- and minority-owned firms to get in, to understand the mystery behind it, but at the same time, to be fully engaged and to build in the capacity to take advantage of it in the future.

Mr. GONZALEZ OF OHIO. Thank you.

I have 20 seconds left. Let me just make one point. This is sort of a—I do not know how this will land, but we will go for it. The term, "Latinx" gets used a lot. I am Latino, Hispanic, Cuban American. If you look at surveys amongst Hispanic populations, it is not clear that that is a term that folks like to have put on them. I see it in a lot of the testimonies, and I guess I would just encourage your firms to be thoughtful in how you address folks, and maybe survey your own population, but also look at the broader Hispanic/Latino community as we go forward. I think that would be helpful for everybody.

With that, I yield back.

Chairwoman BEATTY. Thank you, Mr. Gonzalez.

The gentleman from Massachusetts, Mr. Lynch, who is also the Chair of our Task Force on Financial Technologies, is now recognized for 5 minutes.

Mr. LYNCH. Thank you so much, Madam Chairwoman. I do appreciate the opportunity.

Just as a threshold matter, I am a little surprised that none of our witnesses have come up with any data or any benchmarks that reflect the diversity and inclusion in their companies. I just want to remind people that this is the Subcommittee on Diversity and Inclusion, and the name of this hearing, the title of this hearing is, "A Review of Diversity and Inclusion Performance at America's Large Investment Firms." That is why you were invited here. So, when I repeatedly hear that people don't have numbers on this, what did you think we were going to ask you about? We have to do better on this. When you get invited to a hearing, you need to be ready to help us with our work.

As the Chair remarked, I chair the Task Force on FinTech, and here is the problem. It merges, as you know, the world of finance and the world of technology. They are being merged, and it is really the future of the industry in FinTech. Finance is a world that has been hostile to or unwelcoming to women and people of color. Technology is also an industry and a world that has been hostile to women and people of color, and now we are merging them both, and that is where we have a big problem.

Here's the thing. Congresswoman Pressley and I represent Boston. We have a lot of people in both of those worlds, and we are trying to introduce our constituents to those worlds and make those entities more diverse. So, I started a charter school. I cofounded a charter school, one of the most diverse in the City, probably one of the most diverse in the country, and we are focused on creating workers for your industry, finance and technology. One of our biggest problems is getting teachers to come into those schools and actually help us educate the workers of the future.

We had a hiring round not that long ago where we got hundreds of applications from English teachers, but when we tried to hire math and science teachers, we got three responses—nine responses but three positions.

So, what you could do—and I am speaking to BlackRock and others—to help us, and this goes to the pipeline issue that Congresswoman Wagner and others have raised, is to help us get—if someone has math and science skills, they are not coming into our public schools and teaching. They are going and making the big money in finance and technology.

Help us. You could establish chairs at some of these schools, public charter schools, where you supplement someone's pay to teach math and science and finance in these schools. My charter school starts at 5th grade. You can't wait until a kid shows up at your door as an adult and try to train them in some of this. They have to have a good, solid foundation.

Look, there is a solution here. It would be good for your industry to help us educate the workers of the future who are going to work for you. We have to change the way we think about this. I appreciate the internships and things like that, but we have to start much younger. We have to build math and science skills, and technology skills in these kids before they ever arrive on your doorstep. So, I am asking you to focus on that.

I know there are very nascent efforts in this regard, but we have to do better in this. It will be good for your industry, it will be good for the people that we are trying to help, and it will build the future.

Is anybody doing anything like that in the early years? Can I ask any of our witnesses, is anybody doing something at the elementary school, grade school, or high-school level?

Ms. GADSDEN-WILLIAMS. If I may respond, Chairwoman Beatty?

Mr. LYNCH. I will take that response in writing. My time has almost expired. Any responses that you have, I will take in writing.

Thank you, Madam Chairwoman. I yield back.

Chairwoman BEATTY. Thank you so much to the gentleman from Massachusetts.

The gentleman from South Carolina, Mr. Timmons, is now recognized for 5 minutes.

Mr. TIMMONS. Thank you, Madam Chairwoman.

Lack of diversity is not always an easy problem to solve because root causes are often complex and subtle. I think one way we can ensure that we continue to make progress in this area is to have a candid dialogue about what is working and what is not working. If we do that, we can learn from each other and not be shamed for things we are trying but may not yet be yielding immediate results.

I would like to open it up to the entire panel. What are the challenges you are facing? What are you struggling with? Is there a factor here that we are not seeing, that you think we should be aware of and consider?

Mr. Parker, I will with you.

Mr. PARKER. Yes. Thank you for your question. I think there is a cadence that needs to be established around this particular topic with some degree of frequency. Leadership starts with a conversation, and I think by having quarterly meetings, brown-bag lunches, somewhere we can engage and share what is working, and what is not working. To the question earlier, we are investing in a fast-track program that deals with high school students, but also getting to young professionals. There are a plethora of ideas out there, best practices that we can deploy to address your particular question. Thank you.

Mr. TIMMONS. Thank you.

Anyone else want to chime in?

Mr. PAN. This is Eric Pan from the Investment Company Institute. I would just like to, again, indicate that we have made efforts to do exactly what you are suggesting, which is getting our members together, having them exchange information about different initiatives that they are doing, and learn from each other what is working, and what is not working. I would be happy to provide a list of things that have been discussed so far. But we are very much in agreement with what he had said.

Mr. TIMMONS. Thank you.

Yes, ma'am, go ahead?

Ms. GADSDEN-WILLIAMS. In terms of challenges around DEI, what I have seen over the years is that transparency and accountability are, in my view, key ingredients to any successful DEI strategy. Without that, I just don't know how you can measure and track progress over time.

So, as a firm, one of the many things that we have done is we have several ways that we tie performance reviews and pay or compensation to our DEI strategy. First, we begin at the very top. We have a top-down approach to accountability, starting with our Global Executive Committee. Their performance assessments and compensation are assessed and determined by how they deliver against the DEI and/or talent strategies.

Second, at the business level we track or measure progress over time. We have quarterly business reviews. We have talent reviews. We have diversity dashboards that track things like hiring and retention and development. We have integrated DEI into the performance management process.

In sum, I think you cannot make progress without holding leaders and/or others accountable to DEI. That is a challenge that I have seen over the years where things can certainly unravel. Thank you.

Mr. TIMMONS. Sure. I have one follow-up question for you. I serve in the Air Force, and the military has been struggling with this for years. As an officer in the South Carolina National Guard, I was training just about a year-and-a-half ago, and we had a lot of these conversations. One of the things that came up was, how do we make sure we are focusing on diversity and inclusion and giving people opportunities who deserve opportunities, without disadvantaging other people who may not be diverse but have had very challenging lives. How do you address that?

Ms. GADSDEN-WILLIAMS. I think you do that by focusing on inclusion. It is all about the collective, "we," and not the individual. So, I think the more you can talk about DEI, it is about all of us and not some of us. That is the position we have taken at BlackRock, and I think that is where the success and where people turn corners philosophically around this notion of diversity, equity and inclusion, that it is about the collective, "we," and not just the individual.

Mr. TIMMONS. Sure. We had very frank conversations in training, and it was very challenging because a lot of people who go into the military do so for economic opportunity because they have not had opportunities wherever they grow up, regardless of their race/skin color, and it was a point of contention. So, I think we have to make sure we are factoring in equity for socioeconomic disadvantaged individuals and make sure that we are moving everyone forward together.

Ms. GADSDEN-WILLIAMS. If I may also add, Representative, when we talk about diversity, I think to your point, we should talk about it in all of its dimensions. A lot of organizations talk about gender and/or ethnic minorities, but there are other dimensions of diversity that get less air play—LGBTQ, veterans, individuals with disabilities, and so forth.

Mr. TIMMONS. Thank you, ma'am. I yield back.

Ms. GADSDEN-WILLIAMS. Thank you, Representative.

Chairwoman BEATTY. Thank you, Mr. Timmons.

The gentlewoman from Pennsylvania, Ms. Dean, is now recognized for 5 minutes.

Ms. DEAN. I thank the Chair, and I thank the witnesses for being with us today.

At the risk of repeating what we have heard over and over, but I don't think we can repeat it enough, increasing diversity and inclusion—and, I would suggest, beyond inclusion, belonging—is not only the right thing to do from a moral standpoint, it is the right thing to do for the bottom line. An analysis by McKinsey using 2019 data found that firms with higher gender and ethnic/cultural diversity were likely to be more profitable than less diverse firms.

So, Ms. Gadsden-Williams, Mr. Taraporevala, specifically to BlackRock, and specifically to State Street, how does increasing diversity improve the bottom line? What numbers do you have? What data can you share? What measurements are there?

Ms. GADSDEN-WILLIAMS. Thank you for your question, Representative. There is enough empirical data and research in the ethos to substantiate the business case for DEI. We as an organization have decided that it is, in fact, a business-critical imperative based on that empirical data and research.

In terms of how and what specific numbers, I do not have that information in front of me, but what I can assure you, based on my years of experience, is that there is enough research that would substantiate all of the things that you have cited.

Ms. DEAN. You are absolutely right. We have seen the research. But I am just wondering internally, maybe you could get back to us with whatever measure you have, specifically to BlackRock?

Mr. Taraporevala, for State Street?

Mr. TARAPOREVALA. Thank you for the question, Congresswoman Dean. I think you have just mentioned two great data points off data which demonstrates that, in fact, diverse teams do result in better outcomes in terms of profitability. There have been a plethora of studies I could quote a lot, whether it is a Morgan Stanley

Capital International (MSCI) study on gender diversity and how companies with more gender—

Ms. DEAN. Pardon me. I am asking for State Street specifically. Do you have measurements on this?

Mr. TARAPOREVALA. On the outcomes? I think that is pretty hard. I am not sure, given all of the data that has already been accumulated, that searching for more data is the critical thing. I think the real focus needs to be on action and moving the needle on diversity and inclusion.

Ms. DEAN. I actually disagree. I would think that within an organization, you would want to see and bear out the proof on increasing diversity, and increasing profitability.

I recently came across an interesting article in The Philadelphia Tribune by some faculty at Wharton highlighting that effective diversity, equity and inclusion, belonging, is key to retention, which should be especially of interest to corporate America, given that we are in the midst of the so-called, "Great Resignation." The authors note the importance of middle managers, not just senior executives, in creating a truly inclusive workplace.

Mr. Parker, could you speak to that notion of, how do we make sure that we have diversity in middle management, especially at this tumultuous time?

Mr. PARKER. Yes, thank you for the question. It starts at the top, Congresswoman. It starts with the CEO, with the leadership, with the Board, really. Governance, intervention, making sure that there are processes in place. It starts with the CEO, his or her staff, going down to the next level of those who are running operating divisions, getting into what we call the frozen middle, the middle management group, and making sure they understand that growth is contingent upon having a workforce that is reflective of their customer base.

By measuring it and looking at it, just like we do with revenue, profitability, and market share, these things can be accomplished inside an organization. But it takes intentionality and accountability at the top.

Ms. DEAN. It really does take intentionality. I remember having a roundtable on diversity in my district, and a government leader, and he is African American and a highly-elected person, said, "I believed that we were a diverse community of staff and employees. And I actually looked around, and found we weren't." He also said, "We need to be intentional. We think we are, and sometimes we are not."

Ms. Gadsden-Williams, I wanted to ask you quickly, and maybe Mr. Parker quickly also, there is so much more to be done. I heard you say it. I heard others say it. Can you give us, granular, two specific things? And, Mr. Parker, the same thing?

Ms. GADSDEN-WILLIAMS. Yes, there is much more work that needs to be done around representation of diversity. That is an area of opportunity within our firm. Although we have seen year-over-year progress, we would like to see more diverse representation at the senior levels and at the frozen middle, as well.

Ms. DEAN. And I know my time is up, but Mr. Parker, quickly?

Mr. PARKER. Transparency and accountability.

Ms. DEAN. Thank you.

Thank you. I yield back.

Chairwoman BEATTY. Thank you.

The gentlewoman from Texas, Ms. Garcia—who is also the Vice Chair of this subcommittee, and I thank her for that—is now recognized for 5 minutes.

Ms. GARCIA OF TEXAS. Thank you, Madam Chairwoman. It is a pleasure to work with you here on all of our issues on the Diversity and Inclusion Subcommittee. Thank you for this hearing. And, of course, thank you to all the witnesses for being here with us today or on the screen.

The topic of diversity and inclusion is so important to the financial services industry, but it is especially important in the investment industry, one that works to build wealth and whose workforce is skilled and knowledgeable in creating financial opportunity.

My district is 77-percent Latino. We as Latinos are the fastest-growing market in the United States. The Department of Labor found that Spanish-speaking Americans are expected to account for almost 65 percent of labor force growth through 2029, adding 7 million new workers. Yet many institutions, from wealth managers to credit providers, have not actively sought to reach this growing market, and their workforce does not reflect it. Not only that, but cultural barriers exist for members of the community who have been historically disenfranchised.

My question is for Mr. Pan. In your work representing regulated funds, you have come across cultural and institutional barriers that are as longstanding as they are resilient, and I am glad to see your organization is making concerted efforts to reach a more diverse workforce, so thank you for that.

I understand this is a growing effort that is constantly under development, so I just wanted to highlight an important issue facing my district and many others, simply put, language barriers. I want to ask you this: Is the ICI exploring ways to reach future job applicants whose primary language is not English?

Mr. PAN. We have not discussed this, but, Congresswoman, thank you for your comment, because I will bring this to the attention of our Board of Governors and the importance, as you have laid out, of making sure that we are able to access everybody in America regardless of what language they are speaking.

Ms. GARCIA OF TEXAS. Thank you.

Mr. Parker, what about your organization?

Mr. PARKER. Yes, our organization is an organization that is made up of all people of color, primarily African Americans and Latino, and we work very hard with trying to connect with young people through our fast-track program, our young professionals program, to demystify this world of financial services, and we are doing that with some of our strategic partners. So, it is very intentional.

Ms. GARCIA OF TEXAS. Thank you.

I have also been very concerned with the impact the epidemic has had on women in the workforce, particularly working mothers. A recent survey of 40,000 women in corporate America found that many of them have considered either leaving or downshifting their careers due to the pressures from balancing work and family.

My question is to you, Ms. Gadsden-Williams. I know your firm has done a lot to hire diverse candidates for entry-level positions, and also for your Board. What are you doing for those in the middle, especially those who are in the parenting stages of their lives? What are you doing specifically to support working mothers?

Ms. GADSDEN-WILLIAMS. Speaking about the pandemic specifically, our priority at BlackRock is to ensure that the health and safety of our employees is paramount, number one.

Ms. GARCIA OF TEXAS. Can you speak to working mothers, please?

Ms. GADSDEN-WILLIAMS. For working mothers, we provide all types of virtual programming and such to ensure that they are still connected. For those who have caregiving responsibilities, we have buddy programs and the like. So, we do have support programs for working mothers and individuals who may have had a tough time based on the research that you are citing to continue to engage in the organization during the course of the pandemic.

Ms. GARCIA OF TEXAS. Do you provide child care or a child care stipend to your working parents?

Ms. GADSDEN-WILLIAMS. We do. I do not know the details of our programming, but someone on my teamwe will get back to your office with those details.

Ms. GARCIA OF TEXAS. Okay.

Mr. Taraporevala, what about your firm, sir? What are you doing for working mothers?

Mr. TARAPOREVALA. Yes, thank you. And I do want to acknowledge your point that the effects of the pandemic have been particularly acute for working women. I actually believe that where the workforce and the workplace of the future are headed is towards more either hybrid or home working arrangements.

Ms. GARCIA OF TEXAS. But what specifically, sir? Excuse me, just reclaiming my time, I only have 20 more seconds. What are you doing specifically for working mothers?

Mr. TARAPOREVALA. We are supporting more hybrid working arrangements, of which working mothers are more likely to avail themselves.

Ms. GARCIA OF TEXAS. Sir, with all due respect, just about the whole world has because of the pandemic. But what specifically are you doing to be supportive to make sure that we retain them or make sure that they continue in their careers?

Mr. TARAPOREVALA. Again, we have done many of the things that we have already talked about, whether it is mentorship, sponsorship, having folks more connected with more senior leaders, and all of that is helping them as they get through this tough time.

Ms. GARCIA OF TEXAS. Thank you, Madam Chairwoman, and I yield back.

Chairwoman BEATTY. Thank you.

The gentlewoman from Georgia, Ms. Williams, who is also the Vice Chair of our Subcommittee on Oversight and Investigations, is now recognized for 5 minutes.

Ms. WILLIAMS OF GEORGIA. Thank you, Madam Chairwoman.

My home City of Atlanta, unfortunately, has the largest racial wealth gap in the country, but my district is also a global business hub and one of the strongest incubators of Black wealth. I know firsthand that the fates of our businesses and the people who work there are interconnected.

On this committee, I am dedicated to ensuring that our business partners advance racial justice and help close the racial wealth gap through diversity, equity and inclusion. One area where this is key is to make sure that diverse individuals can become successful asset managers.

Mr. Parker, how would ensuring diversity, equity and inclusion in asset management create greater opportunities for Black wealth and closing the racial wealth gap?

Mr. PARKER. Thank you for the question. It really is embedded into all of our programming, starting from our fast track, our young professionals, to our women's forum, of which we have 11 chapters around the country where we roll out these programs on an annual basis, inviting all of the subject-matter experts in the different asset classes to participate, as well as firms that you see here in this hearing.

We try to address it from a regional standpoint, but we also look at it from what we call a workforce lifecycle standpoint, starting with young professionals, working our way up to those seniors who are in transition to possibly out of the workforce as well.

Ms. WILLIAMS OF GEORGIA. Thank you, Mr. Parker. And as you mentioned in your testimony, only a small fraction of asset management firms, 8.6 percent, are women- and minority-owned. But what is even more troubling is that these firms only manage about 1 percent of all assets. We can't make progress on diversifying the industry and ensuring that diverse firms are truly included in it until we do more to collect the data.

Mr. Parker, why is tracking data so crucial to diversity and inclusion results, and can increased transparency around the utilization of diverse professional service firms, including asset managers, spur action toward improving the numbers that you cited in your testimony?

Mr. PARKER. Thank you for the question. You manage what you measure, and we have said numerous times that full transparency as to where you are, not to say to be critical but to try to apply practices that we know are tested in other markets that we can apply. So, managing what you measure and measure what you manage is our mantra coming out of NASP.

Ms. WILLIAMS OF GEORGIA. Thank you, Mr. Parker.

Mentor-protege and emerging manager programs are intended to cultivate diverse and talented asset managers, but we have to be sure that those programs are working as they are intended. For example, we can't have large asset firms creating smaller firms and then just checking a box to meet program criteria but not divesting their ownership interest.

Finally, Mr. Parker, what is your opinion about the continued value of mentor-protege and emerging manager programs? How would these programs be amended to be more effective in serving women- and minority-owned firms, as intended?

Mr. PARKER. Great question, Congresswoman. We would say that a new model that should be introduced in the mentor-protege relationship is accountability, and that is for the mentor to have some accountability on the outcome of the performance of the protege as the protege continues to go through the different professional stages of their ability to service their particular clients. This relationship is something that we are going to be introducing across some of our programs, but having the mentor be accountable for the outcomes of that protege tied to the relationship they have with their stakeholders and shareholders.

Ms. WILLIAMS OF GEORGIA. Thank you, Mr. Parker.

Madam Chairwoman, I will yield back the balance of my time, but I want to thank you for this hearing today, and as we continue to do our work on this subcommittee to make sure that we are closing the racial wealth gap, which, unfortunately, in my home City of Atlanta, leads the country. I am committed to this work and I appreciate your leadership in getting this done. Thank you.

Chairwoman BEATTY. Thank you to the gentlewoman from Georgia.

The gentlewoman from Michigan, Ms. Tlaib, is now recognized for 5 minutes.

Ms. TLAIB. Thank you so much, Chairwoman Beatty, for always centering since the beginning of my days here last term until now. And, of course, thank you, Chairwoman Waters, for continuing to support the work of Chairwoman Beatty.

I think it is really important, as a person who did organizing for a long time, this conversation and debate about equity versus equality. Something I learned early on, and for the panel and my colleagues, is that equality is giving everybody the same pair of shoes, just give everybody a pair of shoes. Equity is giving them a pair of shoes that actually fit. That is something that I learned. I don't know where I picked it up from, but I remember that and it really stuck with me in understanding the difference.

But let me get to some of the panelists here, and thank you so much for your patience and for sticking with us on really important questions and really understanding how we can be helpful and be a partner here.

With $47 trillion in assets under management, the decisions that these firms make with regard to diversity and inclusion have implications for the entire financial services industry and our economy, and I think that is why we are having this hearing.

As the committee's report found, we have a lot of work to do, the industry does. I would like to ask all of you about the SEC's recommendations for diversifying the industry. In July, the SEC's Asset Management Advisory Committee, the Subcommittee on Diversity and Inclusion, found, "widespread gender and racial bias in the decisions by those in positions making asset and asset manager allocation decisions regarding who manages money for governments, universities, charities, foundations, and the institutional market in general."

The committee made a number of recommendations. They went on to state that investors, the industry, and the public markets would benefit by SEC guidance which clarifies that a wide variety of factors may be considered by fiduciaries in the selection of asset management firms, and that fulfillment of one's fiduciary duty in this context does not require automatic exclusion of asset managers who are newer to the industry or who do not already have a certain level of assets under management (AUM).

So, Mr. Pan, Mr. Taraporevala, and Mr. Clements, if a firm acquires the services of outside asset management firms, how are they assessed? Is the assessment based exclusively on things like assets under management or years in industry, or is a more holistic evaluation completed?

Mr. PAN. I am happy to go first. I cannot speak to how a specific individual firm goes about this activity, given my position at a trade association. But what I can tell you is that different firms follow a variety of factors that are unique to their circumstances, and their needs. The fiduciary duty that exists today, that of the duty of care, the duty of loyalty they have to their shareholders, is a fiduciary duty but also something that all of our members take extremely seriously. And the reason why diversity and inclusion is so important to our industry is this recognition that a diversity of viewpoints, diversity of staffing, is highly consistent with ensuring that you are doing the best you can for your shareholders.

Mr. TARAPOREVALA. Congresswoman, this is Cyrus Taraporevala. I will go next. Thank you for your question.

Just to clarify, as a large asset manager ourselves, we are on the receiving end, if you will, in terms of that selection process that you are describing, not on the deciding end. But we do agree, I think, with what you are describing, which is that a wide variety of factors should be considered in the selection process. Very rarely, we do hire ourselves what are called sub-advisors, another asset manager to manage part of our assets. That is a tiny part. Most of what we do, we manage ourselves internally. But when we do think about sub-advisors, we do consider diversity and inclusion factors as part of that decision criteria.

Mr. CLEMENTS. This is Mr. Clements. I would note that when we report our key practices, one of those key practices is to look to remove potential barriers, for example, looking at assets under management or track record, and trying to target those better to the firm so that it better matches the needs and works for firms of all sizes while still maintaining our fiduciary obligations.

Ms. TLAIB. And I agree with regard to tracking data, how incredibly important that is in producing diversity and inclusion results.

Madam Chairwoman, that is all for my line of questions. Again, I really cannot thank you enough for your commitments and really just determination to make sure we get this work right. You were there when I asked bank CEOs at one point if they knew what environmental racism was, and my heart sank when every single one of them had no idea or had heard the term. Again, my district lives it every single day, and I just was taken aback by that. But I know by including people like us in these places that are making decisions, it is going to make a huge difference.

Thank you so much, Chairwoman Beatty. I yield back.

Chairwoman BEATTY. Thank you.

I would like to thank our witnesses for their testimony today.

The Chair notes that some Members may have additional questions for these witnesses, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

And without objection, I would like to enter a statement from the Diverse Asset Managers Initiative for inclusion in the record.

This hearing is now adjourned.

[Whereupon, at 12:50 p.m., the hearing was adjourned.]

A P P E N D I X

December 9, 2021

United States Government Accountability Office

Testimony
Before the Subcommittee on Diversity and Inclusion, Committee on Financial Services, House of Representatives

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INVESTMENT MANAGEMENT

Key Practices Can Provide More Opportunities for Minority- and Women-Owned Asset Managers

Statement of Michael E. Clements, Director
Financial Markets and Community Investment

A Century of Non-Partisan Fact-Based Work

GAO-22-105588

December 9, 2021

GAO@100 Highlights

Highlights of GAO-22-105588, a testimony before the Subcommittee on Diversity and Inclusion, Committee on Financial Services, House of Representatives

INVESTMENT MANAGEMENT

Key Practices Can Provide More Opportunities for Minority- and Women-Owned Asset Managers

Why GAO Did This Study

Asset management firms manage trillions of dollars in the U.S. for a variety of clients, including institutional investors. Federal entities also use asset managers. But MWO asset managers face challenges when competing for investment management opportunities. For example, institutional investors often prefer to contract with large asset managers with brand recognition and with whom they are familiar.

This statement discusses (1) key practices institutional investors can use to increase opportunities for MWO asset managers and (2) how selected federal entities have used these practices.

This statement is based on a 2017 GAO report (GAO-17-726) and also describes actions taken to implement the report's recommendations.

For the 2017 report, GAO identified key practices by examining practices nonfederal retirement plans and foundations used, reviewing industry reports, and validating the practices with input from 10 industry stakeholders and experts. GAO also reviewed investment policies of eight entities that manage or sponsor federal retirement plans, an endowment, and an insurance program.

View GAO-22-105588. For more information, contact Michael E. Clements at (202) 512-8678 or clementsm@gao.gov.

What GAO Found

GAO identified four key practices institutional investors, such as retirement plans, can use to increase opportunities for minority- and women-owned (MWO) asset managers. These practices are consistent with federal interests in increasing opportunities for MWO businesses.

- **Top leadership commitment**. Demonstrate commitment to increasing opportunities for MWO asset managers.
- **Remove potential barriers.** Review investment policies and practices to remove barriers that limit the participation of smaller, newer firms.
- **Outreach.** Conduct outreach to inform MWO asset managers about investment opportunities and selection processes.
- **Communicate priorities and expectations.** Explicitly communicate priorities and expectations about inclusive practices to investment staff and consultants and ensure those expectations are met.

The key practices are closely related; improvements or shortfalls in one may contribute to improvements or shortfalls in another. The practices do not require investors to develop targets or allocations for MWO asset management firms or change performance standards.

In 2017, the federal entities (retirement plans, an endowment, and an insurance program) GAO reviewed varied in their use of the practices. GAO recommended that four entities that made partial or no use of the practices take steps to more fully apply them. Since 2017, the four entities have addressed these recommendations by taking actions to implement key practices in their asset manager selection processes. Specifically,

- The Navy Exchange and Command Service and the Army and Air Force Exchange Service issued letters asking their retirement plan consultants to include MWO firms in their databases and when searching for investment managers.
- The Tennessee Valley Authority Retirement System documented its commitment to equal opportunity for MWO firms in its service provider evaluation policy.
- The Federal Retirement Thrift Investment Board awarded a new contract in which Thrift Savings Plan participants will have access to a mutual fund window with over 5,000 mutual funds. A tool will allow participants to screen for funds managed by MWO firms.

Implementing the key practices allows institutional investors to widen candidate pools in their asset manager searches and help ensure they find the most qualified firms meeting their needs. The practices also could eliminate some of the barriers MWO firms face and increase opportunities for these firms.

Chairwoman Beatty, Ranking Member Wagner, and Members of the Subcommittee:

Thank you for the opportunity to testify today about our prior work on asset management firms owned by minorities or women (MWO asset managers). Asset management firms registered in the United States manage trillions of dollars, but MWO firms manage very few of these assets.[1]

MWO firms face challenges when competing for investment management opportunities with institutional investors, including investor and consultant brand bias (for larger asset managers with brand recognition) and the perception that MWO firms do not perform as well as non-MWO firms. The size and limited infrastructure of smaller, newer MWO asset managers also may pose challenges. For example, such firms may be unable to meet threshold requirements set by institutional investors, such as minimum limits established for assets under management, liability insurance, and length of track record. As we reported in 2017, the federal government has an interest in helping address these barriers and increase opportunities for minority- and women-owned firms, including MWO asset managers.

My testimony today is based on our September 2017 report on MWO asset managers. Specifically, I will discuss (1) four key practices we identified that institutional investors can use to increase opportunities for MWO asset managers and (2) the use of these practices by federal retirement plans and other entities we reviewed.

For our September 2017 report, we reviewed federal retirement plans, an endowment, and an insurance program administered or overseen by eight entities: Army and Air Force Exchange Service, Federal Reserve System, Federal Retirement Thrift Investment Board, Railroad Retirement

[1]More specifically, we reported these firms managed more than $70 trillion as of May 2017 and that MWO asset managers or firms managed less than 1 percent of these assets. See GAO, *Investment Management: Key Practices Can Provide More Opportunities for Minority- and Women-Owned Asset Managers,* GAO-17-726 (Washington, D.C.: Sept.13, 2017).

Board, Smithsonian Institution, Pension Benefit Guaranty Corporation, Navy Exchange Service Command, and Tennessee Valley Authority.[2]

To determine how the entities identified and selected asset managers and their efforts to include MWO firms, we analyzed investment policies; documentation on selection processes and criteria; and documentation on programs, policies, or initiatives related to MWO asset managers. We interviewed representatives from the entities to learn more about selection processes and efforts related to MWO asset managers.

We assessed the extent to which the entities used key practices to increase opportunities for MWO firms. We identified key practices by examining practices used by selected nonfederal plans and foundations and by reviewing industry reports. We then validated the practices by obtaining input from 10 industry stakeholders and experts, selected based on factors such as depth of experience working with MWO firms and published research.

The work on which this statement is based was performed in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The eight entities we reviewed administered or oversaw defined benefit retirement plans, defined contribution plans, an endowment, and an insurance program (see table 1).[3] To make investments, the defined

[2]A separate, nonfederal entity, the National Railroad Retirement Investment Trust, manages retirement assets for the Railroad Retirement Board. But the Trust is not a department, agency, or instrumentality of the federal government, and is not subject to title 31 of the U.S. Code, which governs the financial operations of the federal government and establishes the powers and duties of the U.S. Government Accountability Office. *See* 45 U.S.C. § 231n(j)(2). The inclusion of the Trust in our 2017 report was limited to describing its asset allocations, use of MWO firms, and asset manager selection process. Additionally, a federal entity, the Tennessee Valley Authority Retirement System, manages retirement assets for the Tennessee Valley Authority. In our 2017 report, we referred to the System when describing the Tennessee Valley Authority's externally managed retirement assets.

[3]Generally, defined benefit plans provide participants a retirement benefit amount using a formula based on factors such as years of employment, age at retirement, and salary level. Defined contribution plans are those in which employees and employers contribute to an account directed by the employee into investment options offered by the plan.

benefit plans, endowment, and insurance program generally retained external asset managers to select individual investments in accordance with the asset allocation frameworks in their investment policy statements. The defined contribution plans generally retained external asset managers to provide plan participants with investment options. Asset management firms typically select investments on behalf of the investors that hired them and regularly report on investment performance.

Table 1: Overview of Eight Entities GAO Reviewed

Entity	Description
Federal Retirement Thrift Investment Board	Administers the Thrift Savings Plan, a defined contribution plan for federal employees and members of the uniformed services, including the Ready Reserves.
National Railroad Retirement Investment Trust	Responsible for investing assets that fund railroad retirement benefits, some of which are similar to a private sector defined benefit plan.
Federal Reserve System	Administers a defined benefit plan for eligible employees of the Federal Reserve Banks, the Board of Governors and Office of Employee Benefits of the Federal Reserve System, and the Consumer Financial Protection Bureau. Also administers a defined contribution plan for employees of the Federal Reserve System.
Tennessee Valley Authority Retirement System	Administers a defined benefit plan covering most full-time and part-time annual employees of the Tennessee Valley Authority. Also administers a defined contribution plan for members of the Tennessee Valley Authority Retirement System.
Army and Air Force Exchange Service	Administers a defined benefit plan covering regular full-time civilian employees who are citizens or residents of the United States.
Navy Exchange Service Command	Administers a multiemployer defined benefit pension plan covering substantially all civilian employees of the Navy Exchange Service Command and the U.S. Coast Guard Community Services Command.
Smithsonian Institution	Manages an endowment consisting of approximately 600 individual funds established for a variety of purposes.
Pension Benefit Guaranty Corporation	Manages an insurance program to protect pension benefits in private sector defined benefit plans.

Source: GAO analysis of information from eight entities. | GAO-22-105588

The entities we reviewed are fiduciaries that have responsibilities similar to those of private-sector retirement plans. That is, they are required to act solely in the interest of participants and beneficiaries in the plans. These responsibilities may include acting with the exclusive purpose of providing benefits to participants and beneficiaries and defraying reasonable expenses of plan administration; carrying out their duties prudently; following the plan documents; and diversifying plan investments.

Key Practices Can Be Used to Increase Opportunities for MWO Asset Managers

In our prior work, we identified four key practices that can be used as part of investors' selection processes for asset managers to help ensure that qualified MWO firms are considered (see table 2). The key practices are closely related; improvements or shortfalls in one may contribute to improvements or shortfalls in another. The practices do not require investors to develop targets or allocations for MWO asset management firms or change performance standards.

Table 2: Key Practices for Increasing Opportunities for Minority- and Women-Owned (MWO) Asset Managers

Key practice	Definition/Description	Examples of how practice can be implemented
Top leadership commitment	Demonstrate commitment to increasing opportunities for MWO asset management firms	• Document commitment to asset management diversity in investment policies
Remove potential barriers	Review investment policies and practices to remove barriers that limit the participation of smaller, newer firms	• Adjust thresholds for assets under management, insurance, and length of track records to ensure that requirements are proportional to size of firm • Develop emerging manager programs—generally geared towards newer, smaller firms—or similar initiatives that may increase opportunities for MWO firms
Outreach	Conduct outreach to inform MWO asset managers about investment opportunities and the selection process	• Meet with industry associations and participate in networking events with MWO asset managers • Invite MWO asset managers to make marketing presentations directly • Publicize asset management opportunities through avenues such as trade associations, databases, or a central website
Communicate priorities and expectations	Explicitly communicate priorities and expectations about inclusive asset management practices to investment staff and consultants and ensure those expectations are met	• Communicate expectations to staff and consultants for including MWO asset managers in asset manager searches • Ask investment consultants to develop an inclusive process for sourcing, evaluating, and recommending investment managers and ensure accountability by asking consultants to report on the number of diverse managers evaluated • Require that at least one qualified MWO asset manager be invited to present to the investor's decision-making body

Source: GAO analysis of information from selected state, local, and private retirement plans and foundations and industry reports. | GAO-22-105588

Our prior work also identified examples of how some institutional investors implemented the key practices, which might provide insights to other investors undertaking or attempting to improve their own initiatives related to MWO firms. The examples are not exhaustive, and each institutional investor may implement the identified practices in its own way.

As we previously reported, many nonfederal plans and foundations implemented these practices and told us that using the practices did not conflict with their fiduciary responsibilities. They said the MWO firms they used were selected based on track record and could provide certain benefits in generating profit for their clients. The plan representatives and other industry stakeholders also told us that diversifying plan investments to manage risk could be accomplished through diversification of asset managers. Industry reports and industry stakeholders, including plan representatives, further noted that implementing a more inclusive selection process for asset managers could widen candidate pools, which can help ensure retirement plans and foundations identify the best asset managers.

Updates on Actions Federal Entities Have Taken to Increase Opportunities for MWO Asset Managers

Since our 2017 report, four entities we reviewed have more fully implemented the key practices we identified to increase opportunities for MWO asset managers. In that report, we found three of the entities we reviewed (Federal Reserve System, Smithsonian Institution, and Pension Benefit Guaranty Corporation) used all the key practices. The other four—Army and Air Force Exchange Service, Navy Exchange Service Command, Tennessee Valley Authority Retirement System, and Federal Retirement Thrift Investment Board—made partial or no use of the key practices.

For example, the Army and Air Force Exchange Service conducted outreach to MWO asset managers and communicated to its consultant to include the firms in searches, but had not completed actions related to top leadership commitment and removing potential barriers. The Navy Exchange Service Command and Tennessee Valley Authority Retirement System removed potential barriers to MWO asset manager participation (minimum size or track record requirements). But they had not used the other three practices (top leadership commitment, outreach, and communication priorities and expectations). The Federal Retirement Thrift Investment Board had not used any of the practices. Accordingly, in our 2017 report, we recommended these entities fully implement the key practices.

Since we issued our report, the four entities have addressed our recommendations by taking actions to implement key practices as part of their selection processes. Specifically,

- In September and October 2017, respectively, trustees for the Navy Exchange and Command Service and for the Army and Air Force Exchange Service issued letters to their retirement plan consultants asking them to include MWO firms in their databases and when searching for investment managers for the plans.
- In December 2017, the Tennessee Valley Authority Retirement System amended its service provider evaluation policy to document its commitment to equal opportunity for MWO firms. System representatives told us their consultant conducted outreach to MWO firms and has worked with them to develop a process for providing them with information on potential MWO asset managers.
- In November 2020, the Federal Retirement Thrift Investment Board awarded a new contract that includes providing Thrift Savings Plan participants access to a mutual fund window with over 5,000 mutual funds. A screener tool will allow participants to screen for different funds, including funds managed by MWO firms, to the extent that such data are publicly available.

Addressing the barriers that prevent MWO asset managers from accessing investment management opportunities continues to be important today. By implementing the key practices, institutional investors could widen the pool of potential candidates in their asset manager searches and help ensure that they are finding the most qualified firms that meet their investment needs. Furthermore, the practices could eliminate or mitigate some of the barriers MWO firms face and increase opportunities for these firms.

Chairwoman Beatty, Ranking Member Wagner, and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contact and Staff Acknowledgements

If you or your staff have any questions about this testimony, please contact Michael E. Clements, Director, Financial Markets and Community Investment at (202) 512-8678 or clementsm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony are Kay Kuhlman (Assistant Director), Erika Navarro (Analyst in Charge), Rachel DeMarcus, and Barbara Roesmann.

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Written Testimony of

Michelle Gadsden-Williams

Managing Director and Global Head of Diversity, Equity and Inclusion

BlackRock

Subcommittee on Diversity and Inclusion

Committee on Financial Services

U.S. House of Representatives

Hearing:

"A Review of Diversity and Inclusion Performance At America's Largest Investment Firms"

Thursday, December 9, 2021

Chair Beatty, Ranking Member Wagner, Chairwoman Waters, Ranking Member McHenry and distinguished members of the Committee, my name is Michelle Gadsden-Williams, and I am Managing Director and the Global Head of Diversity, Equity and Inclusion at BlackRock.

BlackRock is a global asset manager and fiduciary to our clients. Eight founders – six men, two women – started BlackRock over 33 years ago with the commitment to do things differently, to constantly push ourselves to do better for our clients and employees. Since then, BlackRock has grown from a startup to a market leader in the asset management industry. Today, BlackRock is composed of over 18,000 people across 38 countries. Our purpose is to help more and more people experience financial well-being. We do this by working to make investing easier and more affordable and helping people build savings across their lifetimes.

The racial and social injustice events of 2020 reinforced the need for action and for greater diversity, equity and inclusion (DEI) across the global business landscape. Those events prompted many leaders to take on the challenge of advancing our industry into one that is more sustainable and equitable for all. DEI is core to BlackRock's purpose, to who we are as a firm and to the difference we can make in the world. BlackRock is firmly committed to doing our part to build a more fair and just society, and I am pleased to appear before you today to discuss our commitment and ongoing efforts in this critical area.

I have spent over 30 years leading DEI initiatives for several multinational organizations in different industries in the U.S. and abroad. From a global perspective, I understand the complexities and nuances, as well as the challenges of this work. I chose to join BlackRock in September of last year because I was convinced the organization truly wants to accelerate progress in DEI holistically. From our perspective, DEI is a critical business imperative that will position us for greater success in the long term.

Now that I have been at BlackRock for nearly 15 months, I am even more convinced and inspired by our leadership's relentless focus. Working closely with our Chief Executive Officer Larry Fink, our Board of Directors, and other senior leaders, we have integrated DEI into every facet of our business and put systems and tools in place to hold individuals and businesses accountable.

As part of our long-term commitment, BlackRock has instituted a multi-year DEI strategy that is closely aligned with our business imperatives and comprises three distinct pillars:

(i) BlackRock's talent and culture across the globe where we focus on attracting, hiring, developing and retaining a diverse talent pipeline, and cultivating an inclusive and equitable work environment.

(ii) BlackRock's role as an asset manager on behalf of our clients where we are offering ESG focused financial products as competitive differentiators and strengthening our client relationships by engaging them on DEI.

(iii) BlackRock's policy and social impact where we are contributing to and investing in the long-term success and sustainability of underserved communities.

While we continue to make material progress across these three pillars, we recognize much work remains. Making meaningful progress on DEI is a journey. As Larry Fink wrote to our employees last year, "progress will require a long-term effort with sustained focus and persistence." I will now discuss the progress that BlackRock has made on these important endeavors.

BlackRock's talent and culture across the globe

At the core of our DEI strategy is BlackRock's most important asset: our people. Our steadfast commitment and actions to accelerate DEI is not only to attract and retain diverse employees, but also to allow them to flourish, feel safe, supported and have a true sense of belonging. To do that, we are building a culture where all voices – not just the loudest or the most familiar – can contribute to help our clients achieve their goals. This approach creates room for all employees to bring their fullest and best selves to every conversation every day. We have also developed strategies to increase the diversity of our applicant pool, expanded partnerships with external organizations including Historically Black Colleges and Universities (HBCUs), strengthened talent acquisition and management processes to mitigate bias, and implemented leadership development, sponsorship and coaching initiatives to engage and develop diverse talent.

Each year, BlackRock sets objectives for the firm and each of its businesses for representation of women globally, and Black and Latinx talent in the U.S. In the summer of 2020, we committed to increasing our overall representation of Black and Latinx employees by 30%, to doubling the number of Black and Latinx senior leaders[1] and to increasing our senior female representation to 32.5% by 2024. We are on track to meet these goals.

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[1] Senior leaders include Senior Managing Directors, Managing Directors and Directors.

We are hiring women almost at parity. During this year, 48% of our new hires were women. We also achieved our goal of 30% of senior BlackRock employees being women, globally. This is up from 26.1% when we set the goal in 2017. As I previously stated, now that we've reached 30%, we set a new target for ourselves of 32.5% by 2024.

Further, we have substantially increased the diversity of our new hires to the firm. Year-to-date, 15.3% of our hires in the U.S. identify as Black, 8.9% identify as Latinx and 28.5% identify as Asian. We also grew our overall Black representation in the U.S. from 5.6% to 6.9% year-to-date, which is the fastest growth since we began measuring it. Our newest group of analysts that are joining the workforce this year are also incredibly diverse, including 55% women globally, 19.4% Black, 15.3% Latinx, and 21.8% Asian in the U.S., and 6% Black in the U.K.

Diversity manifests itself differently in different parts of the world, including how it is measured. We ensure that our definition of diversity is broad and locally relevant in every market where we operate. To gather more baseline data on the diversity of our workforce, we will run self-identification campaigns across the globe in the coming year.

To deliver on these hiring results, we regularly review job postings for potentially biased language and actively engage in outreach and recruitment efforts for our open positions to endeavor to have candidate slates that are diverse across gender, race, ethnicity, disability, veteran status, among others. We have also designed a recruitment process to mitigate bias through competency-based interviewing and have implemented diverse interview panels. Additionally, we hold the recruitment and executive search firms with whom we partner accountable to the same standards.

As we consider the development and retention of our people, we are investing in comprehensive leadership development programs. Of note, this year we launched PROPEL (PROfessional Preparation for Elevated Leadership) for our Black and Latinx Vice President leaders (our mid-level talent), as well as Black and Latinx Leadership Forums for our Managing Directors and Directors (our senior level talent). We are also continuing to invest in the accelerated development of our women through our Women Leadership Forum, a program we have championed since 2011.
These leadership programs include assessments, executive coaching, virtual learning and senior management sponsorship.

To further deepen our leadership bench for key senior leader succession plans, we have also implemented a sponsorship program for 40 Black and Latinx Managing Directors and Directors who are sponsored by members of our Global Executive Committee and senior leaders across the firm. These sponsorship relationships will increase these leaders' visibility to senior leadership, foster internal mobility within the firm, help eliminate systemic barriers that Black and Latinx leaders face and give Global Executive Members insight into top talent in the firm.

We understand that progress with regard to our talent requires a long-term mindset with sustained focus and persistence, as is the case with our investments. And we recognize that it is our responsibility to learn and adapt. One way we are advancing the firm's efforts in this journey is by raising awareness and educating our employees on issues related to DEI and the systemic barriers many underrepresented individuals face in the workplace. This year, we began hosting "Inclusion Dialogue" sessions which are small group conversations led by external facilitators that help build the skills necessary to cultivate inclusive environments. Over 11,000 employees have already taken part in these discussions.

Separately, we are fortunate to have over 80% of our employees participate in one of our 15 global employee, professional and social impact networks. Our networks encompass many different dimensions of diversity – Veterans, LGBTQ+ professionals, Black professionals, Latinx professionals, Asian and Middle Eastern professionals, among others – and are integral to how we foster inclusion. Each network is sponsored by one or more of our Global Executive Members who engage with them to help navigate important cultural and strategic topics. For example, our Black Professionals Network played a critical part in the design of our racial equity action plan. The networks are also valuable resources for our recruitment efforts. More recently, the networks played an active role in our response to COVID-19. The networks instituted programs to combat isolation in the remote working environment and mobilized seven employee taskforces across the U.S. and UK to deploy $2.3M to 39 grassroots organizations focused on racial equity and justice.

Last, we are pursuing the MLT Black Equity at Work Certification, a program that assesses our strategy to support Black equity and provides guidance to accelerate Black representation at every level of our firm. The program will help us set a comprehensive standard for what Black equity will look like at BlackRock and at any organization.

While we are encouraged by our progress, we recognize that we have much work to do to continue to make significant strides in representation, retention and workplace inclusivity. We are committed for the long-term to cultivating diversity of all forms within our workforce and leadership team.

<u>BlackRock's role as an investment manager on behalf of clients</u>

BlackRock has increased our supplier and vendor diversity efforts from historically underrepresented groups, including companies owned and operated by minorities, women, military veterans, disabled veterans, people with disabilities and members of the LGBTQ+ community. This is an area of focus for us, and we see opportunities to diversify our supplier and vendor base in the U.S.

This year, BlackRock joined the National Minority Supplier Development Council ("NMSDC") which aims to advance business opportunities for certified minority business enterprises and connects them to corporate members of the NMSDC. We have also updated our Supplier Code of Conduct & Ethics to incorporate recommended best practices for all of our suppliers to adopt, including being transparent about their diversity representation, implementing DEI programs and seeking to make meaningful progress on inclusion and diversity goals.

Our Diverse Broker Program, which increases connectivity and engagement with firms owned by minorities, women and disabled veterans while helping them grow their businesses, had a record year in 2020 with $295 billion notional trading volumes with diverse brokers.[2] We are on track to exceed those volumes this year. In 2020, we also launched our Diverse Manager Program and currently have $7 billion allocated (of $107B billion total AUM allocated to third party managers) to 30 diverse third-party asset managers, and another $8 billion was allocated to partially diverse-owned managers.

We also created investment opportunities to help improve economic outcomes for historically undercapitalized racial and ethnic groups in the U.S. by providing capital to businesses and projects owned and operated by minorities-, and those seeking to drive change in these communities.

Lastly, in partnership with the Thurgood Marshall College Fund (TMCF), we're using a money market fund (BlackRock Liquid Federal Trust Fund) to support students of HBCUs and Predominantly Black Institutions.

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[2] Our efforts are trying to help diverse brokers break barriers to entry and build capabilities to compete and level the playing field with other counterparties, including identifying key asset classes and markets where brokers may have stronger capabilities and providing guidance on technology and other trading capabilities.

As part of the partnership, BlackRock will donate a portion of the net revenues from BlackRock's management fee of the $7.5 billion fund[3] to TMCF annually.

Policy and Social Impact

The third pillar of our DEI strategy focuses on the positive impact that we can have on the long-term success and sustainability of underserved communities through policy and philanthropic initiatives.

We strive to lead the industry on transparency on diversity disclosures. We publicly report diversity representation metrics through our Sustainability Accounting Standards Board ("SASB")-aligned Disclosure and EEO-1 Reports because we believe that transparency drives progress, and were among the first few firms to do so.

Social Impact at BlackRock consists of two distinct areas: The BlackRock Foundation which focuses on helping people build financial security and participate in an inclusive transition to a low-carbon future, and our employee engagement programs that equip employees to be agents of social change in their communities.

In 2020, the firm announced a $10 million philanthropic commitment to advance racial equity, as part of the firm's long-term social impact initiatives. We also developed earlier this year a $1 million network grant program to help our employee networks activate support for nonprofit organizations.

BlackRock views social impact as part of our overall DEI strategy. We are committed to supporting policy and philanthropic initiatives that promote DEI and financial security within vulnerable communities.

Our Commitment to Accountability and Transparency

Transparency and accountability are critical to creating a more diverse workforce and an inclusive and equitable environment. As mentioned earlier, we believe that accountability starts at the top.

[3] As of December 8, 2021

BlackRock and its Board of Directors[4] believe diversity in the boardroom is critical to our success and our ability to create long-term value for our shareholders. The diverse backgrounds of our individual directors help the Board better to oversee BlackRock's management and operations and assess risk and opportunities for our business model from a variety of perspectives. More important, our Board of Directors also play an important role in the oversight of human capital management at BlackRock and devote one full Board meeting annually to an in-depth review of BlackRock's culture, talent development, retention and recruiting initiatives, DEI strategy, leadership and succession planning and employee feedback.

This year, we launched a new management leadership committee, the Global Diversity, Equity and Inclusion Steering Committee (GDSC), to guide and oversee the execution of our global DEI strategy and hold us accountable to our DEI commitments and action plans. GDSC comprises twenty-six executive and senior firm leaders across regions and functions who have shown dedication and leadership around DEI initiatives. Members have a proven track record of influencing and advancing DEI within their respective businesses and have a strong ability to bring innovative ideas to fulfilling our DEI mission.

An important part of driving accountability is measuring and improving our human capital management practices. As such, BlackRock will conduct a third-party audit of our DEI strategy. We believe the review will provide useful external feedback in assessing our progress and identifying areas for future focus while also providing an effective tool to build on everything we are doing in this area.

Conclusion

Our purpose at BlackRock is to help more and more people experience financial well-being. Our commitment to DEI is core to this purpose, to who we are as a firm, to how we perform for all of our stakeholders and to the difference we can make in the world. While we have made progress on our DEI agenda, we recognize that much more work lies ahead to realize meaningful and sustainable change.

We appreciate the opportunity to share information about our DEI strategy. We welcome your feedback and look forward to continued progress on advancing and cultivating DEI at BlackRock.

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[4] Our current Board consists of 18 members, seven of whom are women Directors, one Director who identifies as Black / African American, one Hispanic / Latin American and one Middle Eastern / North African who is BlackRock's lead independent director. The Board has and will continue to make diversity in gender, race/ethnicity, age, career experience and nationality – as well as diversity of mind – a priority when considering director candidates.

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STATEMENT

OF

ERIC J. PAN
PRESIDENT & CEO
INVESTMENT COMPANY INSTITUTE

BEFORE THE

US HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON DIVERSITY AND INCLUSION

ON

A REVIEW OF DIVERSITY AND INCLUSION PERFORMANCE AT AMERICA'S LARGE INVESTMENT FIRMS

DECEMBER 9, 2021

I. INTRODUCTION

Chair Beatty, Ranking Member Wagner, Chair Waters, Ranking Member McHenry, and distinguished members of the Subcommittee, thank you for the opportunity to testify on behalf of the Investment Company Institute (ICI) and to share with you both ICI's and our members' commitment to increasing diversity and inclusion (D&I) in the asset management industry. ICI applauds the work of the Subcommittee to make diversity and inclusion a core pillar of ensuring our financial services system works for all Americans.

As the leading association representing regulated funds, ICI's members include mutual funds, exchange-traded funds, unit investment trusts, money market funds, and other funds publicly offered to investors in jurisdictions worldwide.[1] With more than $40 trillion in assets under management, our members provide the investment vehicle of choice for more than 100 million Americans seeking to create financial security and save for major financial milestones such as education, a home, and retirement.

I would like to take this opportunity to state that ICI was honored this past fall to host a virtual discussion with you, Chair Beatty, and a panel of industry leaders, including ICI's Board Chair and CEO of New York Life Investment Management Yie-Hsin Hung, about the importance of increasing diversity, equity, and inclusion in the investment management industry.[2] The event was part of ICI's broader initiative making diversity and inclusion a key priority for us as an organization and for the industry.

The panelists, all women of color who have achieved significant success in their careers, discussed the challenges as well as the opportunities for our industry in increasing diversity and inclusion at all levels, particularly in senior leadership roles. The conversation was forthright, especially with respect to hearing about their career journeys and the obstacles they had to overcome to be the leaders they are today.

Chair Beatty, in your comments addressing some of the challenges the asset management industry faces in making real progress, you said the best thing we can do is "be transparent, be accountable, and most importantly, be proud that you are a part of making a difference, making a change, and growing this wonderful America that we live in."

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[1] The Investment Company Institute is the leading association representing regulated funds globally, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI's members manage total assets of $32.7 trillion in the United States, serving more than 100 million US shareholders, and $9.9 trillion in assets in other jurisdictions. ICI carries out its international work through ICI Global, with offices in Washington, DC, London, Brussels, and Hong Kong.

[2] https://www.ici.org/events/21-ici-event-dei-1014

I fully support your statement. Across our membership, we are seeing a growing momentum in the discussion and, most importantly, in the actions of our members to make diversity and inclusion a top priority. I am seeing a commitment, an intentionality, and a focus to make progress. This is reflected in the activity of ICI's own Board of Governors—the leadership of the investment management industry—which has convened a working group devoted to increasing diversity and inclusion in the industry (the Board-level Diversity and Inclusion Working Group). The Board-level Diversity and Inclusion Working Group, composed of the senior leadership in the asset management industry, is setting the tone for how important it is for us, as an industry, to make progress, and is helping ICI launch initiatives to facilitate change across the industry. Additionally, a discussion of diversity and inclusion is a regular agenda item at all the ICI Executive Committee and Board meetings.

Some of our members have been engaged in this area for many years and are leaders in the financial services industry, demonstrating the types of initiatives, programs, and measures that work. But we also have members that have more recently begun to engage on this issue and are trying to identify ways to make changes within and outside of their organizations.

All this to say, we as an industry are a work in progress in developing the strategies, practices, and actions that will achieve enduring results.

I now wish to discuss three core themes about the industry's work on diversity and inclusion, which also happen to track the Subcommittee's focus on examining the financial services industry more broadly.

First, I will discuss disclosure, which ICI believes enables the industry to have a fact-based dialogue on diversity and its impact on the industry and shareholders. Second, I will address the industry's efforts around measurement and benchmarking to make meaningful progress toward creating a more diverse and inclusive industry, in fund management and in fund governance. Third, I will highlight initiatives that ICI and the industry have launched to make meaningful progress toward ensuring that women and people of color are fully represented at every level of the asset management industry. In addition to those themes, I will share some examples of ICI's own initiatives on behalf of the industry and address the commitment of the industry and ICI going forward.

II. **DISCLOSURE**

I would like to share some highlights of the industry's advocacy on disclosure in the brief time since receiving this letter from Chair Waters and Chair Beatty. Since March 2021, the industry has encouraged key initiatives in Congress and the Administration to support and mandate the disclosure of information related to diversity and inclusion.

ICI has endorsed the Improving Corporate Governance Through Diversity Act, introduced by Representative Gregory Meeks (D-NY). We support efforts to enhance the disclosure of board and executive diversity, and Representative Meeks's legislation would require corporate issuers to disclose the race, ethnicity, gender, and veteran status, based on voluntary self-identification, of their board members, nominees, and executives.

Representative Meeks's legislation would also require the Securities and Exchange Commission (SEC) to provide Congress with an annual report on company disclosures and trends, as well as publish best practices every three years for complying with the disclosure requirements. Not only does ICI endorse this initiative but has also called on the SEC to require companies to disclose demographic information about their workforces. ICI believes that these disclosures should be mandatory, but that the SEC should also develop a regulatory framework that is flexible enough to allow disclosure practices to develop organically over time. Having a dynamic framework will enhance the quality and volume of disclosures.

Additionally, in ICI's comment letter to the SEC,[3] we recommend that the Commission require all companies to disclose human capital–related data that they already report to the Equal Employment Opportunity Commission (EEOC) on Form EEO-1. These data would provide insight into a company's management and investment in its people—one indicator of a company's long-term value—in a comparable and consistent format. In fact, our review of a sample of fund manager stewardship reports found that a number of our members identify the effect of human capital management on the expected long-term value of companies. While some companies provide this information voluntarily today, the SEC requiring all companies to provide the Form EEO-1 information would make it more widely available for fund managers to use in the investment process. We look forward to engaging with the SEC as it develops its proposal.

III. MEASUREMENT AND BENCHMARKING

In 2020, industry leadership, through ICI's Board-level Diversity and Inclusion Working Group, directed ICI to conduct a survey of members to assess the state of diversity and inclusion in the industry by looking at demographics for a range of job levels, as defined by the federal government's EEO-1 reporting categories for employers, which is also the metric used by the SEC's Office of Minority and Women Inclusion.

The Independent Directors Council (IDC), the leading organization supporting the fund director community, also conducted a joint survey with ICI looking at common fund governance practices and diversity and inclusion at the independent director level.

In February 2021, ICI and IDC released the results of these surveys.[4] The ICI survey shows that women and people of color are significantly less present at management and executive levels than at administrative and staff levels, with women making up just 25.4 percent of executive ranks and people of color making up 16.3 percent. Across the industry broadly, women represent 41.8 percent of the workforce while people of color make up 30.5 percent.

Diversity data from the IDC/ICI survey show that in 2019, women represented 29.7 percent of all independent directors. However, of independent directors who were nominated and started serving in 2019 (i.e., new independent directors), 45.5 percent were women. Regarding people of

[3] https://www.ici.org/system/files/2021-06/21_ltr_rfi.pdf

[4] https://www.ici.org/news-release/21_news_diversity

color, in 2019 they represented 10.7 percent of all independent directors. However, of independent directors who were nominated and started serving in 2019, 22.5 of the new independent directors were people of color. The survey shows a material advancement for women and people of color in the placement of independent directors on fund boards.

The ICI survey did shed light on how the industry is addressing the dearth of diversity and inclusion within their workforce by looking at the importance that D&I plays in member organizations:

- 89 percent include D&I considerations as part of their strategic plans for recruiting, hiring, retaining, and promoting employees.
- 84 percent take steps to promote a diverse pool of candidates when selecting executive and senior level officials.
- 83 percent have a written D&I policy that is approved or supported by the CEO or other senior level official.
- 78 percent provide regular reports on D&I efforts to a board of directors or other governing body.
- 44 percent include D&I objectives in performance plans of their managers.

As an industry, we can, and we will, do more to increase the number of women and minorities working throughout the asset management industry, but measurements and benchmarks are a critical starting point and lay a foundation of accountability for the industry. While the numbers demonstrated our industry still has a long way to go, benchmarking and measuring progress are key efforts toward making improvement.

IV. MAKING PROGRESS TOWARD REPRESENTATION

ICI and the industry have launched a number of initiatives to facilitate progress toward ensuring that women and people of color are fully represented at every level of the asset management industry. These efforts range from early career initiatives that encourage individuals from historically underrepresented communities and backgrounds to explore careers within our industry to initiatives designed to grow the careers of those currently working at our member firms so they can ascend into positions of leadership. Lastly, I'll talk about some of the ways that the industry is making progress toward building awareness about the importance of diversity and inclusion among all of its employees. We know that D&I initiatives are only successful if diversity and inclusion is incorporated into the day-to-day management of organizations, rather than relegated to a specialty day, week, or month.

Building a Pipeline of Talent into the Industry

ICI member firms recognize that building diverse and inclusive organizations starts with building a strong pipeline of talent into the industry. Firms across our industry coordinate sponsorships and mentorships for undergraduate students as well as students working toward graduate degrees in business school. Some firms have specialty partnerships with middle schools, high schools, and colleges that have large populations of students from historically underserved communities. In some instances, firms have partnered together to support programs that provide job-readiness and career launch programs to students from underrepresented and underserved populations.

I'd like to mention some of the specific initiatives that ICI is coordinating with our member firms to help strengthen this pipeline of talent. In 2021, we launched the Talent Connection program, which is a series of webinars and other events that introduce students from underrepresented communities to the asset management industry and the substantial career opportunities available to them. These webinars and events are targeted at college and law school students. For college students, the webinars are designed for students attending a range of colleges and universities, including Historically Black Colleges and Universities and Hispanic-Serving Institutions. At these events, our member firms send leaders representing various career paths—including investments, operations, and sales/marketing—to introduce the fund industry, recount their own career journeys, and provide advice for obtaining jobs and achieving success in asset management. For law school students, our member firms send leaders to share information about the asset management industry and how it serves investors, the range of legal and compliance career opportunities in the industry, and insights into a day in the life of an asset management lawyer.

As part of the Talent Connection program, ICI is collecting resumes from program participants interested in working in the fund industry. Member firms can access this resume collection to connect with underrepresented talent seeking careers in asset management. We are continuing to work on expanding the program and looking at opportunities to give the Talent Connection students greater exposure to our member firms through in-person events.

The ICI Education Foundation (ICIEF) is also an important resource for ICI and our member firms as it develops, delivers, and promotes investment education programs to a variety of specific audiences, including historically underserved and underrepresented communities. ICIEF has launched two partnerships aimed at promoting greater diversity and inclusion within the asset management industry.

In September 2021, ICIEF announced a partnership with Girls Who Invest, a leading nonprofit dedicated to increasing the number of women in portfolio management and executive leadership in the investment management industry.[5] Through its partnership with Girls Who Invest, ICIEF will support the continued growth of the organization's popular and successful Online Intensive Program (OIP). The OIP is a tuition-free, self-guided learning curriculum that gives rising college sophomores and juniors a solid foundation in core finance and investment concepts

[5] https://www.ici.org/news-release/21-news-gwi

through a rigorous three-course series—CFA Investment Foundations, Wall Street Prep, and Wharton Online. Girls Who Invest partners with universities, investment management firms, corporations, and foundations to fulfill its vision: having 30 percent of the world's investable capital managed by women by 2030. Girls Who Invest has an impressive track record of educating and helping women successfully pursue careers in the industry and develop their leadership skills. We are proud to work with them on our shared commitment of ensuring that more women are fully represented at every level of the industry.

ICIEF has also partnered with the Robert Toigo Foundation since 2019, an organization with the mission to foster the career advancement and increase leadership of underrepresented talent by creating mechanisms for greater inclusion from the classroom to the boardroom.[6] ICIEF provides grants to the foundation itself, as well as scholarships to its fellows to support their education and professional development in the finance industry. Since our initial partnership in 2019, ICIEF has announced a five-year commitment to help further fund the Toigo Foundation's important efforts to increase participation of underrepresented talent in the finance industry.

Attracting, Retaining, and Growing Diverse and Inclusive Talent Within the Industry

Now that I've covered some of the examples of ways that ICI and our member firms are looking to build a pipeline of talent into the industry, I'd like to pivot to various ways many of our members are looking to retain and grow talent at their respective firms.

Common practices across the industry start with increasing the reporting and transparency of workforce data, including representation, hiring, promotion, attrition, compensation, and other key metrics. Member firms are conducting ongoing reviews of these data to identify gaps, shape strategy and goals, and evaluate progress against those goals, and in some instances, tying management performance metrics to D&I metrics. To promote diversity and inclusion in hiring practices, many member firms require diverse interview panels and slates for new hires and have protocols to ensure equitable pay.

ICI member firms are also monitoring attrition rates for underrepresented employee populations and instituting retention and growth strategies. These strategies include mentorship, exposure, allyship, and promoting paths to leadership. Many firms are building leadership development programs for underrepresented populations, as well as developing talent and succession plans for key employees identified within these groups.

Instituting employee resource groups or affinity groups is a common practice across ICI member firms, as well as training that encourages and helps other employees act as allies to underrepresented and underserved groups. Other practices include developing employee engagement surveys to assess and address firm culture and the firm's commitment to diversity and providing benefits and scheduling flexibility to assist employees maintain better work-life balance with their other roles as parents and caregivers.

[6] https://www.ici.org/news-release/19_news_toigo

ICI also provides regular opportunities for members to share best practices through working groups devoted to diversity and inclusion initiatives. Since its creation in May 2018, ICI's Diversity and Inclusion Member Committee has met on a quarterly basis to provide member firms with a forum to share ideas and best practices related to advancing diversity and inclusion efforts and programs in the workforce. The Committee has approximately 181 members, representing 97 firms, made up predominantly of diversity officers and HR representatives but also legal and compliance professionals, and representatives from the business and policy sides of the industry.

Recent meeting topics of ICI's Diversity and Inclusion Member Committee have included discussions on the following:

- What meaningful advocacy and/or allyship for D&I looks like
- How to ensure senior management/leadership supports D&I efforts
- Incentive structures to achieve D&I improvements
- Resources ICI member organizations dedicate to the promotion and retention of current employees
- Internal communications side of D&I, including how to ensure communications are inclusive, bringing underrepresented employee stories to the forefront, honoring D&I holidays/events, and including employee recognition in the D&I process
- Creating and maintaining an inclusive culture: strategies to retain underrepresented talent
- Accountability and integrating D&I metrics into performance reviews
- Member D&I initiatives, e.g., Juneteenth and Pride observances and celebrations

Our Board-level Diversity and Inclusion Working Group has helped to raise the profile and importance of diversity and inclusion in the industry and helps to guide ICI's programming in working with members to facilitate increasing diversity and inclusion across the industry. The working group's first initiative was commissioning ICI's inaugural survey on our members' diversity and inclusion workforce data.

Advancing Diversity and Inclusion in the Boardroom

Attracting candidates with different backgrounds and perspectives for fund boards is vital. That's why I want to highlight the work of IDC, the leading organization supporting the fund director community.

In 1995, ICI created a committee that focused primarily on education issues for directors. As interest in fund governance grew, ICI recognized the need for an office dedicated to serving independent directors—and launched IDC in 2004. IDC represents independent directors who serve on the boards of mutual funds, closed-end funds, exchange-traded funds, and other registered investment companies, and serves the fund independent director community by advancing the education, governance, communication, and public policy priorities of fund independent directors in the United States. As a result of this mission, IDC is well positioned to advance initiatives that champion diversity on fund boards.

IDC's Governing Council formed a working group of independent directors dedicated to a three-part objective: developing educational resources regarding diversity and inclusion on fund boards, facilitating dialogue within the independent director community, and assisting fund boards seeking to increase board diversity. This IDC D&I Working Group has launched two key initiatives to support a more diverse and inclusive fund director community: a partnership with the Robert Toigo Foundation to develop programming to help diverse professionals learn about fund boards and the role of independent directors, and a partnership with Diligent Corporation to provide a technology platform to connect fund boards with diverse potential candidates.[7]

As I mentioned earlier in discussing the work of ICIEF, the Toigo Foundation has a broad network of diverse seasoned professionals with extensive finance expertise. Working together, IDC and the Toigo Foundation will introduce those professionals to educational programming and networking events focused on the work of fund boards and the roles and responsibilities of fund independent directors. Fund independent directors within the IDC community also will have opportunities to connect with professionals in Toigo's network.

Through IDC's partnership with Diligent, potential candidates will be able to add their profile to Diligent's Director Network and express an interest in fund boards. At the same time, fund boards in the IDC community will have access to Director Network to search for diverse candidates. IDC and Diligent will launch this initiative in the coming months through a dedicated portal for fund boards and board-ready candidates.

Both of these partnerships will help fund boards make meaningful progress toward bringing more women and persons of color into the boardroom, while enabling IDC to provide educational resources to diverse potential candidates about the role of fund independent directors.

Building Awareness to Build Allies

ICI members know that building diverse and inclusive workplaces isn't just about numbers—it's about culture. ICI member firms across the industry have created programs and practices that build awareness across all employees to promote allyship. This includes introducing programs to educate employees about mitigating bias in decisionmaking, understanding microaggressions and unconscious bias, appreciating cultural differences, and learning about disability and gender etiquette. Firms across the industry are encouraging their employees to recognize the impact that intersectionality may have on their peers, especially those who may be marginalized on multiple, intersecting fronts. In some instances, firms are drafting or sharing inclusive language guides, and tying corporate philanthropy to diversity goals and initiatives. We have seen many firms seek out suppliers owned by ethnically diverse individuals, women, veterans, people with disabilities, and members of the LGBTQ+ community. Member firms are also instituting strategies to address capital access limitations often facing multicultural entrepreneurs.

In addition to the work of our members, ICI has also sought to raise awareness about the importance of diversity among our members and the public. All of ICI's major conferences now

[7] https://www.ici.org/news-release/21-news-idctoigodiligent

feature sessions devoted to the discussion of diversity and inclusion, and we have organized webinars and other educational offerings for our members on this topic. The most recent of these events that I mentioned in my introduction featured Chair Beatty, alongside the ICI Board Chair and New York Life Investment Management CEO Yie-Hsin Hung, Northern Trust Funds/Northern Trust Institutional Funds Independent Director Cynthia Plouché, and Vanguard General Counsel Anne Robinson. This webinar, held in October 2021, was titled "Diversity, Equity, and Inclusion in the Asset Management Industry: Measuring Progress, Navigating Roadblocks, and Ascending into Leadership."

And in celebration of Juneteenth, ICI held a webinar for ICI staff and ICI members commemorating Juneteenth, featuring a conversation between Dr. Mary Schmidt Campbell, the president of Spelman College, and Anne Robinson, Managing Director and General Counsel of The Vanguard Group to discuss the meaning of the holiday, how it is celebrated, and its cultural significance in the African American community. Additionally, in IDC's inaugural Speakers Series event, IDC featured L. Song Richardson, then the Dean and Chancellor's Professor of Law at the University of California, Irvine School of Law, addressing the nature of implicit bias and how to foster a more diverse and inclusive fund director community.

V. CONCLUSION

In closing, I want to reiterate that the asset management industry plays a significant role in improving the financial well-being of investors by helping them build financial security. Our industry is not only well positioned to support women and people of color, but also to break down barriers within the industry that have prevented historically marginalized groups from ascending in financial services careers.

Clearly, the industry must improve in this area, and we are working toward that goal, including at ICI. We are working with our members to develop and implement new targeted initiatives within firms and industrywide. These initiatives aim to make meaningful progress toward ensuring that women and minorities are fully represented at every level of the industry. We still have a lot to accomplish, but we are working toward this goal.

Thank you for the opportunity to address the Committee today, and I look forward to answering your questions.

Testimony of Ronald C. Parker
President and CEO

The National Association of Securities Professionals

"A Review of Diversity and Inclusion Performance at America's Large Investment Firms"

Before the U.S. House of Representatives Financial Services
Subcommittee on Diversity and Inclusion
Chairwoman Rep. Joyce Beatty
Ranking Member Rep. Ann Wagner

Thursday, December 9, 2021
2128 Rayburn House Office Building

First, I would like to thank the US House of Representatives Financial Services Subcommittee, and particularly, Chairwoman Joyce Beatty and Ranking Member Ann Wagner, for having me testify today.

My name is Ronald C. Parker and I serve as the President and CEO of the National Association of Securities Professionals – a trade association that advocates for and supports the development of ethnic minorities within the financial services industry. We work on behalf of five hundred members across the country. Our members hail from firms large and small, and from all asset classes.

I am here today to share some information about the current state of the industry when it comes to ethnic minority representation, share some facts about the realities of minorities in the industry and some solutions that the NASP organization supports to bolster inclusion and equality in financial services.

Indeed, the numbers tell a stark story about the need for greater inclusion in the asset management industry. There are substantial resources – over $100 trillion – that are under the control of governments, endowments, companies, and other institutions that are managed by third party investment professionals. While minority and women owned asset management firms make up 8.6% of this sector, they only manage about one percent of all assets under management.

While much of the disparity exists as a legacy of American racial and economic discrimination, our organization has identified some ways to address this issue via targeted legislation, clarification of rules around fiduciary duty, and supporting strong disclosure processes that make the industry more transparent and fairer.

One of the more egregious, and yet, easily remedied, issues is that of fiduciary duty. We all understand that consultants, asset owners and others owe a duty of fiduciary care when selecting asset managers and must pick top performing, trustworthy managers.

However, we know that minority owned firms produce some of the best results in the industry, often with fewer resources. Yet, according to the magazine Institutional Investor, research done by the Knight Foundation and Bella Research in 2019 found that "these firms are stuck managing a penny on the dollar, despite being overrepresented in the top quartile of performance." One of the study's authors, Josh Lerner, said, "When it came to performance, diverse-owned firms were overrepresented in the top quartile. Private equity performance was particularly notable. Minority-owned private equity firms represented 34 percent of the top quartile of performers, while firms owned by women were 29 percent of the top quartile of performers." A 2015 McKinsey report – "Why Diversity Matters" – underscores this point: companies in the top quartile of racial/ethnic and gender diversity were 35% more likely to have above median financial returns! Therefore, why aren't minority firms getting the same opportunities when they reach and even exceed performance targets?

We also find that RFPs require outsized levels of assts under management to even consider minority owned, smaller firms for investment opportunities. According to GAO, the minimum size requirements for assets under management could potentially exclude smaller minority and women owned firms. It is reasonable to have a minimum level of assets under management of $5 billion, however, many firms ask for AUM three or four times this amount. Similarly, there needs to be greater clarity on the definition of "diverse" so that large institutions and government entities have a consistent, working understanding of which firms they should consider. While there can be some variance across entities as to what constitutes sufficient minority ownership levels for these firms, NASP believes that 51% ownership should be the recognized standard by decision makers. Also, there should be opportunities for diverse financial services professionals to manage all asset classes, including actively managed funds. These rules often serve as a shorthand to denote a well-managed firm and do not consider the full performance and capability of a firm. They serve as an inaccurate shortcut that puts well managed, highly performing asset managers at a disadvantage.

While the first two patterns noted above chiefly affect the finance industry, we also believe that overall support of business supplier diversity will be key to minority asset managers' success as well. it is imperative that public, private, and non-profit enterprises embrace 'business diversity' by increasing their utilization of diverse owned professional services companies in addition to working with diverse businesses in traditional procurement. While there may be a need to ensure that financing is available to diverse owned businesses, securing and retaining customers and clients with large enterprises is as essential and often overlooked.

Despite this context, we at NASP want to focus on SOLUTIONS. We have collaborated closely with members of this committee on legislation and remain committed to our advocacy work on these matters. To that end, I want to briefly discuss some of the legislation and agency rulemaking that we want to move forward to address some of the issues delineated above.

NASP supports passage of the Diverse Investment Advisors Act, spearheaded by Rep. Beatty, and championed by our Legislative Committee in 2019. By establishing a type of "Rooney Rule," smaller firms will be guaranteed the opportunity to make their case alongside other firms in a process that is less about longstanding connections, but more about bringing new investment philosophies and strategies to the table. This legislation would specifically address the issue of fiduciary care by ensuring that top performing minority and women owned firms – regardless of ownership – have access to the same RFP and competition processes as other firms.

It would be beneficial to track and publish information detailing how much large federal contractors spend on diverse owned professional services firms, including asset managers. Tracking the use of professional services firms, as a way to monitor the utilization of these types of companies has been a best practice adopted in other arenas by companies including Exelon and some higher education institutions like University of Chicago. This effort brings transparency to monitor progress (or lack thereof) in the number of diverse professional services firms across the commercial side of these anchor institutions and the federal government should do so as a way to create more opportunities.

NASP also stands behind legislation put forward to amend the Dodd-Frank Act, section 342 by requiring that diversity and inclusion tracking be added to the Uniform Financial Institutions Rating System. The legislation would require firms to track diversity and inclusion efforts and appoint a Diversity and Inclusion Officer that reports directly to the CEO. This would give the industry robust and accurate data on diversity and inclusion, thus allowing finance entities and advocacy organization to identify issues and support changes. We will be able to track the use of minority owned firms in investment management platforms, as well as determine whether current diversity efforts produce desired results.

Federal and state regulators must have more diverse leaders and diversify their advisory panels. The Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Securities and Exchange Commission, the Commodities Futures Trading Commission have little to no people of color in top leadership roles. Moreover, these agencies also do not have diverse individuals on their formal advisory committees that provide recommendations on regulatory priorities for these agencies. These advisory committees not only perform important roles for the regulators, but they afford their members unique insight into the workings of these agencies and perhaps more notably, give select thought leaders a seat at the table. These advisory committees are woefully lacking with few people of color on them and need to intentionally recruit more diverse participants.

Lastly, I would like to discuss what we have been able to do with the US Securities and Exchange Commission, in conjunction with their Office of Minority and Women Inclusion on these matters. Earlier this year, the Asset Management Advisory Committee put forth a number of recommendations that would support diversity and inclusion goals. They include:

- Disclosure and Transparency
- Increased Guidance Around Fiduciary Duty and Due Diligence Thresholds
- Study and Investigation of “Pay to Play" and Political Contributions
- Clear and Effective Procedure for Reporting Discrimination and Unfair Treatment

Many thanks to NASP member, Gilbert Garcia of Garcia Hamilton, for his service on the Asset Management Advisory Committee.

Our hope is that via legislation, rulemaking, as well as data collection and analysis, we can frame and execute creative and effective solutions that address the issues touched upon here. The National Association of Securities Professionals and other likeminded organizations stand ready to support this committee in your goals of increasing opportunity, transparency, and fairness for everyone in the financial services industry.

Thank you, Chairwoman Beatty, and others on this committee for the opportunity to speak today.

We look forward to working closely with you in the future.

Ron Parker

Ronald C. Parker

President and CEO, National Association of Securities Profession

HEARING BEFORE THE UNITED STATES HOUSE FO REPRESENTATIVES

COMMITTEE ON FINANCIAL SERVICES

SUBCOMMITTEE ON DIVERSITY AND INCLUSION

December 9, 2021

Testimony of Cyrus Taraporevala

President and Chief Executive Officer, State Street Global Advisors

Chairwoman Beatty, Ranking Member Wagner and Members of the Subcommittee, thank you for providing me the opportunity to testify today.

I am Cyrus Taraporevala, President and Chief Executive Officer of State Street Global Advisors, the investment management arm of State Street Corporation headquartered in Boston, Massachusetts. At State Street Global Advisors, we manage nearly $4 trillion in assets for investors around the globe, through our over 2,300 institutional investor clients, such as retirement plans and endowments. We are the creator of the world's first exchange-traded funds (ETFs) and an indexing strategy pioneer. We also manage defined contribution retirement investments for 23 million plan participants, including a portion of the Federal Thrift Savings Plan.

State Street Global Advisors' parent company, State Street Corporation, employs approximately 40,000 talented people around the globe, over 2,500 of whom are part of State Street Global Advisors.

For State Street, increasing diversity and inclusion, and building equity, across our organization is essential to our success as a company. The evidence is clear. Greater diversity --- on every dimension, including racial, ethnic, cultural and gender --- contributes to better corporate performance, and better outcomes for all our stakeholders.

While I am proud of our actions and achievements to date, increasing diversity and inclusion remains a work in progress for all of us, and I support the Committee's efforts in this area.

At State Street Global Advisors, our efforts to realize the benefits of diversity fall into three broad pillars:

- First, we are committed to increasing the diversity and inclusion of our own Board and workforce;
- Second, we are committed to increasing diversity and inclusion in the asset management industry and in the communities in which we operate; and
- Third, we are committed to increasing diversity and inclusion in the portfolio companies in which we invest on behalf of our clients.

We provide detailed information on our approach to diversity on our public website, particularly related to our engagement with the companies in our investment portfolios.

For today's hearing, I'd like to discuss actions we took following the racial justice-related events of the summer of 2020, and then share some important efforts around gender diversity to which we have committed.

The events of the past few years – violence towards men and women in minority communities, persistent education and economic gaps, and the disproportionate impact of the pandemic ---

have illustrated stark realities that demand actions by responsible corporations that go beyond traditional tools to address issues impacting their employees and communities.

At State Street, we announced in July, 2020 our “10 Actions” to address issues of racism and inequality. The details of our 10 Actions are attached, but here are a few highlights of some of our progress:

For our Board and workforce:

- We’ve increased the racial diversity of our corporate board from 9% to 25%.
- We’ve adopted a global diverse candidate slate requirement for middle management and above, the U.S. version of which is commonly referred to as the “Rooney Rule.”
- We have committed to the Management Leadership for Tomorrow’s Black Equity at Work Certification, which provides a roadmap to enable employers to take a systemic, results-oriented approach to Black equity in the workplace.
- We’ve greatly increased employee engagement on diversity, equity and racial and social justice issues, including recognizing Juneteenth as a U.S. corporate holiday.
- We recently announced we will undertake a full Civil Rights audit as the next step in gaining additional perspective to strengthen our programs and initiatives.
- Our commitment to diversity and inclusion for LGBTQ+ communities has resulted in a 100% score for the past six years in the Human Rights Campaign’s Corporate Equality Index, recognizing our support for an inclusive culture and corporate responsibility.

For our industry, community and other stakeholders:

- We’ve greatly improved the quality of our diverse supplier program, with measurable positive results. Most notably, we enhanced the diversity and effectiveness of the syndicates underwriting our corporate debt by introducing Black-, Latinx-, women- and veteran-owned firms in issuances of $1.3 billion over the past year.
- We conducted an audit of our charitable foundation, resulting in our formally including racial equity as a funding focus.
- We’ve announced new strategic engagements with industry groups and nonprofits --- A Better Chance, National Association of Securities Professionals, the Toigo Foundation and the Association of Luxembourg Fund Industry – to increase representation of Black and Latinx talent in our industry.
- We’ve devoted particular attention to supporting minority populations in our headquarters’ Boston community, such as our leadership of the Small Business Strong initiative, which provides free business resources to Black, Latinx, women and veteran small businesses impacted by the COVID-19 crisis, and our $1 million State Street Foundation commitment to four Boston schools in racially-diverse areas to help students prepare for college.

For the companies is which we invest:

- In 2017, we launched our “Fearless Girl” campaign to draw attention to gender diversity in boardrooms --- including installing a “Fearless Girl” statute on Wall Street --- which identified 1,500 companies lacking women on their Boards – 900 of which have since added at least one woman director.
- In 2020, we expanded that campaign to include racial and ethnic diversity. We’ve urged our portfolio companies to disclose the racial and ethnic composition of their boards and, over time, add at least one director from underrepresented communities.
- We have also called for companies to disclose their EEO-1 data on U.S. employees.
- We have partnered with Russell Reynolds Associates and the Ford Foundation to glean best practices for corporate boards to advance racial and ethnic diversity and inclusion.

We have made significant progress, but, as the Committee's report reveals, there remains much to be done. Sustainable, meaningful advancements in diversity and inclusion require enduring changes to the way we all operate, and State Street --- and I personally --- are committed to staying that course.

Once again, thank you for the opportunity to testify today.

10 STATE STREET ACTIONS

ADDRESSING RACISM AND INEQUALITY

PROGRESS AGAINST GOALS AS OF JUNE 2021

	ACTION	DESCRIPTION	2021 PROGRESS
1	IMPROVE BLACK & LATINX[1] EMPLOYEE REPRESENTATION	Triple our Black and Latinx leadership (senior vice presidents+) and double our percentage of Black and Latinx populations over the next three years. Extend requirement to interview a diverse slate of candidates to positions at all levels.	• Improving representation of Black and Latinx employees in leadership roles • Held leadership accountable via **pay decisions** for our Diversity Goals • Enhanced global definition for **diverse candidate slate requirement**
2	SHARPEN FOCUS ON BLACK & LATINX[1] TALENT DEVELOPMENT	Examine all of State Street's development and advancement programs and processes to improve the mobility and development of Black and Latinx professionals.	• **Leveraged partnerships and programs** to drive career and personal development for Black and Latinx employees • Required **Diversity, Equity and Inclusion (DEI) as a performance priority** for all managers and recommended for all employees • Launched mentorship and sponsorship pilots within major business areas to measure outcomes and outline best practices
3	CONDUCT ANTI-RACISM CONVERSATIONS AND TRAINING	Enlist our entire workforce in learning opportunities and conversations around anti-racism and equity. Make these approaches and programs available to our clients.	• **~38,000+ employees** globally completed **unconscious bias training;** this training is now required for new employees • Ongoing **anti-racism sessions** led by business leaders, employee networks and external experts across the Company • Offering public Justice, Equity & Inclusion Series workshops to support anti-racism skill development in the workplace

[1] Black & Latinx, U.S. only; Black, Asian & Minority Ethnic (B.A.ME), globally

STATE STREET.

	ACTION	DESCRIPTION	2021 PROGRESS
4	**IMPLEMENT DEI PRACTICES FOR MANAGEMENT COMMITTEES**	Systematically review governance models within key management committees to ensure inclusion and diverse representation.	• Provided toolkit for senior management committee chairs to discuss **inclusive behaviors and actions** • Launched baseline survey to measure **effective governance, amplified culture traits, overall inclusion and diversity** within each committee
5	**INCREASE SPEND WITH BLACK & LATINX[1] SUPPLIERS**	Increase our spend with diverse suppliers over the next three years. Hold ourselves accountable for strengthening Black and Latinx-owned businesses.	• Issued $850M senior subordinated bonds utilizing an underwriting syndicate made up equally of banks and Black and Latinx-owned companies • Launched updated supplier diversity website
6	**IMPROVE BLACK & LATINX[1] BOARD REPRESENTATION**	Work with our board to add Black and Latinx directors within 18 months and to expand its diversity efforts.	• Added Julio Portalatin and John Rhea to our Board, **increasing racial diversity to 25%**
7	**LEVERAGE SSGA'S ASSET STEWARDSHIP EFFORTS**	Partner with State Street Global Advisors' Asset Stewardship and determine what State Street can learn from others to develop best practices and evolve to a best-in-class organization in combatting racism and attracting, motivating, and retaining Black and Latinx talent.	• SSGA asked companies to disclose more detail on Board and workforce diversity • SSGA 2021 stewardship priorities focused on **lack of racial and ethnic diversity** • Partnered with Russell Reynolds Associates and Ford Foundation to issue a report on best practices for effective oversight of DEI

[1] Black & Latinx, U.S. only; Black, Asian & Minority Ethnic (B.A.ME), globally

STATE STREET.

	ACTION	DESCRIPTION	2021 PROGRESS
8	**IMPROVE BLACK & LATINX[1] REPRESENTATION ACROSS OUR INDUSTRY**	Lead an effort with the asset management industry to attract and advance more Black and Latinx people into our profession.	• Formalized strategic partnerships with four organizations with a goal of providing career exploration, **DEI best practices**, employment and professional development opportunities
9	**ESTABLISH COMBATTING RACISM AS A STRATEGIC PRIORITY FOR STATE STREET FOUNDATION**	Establish combatting racism as a clear priority pillar alongside education and workforce development, and reprioritize State Street Foundation spending accordingly.	• Committed to making **~$6M in grants** to relevant nonprofit organizations • Offering **2:1 matching gifts** donating to organizations addressing racial equity issues • Increased employee volunteer time-off policy from **2 to 4 days**[2]
10	**INCREASE CIVIC ENGAGEMENT AND REFLECTION**	Leverage Juneteenth as a day of reflection to create awareness and establish a State Street-wide day of service focused on better understanding racism and giving back to our communities.	• Provided **World Anti-Racism Reflection Moments (WARM)** for employees and families through monthly, global opportunities for reflection and community service to engage on anti-racism and social justice • Launched June's racial equity and social justice 21-day challenge, a collection of short daily lessons, culminating with a week of community service actions, in honor of Race Unity Day and Juneteenth

For additional detail on the 10 actions please visit: https://www.statestreet.com/values/inclusion-diversity/10-actions-to-address-racism-and-inequality.html

[1] Black & Latinx, U.S. only; Black, Asian & Minority Ethnic (B.A.ME), globally
[2] Inclusive of non-political volunteering in civic engagement and social justice causes.

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STATE STREET.

For Immediate Release: December 7, 2021
Contact: Carolyn Clendenin, cclendenin@rabengroup.com, 347-869-7382

Diverse Asset Managers Initiative: New Congressional Report Reveals Nation's Largest Investment Firms Aren't Utilizing Diverse Talent

Washington, D.C. - Yesterday, the House Financial Services Committee released a report on diversity and inclusion at the nation's largest investment firms. The analysis found that responding firms reported spending 4 percent or less of asset manager spending with women-owned or minority-owned firms. Black and Latino employees were also underrepresented in executive/senior-level or mid-level manager roles.

Robert Raben, executive director and founder of the Diverse Asset Managers Initiative -- an effort to bolster racial and gender representation in the asset managers industry -- issued the following statement in response:

"There's no shocker here: Investment firms are not sufficiently utilizing diverse talent. Women and people of color are basically non-existent in the leadership of our nation's premier investment institutions. It's part of the same story -- businesses tout their commitment to diversity, and then don't do nearly enough to ensure diverse representation at their companies.

"Beyond just a rhetorical contradiction, it's a huge financial mistake. Research clearly indicates that diverse managers perform similarly to or better than non-diverse managers. By ignoring diversity, companies are also missing out on major profits."

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The Diverse Asset Managers Initiative is an effort to increase the absolute number of, and assets under management by, diverse-owned asset management firms for institutional investors, with specific focus on public, corporate, faith and labor union pension funds as well as foundation and university endowments.

United States Government Accountability Office

GAO

Report to the Ranking Member, Subcommittee on Diversity and Inclusion, Committee on Financial Services, House of Representatives

June 2021

FINANCIAL SERVICES INDUSTRY

Factors Affecting Careers for Women with STEM Degrees

GAO@100

A Century of Non-Partisan Fact-Based Work

GAO-21-490

GAO@100 Highlights

Highlights of GAO-21-490, a report to the Ranking Member, Subcommittee on Diversity and Inclusion, Committee on Financial Services, House of Representatives

Why GAO Did This Study

The financial services industry is highly dependent on technology and more than one-fifth of industry employees have STEM degrees. Women continue to be underrepresented in management positions in the financial services industry and in STEM degree programs. As a result, some financial services firms have made efforts to promote interest among women in both STEM and financial services.

GAO was asked to review factors affecting financial services careers for women with STEM degrees. This report examines (1) factors that affect the participation of women in STEM degree programs and subsequent participation in financial services careers, (2) how selected financial services firms encourage girls and women to participate in STEM education programs, and (3) how selected financial services firms recruit and retain women with STEM backgrounds.

GAO analyzed Equal Employment Opportunity Commission (EEOC) and Department of Education data from 2014 through 2018 and Census Bureau data from 2014 through 2019. At the time of analysis, these were the most recent data available. GAO also reviewed studies on financial services and STEM education. GAO interviewed representatives of financial services firms, industry associations, and nonprofit organizations. GAO selected organizations and representatives based on their participation in previous work and a literature review. EEOC and the Board of Governors of the Federal Reserve System provided technical comments on a draft that GAO incorporated as appropriate.

View GAO-21-490. For more information, contact Alicia Puente Cackley at (202) 512-8678 or CackleyA@gao.gov.

June 2021

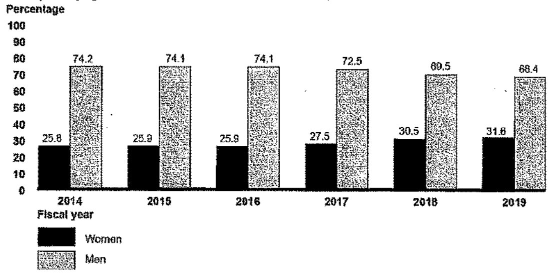
FINANCIAL SERVICES INDUSTRY

Factors Affecting Careers for Women with STEM Degrees

What GAO Found

Several factors affect women's participation in Science, Technology, Engineering, and Math (STEM) degree programs and subsequent careers in the financial services industry, according to research and stakeholders GAO interviewed. These factors include young girls' early exposure to STEM topics, access to resources such as computers and high-speed internet, and a sense of whether they belong in STEM degree programs. Women's interest in a financial services career also may be affected by the presence of role models and awareness of job opportunities. In recent years, women have represented roughly 30 percent of financial services industry workers with STEM degrees (see figure).

Financial Services Industry Workers with Degrees in Science, Technology, Engineering, and Math (STEM) by Gender, Fiscal Years 2014-2019



Source: GAO analysis of Census Bureau's American Community Survey data. | GAO-21-490

To encourage elementary and high school girls to learn about STEM, selected financial services firms provide funding and other support to nonprofit organizations that focus on increasing girls' participation in STEM. With this support, nonprofit organizations introduce girls to coding, basic programming, and other activities that may inspire interest in STEM education. Similarly, to encourage college women to pursue STEM degrees, selected firms sponsor conferences for women in STEM, offer scholarships to women studying STEM, and work with nonprofit organizations to help increase students' awareness of careers in the financial services industry.

Selected financial services firms recruit women with STEM degrees by collaborating with organizations that work with women STEM majors and sponsoring conferences for women in technology, among other efforts. Some firms have employee retention practices that are tailored to women with STEM expertise. For example, selected firms offer leadership training or employee resource groups for women in technology.

Contents

Abbreviations

EEOC	Equal Employment Opportunity Commission
STEM	Science, Technology, Engineering and Math

GAO@100 U.S. GOVERNMENT ACCOUNTABILITY OFFICE
A Century of Non-Partisan Fact-Based Work

441 G St. N.W.
Washington, DC 20548

June 15, 2021

The Honorable Ann Wagner
Ranking Member
Subcommittee on Diversity and Inclusion
Committee on Financial Services
House of Representatives

Dear Ms. Wagner:

The financial services industry employed nearly 4.3 million people in 2018. Since 2014, the number of financial services employees with degrees in science, technology, engineering, and math (STEM) has generally increased. Employees with STEM degrees—representing 20.4 percent of all financial services employees in 2019—are crucial to the financial services industry because of its reliance on technology to offer online services and protect against cybersecurity threats, for example.[1] At the same time, many private sector organizations have cited the importance of recruiting and retaining women, especially for key positions, to better serve a diverse consumer base.[2] The recruitment and retention of women with STEM degrees is therefore of interest to many financial services firms. Further, as we have previously reported, encouraging participation in STEM education is a key practice to increase the number of people with careers in STEM.[3]

You asked us to review factors affecting financial services careers for women with STEM degrees. This report examines (1) factors that affect women's participation in STEM degree programs and subsequent careers in financial services, (2) how selected financial services firms encourage girls and women to participate in STEM education programs, and (3) how

[1]The 20.4 percent figure is derived from our analysis of data from the U.S. Census Bureau's American Community Survey.

[2]We previously reported on the representation of women and racial/ethnic minorities in management positions in the financial services industry. GAO, *Financial Services Industry: Trends in Management Representation of Minorities and Women and Diversity Practices, 2007–2015*, GAO-18-64 (Washington, D.C.: Nov. 8, 2017).

[3]GAO, *Science, Technology, Engineering, and Mathematics Education: Assessing the Relationship between Education and the Workforce*, GAO-14-374 (Washington, D.C.: May 8, 2014).

selected financial services firms recruit and retain women with STEM backgrounds.

For all three objectives, we conducted a literature search to learn about factors affecting girls in STEM education, women's careers in financial services, financial services firms' efforts to support women and girls in STEM education, and recruiting and retention practices. We used research databases to search for scholarly or peer-reviewed material, government reports, conference papers, trade and industry articles, and association or nonprofit publications published from 2010 through 2020. In addition, we used Internet search techniques and keyword search terms to identify publicly available information on these issues.

We also interviewed representatives of financial services firms, financial services industry associations, nonprofit organizations that offer STEM education programs for girls, nonprofit organizations that advocate for women in STEM, nonprofit organizations that advocate for women in the workplace, and universities that offer Information Systems MBAs.[4] We identified these organizations and representatives based on their participation in our previous work, suggestions from organizations that represent the financial services industry, and our literature review. Views expressed by the representatives of the entities we interviewed cannot be generalized to all such entities. We also spoke with officials from the Equal Employment Opportunity Commission (EEOC), Board of Governors of the Federal Reserve System, Securities and Exchange Commission, and the National Association of Insurance Commissioners. In addition, we interviewed three women in leadership positions in financial technology firms. We identified these women by reviewing an annual list of women leaders in financial technology that appeared in an industry publication and reaching out to a random sample of them.[5] We also conducted a

[4]Specifically, we interviewed representatives of three financial services firms (JP Morgan Chase, Depository Trust and Clearing Corporation, and Bank of America), two financial services industry associations (Securities Industry and Financial Markets Association, and Independent Insurance Agents and Brokers of America), three nonprofit organizations that offer STEM education programs (National Girls Collaborative Project, Girls Who Code, and Girl Scouts of America), three nonprofit organizations that advocate for women in STEM (Anitab.org, Rewriting the Code, and the Society of Women Engineers), three nonprofit organizations that advocate for women in the workplace (Center for Talent Innovation, Catalyst, and Prospanica), and three universities with Information Systems MBAs (University of Maryland, Georgia Institute of Technology, and Rutgers University).

[5]The women leaders we interviewed were employed at the financial technology firms Marqueta, TrueAccord, and Fundation.

group interview with 10 women who either were studying STEM in college or had recently graduated. The group of college women we interviewed were selected because they participated in activities with Rewriting the Code, a nonprofit organization that focuses on supporting college, graduate, and early career women in technology.[6]

Additionally, to describe the participation of women in STEM degree programs, we analyzed data from the Department of Education's Integrated Postsecondary Education Data System to determine the percentage of women who earned STEM degrees from 2014 through 2018.[7] We also analyzed 2014–2019 data from the Census Bureau's American Community Survey to determine the extent to which women who graduated with STEM degrees obtained jobs in the financial services industry. Moreover, we analyzed EEOC data for the financial services industry to identify trends in the representation of women and racial/ethnic minorities in management and nonmanagement positions from 2014 through 2018.[8] We assessed the reliability of the data from Department of Education, Census Bureau, and EEOC through electronic testing, documentation review, and interviews with knowledgeable officials. We found these data to be sufficiently reliable for describing trends in workforce diversity.

We conducted this performance audit from April 2020 through June 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[6]Views expressed by the representatives of the entities we interviewed cannot be generalized to all such entities.

[7]In prior work, we identified three STEM categories: Core STEM, Healthcare STEM, and Other STEM. For the analysis in this report, we included only the fields in the Core STEM category—engineering, life science, physical science, computer and information technology, and math and statistics—and excluded the fields in the other two categories. For additional information about STEM fields, see GAO-14-374.

[8]At the time of our analysis, 2018 was the most recent year for which the full data set of the Integrated Postsecondary Education Data System and EEOC data were available. The most recent year for the American Community Survey data was 2019.

Background

Financial Services Industry's Reporting to EEOC

The financial services industry is comprised of firms and institutions that provide financial services to commercial and retail consumers.

EEOC requires employers to use the North American Industry Classification System to classify their respective industry. Under this system, the financial services industry includes the following five sectors:

- credit intermediation and related activities (banks and other credit institutions);
- funds, trusts, and other financial vehicles (funds and trusts);
- securities, commodity contracts, and other financial investments and related activities (securities and other activities);
- insurance carriers and related activities (insurance); and
- monetary authorities, which include central banks.

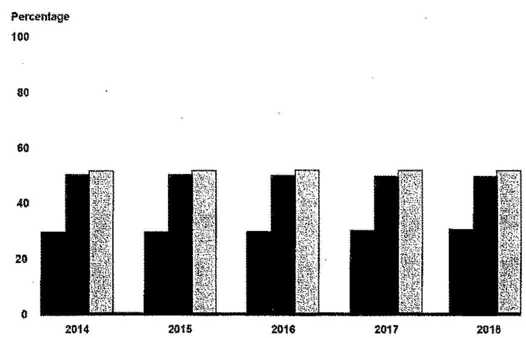
EEOC requires some private employers to annually submit data on employees' positions and demographic characteristics.[9] Employers are to review EEOC's guidance describing two management positions and determine how their firm's job positions fit into these classifications. Senior-level managers include chief executive officers, chief financial officers, and managing partners, among others. The first- and mid-level management category includes (1) middle managers who report to senior managers and typically lead major business units, and (2) managers who report to middle managers and oversee day-to-day operations, such as team or branch managers. In addition, employers use non-management job categories, such as the "professionals" category, to classify their employees. Professional positions can include credit and financial analysts, personal financial advisors, financial examiners, and loan officers.

[9]EEOC requires private employers subject to Title VII of the Civil Rights Act of 1964 with 100 or more employees and meet certain other requirements to annually submit data on sex and racial/ethnic characteristics of employees by various occupations for a broad range of industries, including financial services. The Department of Labor's Office of Federal Contract Compliance Programs generally requires federal contractors who have 50 or more employees to annually submit data to EEOC (41 CFR § 60-1.7(a)).

Women and Minorities in the Financial Services Industry

The representation of women in senior-level management, first- and mid-level management, and professional positions in the financial services industry did not change significantly from 2014 to 2018 (see fig. 1).[10]

Figure 1. Representation of Women in Management and Professional Positions in the Financial Services Industry, 2014–2018



Fiscal year	2014	2015	2016	2017	2018
Senior-level management	29.1	29.4	29.4	30.1	30.2
First- and mid-level management	50.0	50.0	49.8	49.4	49.5
Professionals	51.1	51.3	51.5	51.4	51.4

Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-21-490

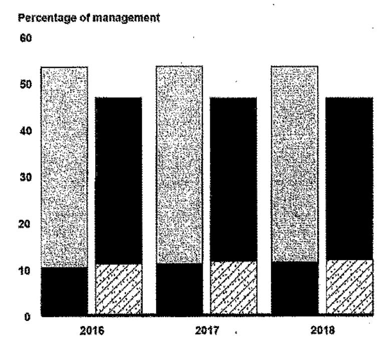
In 2017, we reported on the challenges the financial services industry faced in promoting and retaining a diverse workforce.[11] For example, we reported that negative perceptions of the financial services industry could limit potential candidates' interest in the field. We also reported that some

[10] In 2017, we reported that the representation of women and men at the overall management level (senior-level managers as well as first- and mid-level managers) in the financial services industry remained unchanged from 2007 through 2015. Women represented about 45 percent of managers and men represented about 55 percent during this period. See GAO-18-64. Our updated data analysis indicate that this representation remained the same as of 2018.

[11] GAO-18-64.

financial services firms focused their recruiting on elite universities rather than recruiting talent at a broader group of schools. We also noted that financial services firms were increasingly competing with technology firms for talent. Overall representation of minorities in management positions increased from about 17 percent to 21 percent from 2007 through 2015, and our updated analysis shows it increased from 21 percent to 23 percent from 2016 through 2018 (see fig. 2).[12]

Figure 2. Representation of Minorities in Overall Management Positions in the Financial Services Industry, by Gender, 2016–2018



Fiscal year	2016	2017	2018
White men	43.1	42.4	42.0
Minority men	10.1	10.9	11.3
White women	35.7	35.0	34.7
Minority women	11.2	11.7	12.0

Source: GAO analysis of Equal Employment Opportunity Commission data. | GAO-21-490

STEM Education

STEM education refers to teaching and learning in the fields of science, technology, engineering, and mathematics. It includes educational

[12]Minorities were defined as including African-American, Asian, Hispanic, Native Hawaiian or Pacific Islander, Native American or Alaska Native, and "two or more races."

activities across all grade levels—from pre-school to post-doctorate—in both formal and informal settings. Formal education activities are traditional instructor-led classes. By contrast, informal education activities give students learning opportunities outside of formal settings. Examples include contests, science fairs, and summer programs. Also, informal education activities are hosted by a variety of organizations, such as nonprofit organizations that support STEM education for girls and women.

Diversity in the Financial Services Industry

We have previously reported on diversity in the financial services industry. In 2010, we reported that without a sustained commitment among financial services firms to overcome challenges to recruiting and retaining minority candidates, diversity at the management level would continue to remain generally unchanged over time.[13] In 2013, we noted that practices that support diversity in the financial services industry include sponsorships (where a senior-level manager acts as a guide to help an employee navigate the company) and efforts to address unconscious bias in promotions.[14] In 2017, we noted that research has shown that larger organizations may have greater capacity to address workforce diversity, and tend to make greater efforts to prevent workplace discrimination against women and racial/ethnic minorities because they have direct legal obligations.[15]

[13]GAO, *Financial Services Industry: Overall Trends in Management-Level Diversity and Diversity Initiatives, 1993–2008*, GAO-10-736T (Washington, D.C.: May 12, 2010).

[14]GAO, *Diversity Management: Trends and Practices in the Financial Services Industry and Agencies after the Recent Financial Crisis*, GAO-13-238 (Washington, D.C.: April 16, 2013).

[15]GAO-18-64.

Several Factors Affect Women's Participation in STEM Degree Programs and Careers in Financial Services

Factors Affecting Whether Women Study STEM Include Early Exposure, Access to Technology, and a Sense of Belonging

Several factors contribute to whether girls stay interested in STEM through elementary and high school and go on to pursue and complete STEM degrees, according to stakeholders we interviewed as well as available research.[16]

- **Early exposure to STEM.** Girls' early exposure to STEM at home and school influences whether they will study STEM in college, according to research as well as college students and representatives of nonprofit organizations with whom we spoke. Several college women majoring in STEM told us that early exposure to STEM at home and school influenced their own decisions to pursue STEM education in high school and college. One student noted she was encouraged by a teacher to take computer science classes and that her parents had backgrounds in computer science. Another student told us she attended a high school that had a STEM focus and good computer science classes. Representatives of nonprofit organizations and financial services firms said it is important to engage girls in STEM at an early age and then maintain that interest in middle school and high school. A 2016 study also suggested that some girls who experienced computing in junior high school expressed greater interest in computing through their high school and college years.[17]
- **Access to resources.** Access to resources, such as computers, high-speed internet at home, and classes on STEM topics are important factors in girls' participation in STEM education. According to a

[16]These stakeholders included representatives of nonprofit organizations that offer STEM education programs for girls or that advocate for women in STEM, financial industry associations, financial services firms, and women leaders and college students.

[17]Accenture and Girls Who Code, *Cracking the Gender Code* (2016) accessed April 29, 2021, https://www.accenture.com/_acnmedia/PDF-150/Accenture-Cracking-The-Gender-Code-Report.pdf#zoom=50. Accenture is a global professional services company and Girls Who Code is a national nonprofit working to close the gender gap in technology.

nonprofit representative, access to these resources is less common among minority and low-income children. In 2016, we reported that disparities in education persist in U.S. public schools and are particularly acute among schools with the highest concentrations of minority and poor students. For example, schools with mostly Black or Hispanic students offered disproportionately fewer math and science classes.[18]

- **Sense of belonging.** A sense of belonging while studying STEM is critical for retaining girls and women in STEM classes and degree programs, according to representatives of nonprofit organizations and a financial technology firm. Factors that contribute to girls' and women's sense of belonging include the following:
  - *Perceptions about girls' and women's aptitude in STEM.* Perceptions about girls' and women's aptitude in STEM affect both how girls perceive themselves and how others perceive girls' and women's abilities. A 2011 study found that both elementary school boys and girls indicated a stronger association of math with boys than with girls.[19] Additionally, representatives from one nonprofit organizations told us that girls may perceive themselves to be worse at math and science than boys. Representatives of another nonprofit organization told us that this perception can have a negative effect on whether girls feel that they belong in STEM classes, and whether they pursue STEM classes and degrees.

    College women with whom we met described examples of their abilities being questioned during college-level STEM classes. In addition, one student told us that in STEM classes dominated by men, it was easy for women to feel discouraged and that they did not belong. Another student told us that some men in her classes questioned her qualifications while working on a STEM project.
  - *Stereotypes of people in STEM.* Stereotypes about who works in STEM may discourage girls and women from pursuing STEM

[18]GAO- K-12 *Education: Better Use of Information Could Help Agencies Identify Disparities and Address Racial Discrimination*, GAO-16-345 (Washington, D.C.: Apr. 21, 2016).

[19]Dario Cvencek, Andrew N. Meltzoff, and Anthony G. Greenwald, "Math-Gender Stereotypes in Elementary School Children," *Child Development*, vol. 82, no. 3 (May/June 2011): p. 766-779. A total of 247 children in grades 1 through 5 who attended private and public elementary schools in the Seattle area were administered implicit association tests, among other methods. The results of the study cannot be generalized to students outside of the study group.

education, according to representatives of nonprofit organizations that work with girls and women as well as research. For example, a representative of a nonprofit organization told us that stereotypes about coders—for example, that they are loners or obsessed with coding—may dissuade girls from learning to code. Similarly, a representative of another nonprofit organization told us that some girls may internalize observations of who they see working in STEM, and perceive that there is not a place for them in STEM. Additionally, undergraduate women who participated in a small 2013 study were less likely to express interest in majoring in computer science after reading a news article describing stereotypes about computer scientists.[20]

- *Presence of role models.* Role models can encourage girls to stay in STEM classes and degree programs, according to research and several representatives from financial institutions and nonprofit organizations. For example, a 2015 study found that women who had attended high schools with a larger proportion of women math and science teachers were more likely to major in STEM in college or graduate with a STEM degree.[21] A representative of a nonprofit that works with college women told us that college women need to see women role models who have come before them and found success in STEM fields. However, others noted there are limited role models for girls and women in STEM. One

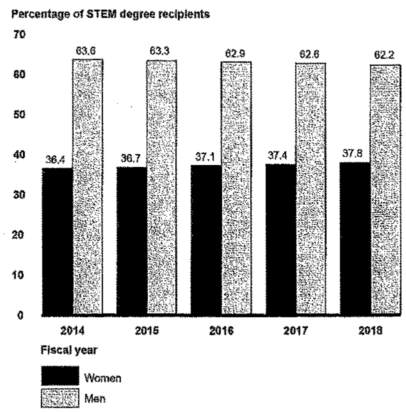
[20]Sapna Cheryan et al., "The Stereotypical Computer Scientist: Gendered Media Representations as a Barrier to Inclusion for Women," *Sex Roles*, vol. 69, no. 1 (2013): p. 58-71. A total of 54 undergraduate students (30 women, 24 men) who self-selected to participate in the study were asked to read one assigned article that either described or refuted stereotypes about computer scientists. The participants were then asked to rate how interested they were in a career in computer science. Reading the nonstereotypical article increased women's expressed interest in computer science compared to women who did not read any article and also compared to women who read the stereotypical article (a separate group of 33 women were only asked to rate their interest in a career in computer science.) Men's expressed interest in computer science was not affected by which article they read. The results of the study cannot be generalized to students outside of the study group.

[21]Martha Cecilia Bottia et al., "Growing the Roots of STEM Majors: Female Math and Science High School Faculty and the Participation of Students in STEM," *Economics of Education Review*, vol. 45 (2015): p. 14–27. The study results were significant compared to women who attend high schools with lower proportions of female math and science teachers, and also compared to men who declared and/or graduated with a STEM degree. The results can only be generalized to the study population, which was the approximately 12,500 students who attended secondary public school in North Carolina in 2004 and later pursued their undergraduate studies in the University of North Carolina system and declared a major.

college student told us that in four years in college, she had no STEM professors that were women to look up to. Another college student mentioned she is often the only woman working on a STEM group project, which sometimes led her to question if she belonged in those classes.

These factors may help explain the imbalance between men and women with STEM degrees. In 2018, women represented 38 percent of STEM degree recipients, according to the Department of Education's Integrated Postsecondary Education Data System (see fig. 3).[22] Women's representation among STEM degree recipients increased 1.4 percentage points from 2014 through 2018.

Figure 3. Science, Technology, Engineering, and Math (STEM) Postsecondary Degree Recipients by Gender, 2014–2018



Source: GAO analysis of Department of Education's Integrated Postsecondary Education Data System data. | GAO-21-490

[22]At the time of our analysis, 2018 was the most recent year for which the full data set of the Integrated Postsecondary Education Data System was available.

Perceptions of the Financial Services Industry Influence Career Choices of Women with STEM Degrees

Several factors affect whether women with STEM degrees pursue careers in the financial services industry, according to information we reviewed and financial services industry representatives and others we interviewed.

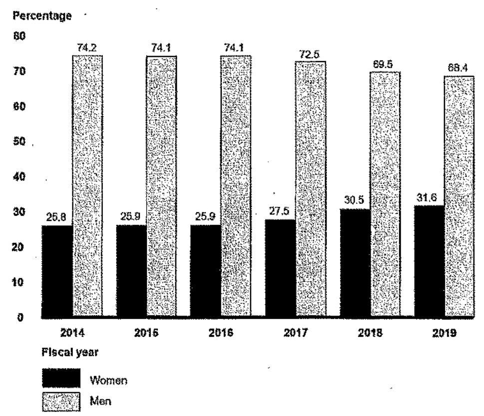
- **Presence of role models.** The presence of role models in the financial services industry may be a factor in whether women with STEM degrees pursue financial services careers. Representatives of a nonprofit organization we interviewed noted that the limited number of role models for women in the industry can create a perception of a work culture dominated by men that would impede women's career advancement.
- **Stereotypes about the financial services industry.** Stereotypes about the work atmosphere in the financial services industry are another factor that may influence whether women with STEM degrees pursue careers in the field. Movies or television shows that depict the industry as misogynistic may dissuade women from applying for jobs in financial services, according to a representative of a university. One representative of a financial services firm said that there are negative perceptions about some positions in the firm, such as asset managers or financial advisors, who tend to be men.
- **Job descriptions.** Language in job descriptions may be a factor in whether women candidates apply for financial services positions. A 2011 study found that women who read job advertisements that used proportionally more masculine wording (i.e., words associated with stereotypes of men, such as dominant or competitive) had reduced anticipated sense of belonging in those jobs.[23] A university professor told us that the phrasing of some financial services positions remains and issue and could deter some women from applying. One financial services firm representative told us her firm worked with a nonprofit organization to rewrite its job descriptions to better appeal to women.

[23]Danielle Gaucher, Justin Friesen, and Aaron C. Kay, "Evidence That Gendered Wording in Job Advertisements Exists and Sustains Gender Inequality," *Journal of Personality and Social Psychology*, vol. 101, no. 1 (2011): p.109-128. Ninety-six Canadian university students (63 women, 33 men) each reviewed six job advertisements—two contained proportionally more masculine wording, two contained proportionally more feminine wording, and two were neutral—and then rated each job's appeal and their anticipated sense of belonging in the job. Women reported greater anticipated sense of belonging within occupations that contained more feminine than masculine words. For men, gendered wording had no effect. The study authors noted that the experimental job advertisements may have contained proportionally more gendered words than in real advertisements. The results of the study may not be generalizable beyond the study population.

- **Awareness of job opportunities.** Women jobseekers may not be aware of STEM-related career opportunities in the financial services industry. For example, an industry representative told us that jobseekers may not think of a bank as a technology company, but banks increasingly need employees with technological skills. Also, we have previously reported that an effective practice for financial services firms to recruit and retain women and racial/ethnic minorities is to offer programs to increase awareness of financial services.[24]

These factors may help explain the variance in the proportion of STEM degree holders working in financial services that are men compared to women. As of 2019, women represented about 32 percent of STEM degree holders in the financial services industry—a 5.8 percentage point increase since 2014, according to our estimates of the Census Bureau's American Community Survey (see fig. 4).

Figure 4: Financial Services Industry Workers with Degrees in Science, Technology, Engineering, and Math (STEM) by Gender, Fiscal Years 2014-2019



Source: GAO analysis of Census Bureau's American Community Survey data. | GAO-21-490

Note: Standard errors of these estimates are equal to or smaller than 0.8%.

[24]GAO-18-64.

Selected Financial Services Firms Have Efforts to Encourage Girls and Women to Pursue STEM Degrees

Selected Financial Services Firms Sponsor Activities That Engage Elementary and High School Girls in STEM Activities

To encourage elementary and high school girls to learn about STEM, selected financial services firms sponsor nonprofit organizations that focus on increasing girls' participation in STEM education. Representatives of financial services firms and industry groups we spoke with listed numerous nonprofit organizations they work with to engage girls and women in STEM.[25] Nonprofit organizations that provide STEM-related activities told us that many financial services firms sponsor their organizations and activities through financial support. For example, a representative of one nonprofit said that corporate sponsors funded 80 percent of its programs directed at girls. A representative of another nonprofit organization told us it works with several different firms to create programs to engage girls in STEM.

In general, these nonprofit organizations seek to:

- **Teach coding and basic programming.** Selected nonprofit organizations teach girls coding and basic computer programming. For example, one organization teaches girls coding concepts such as loops, variables, conditionals, and functions and has girls complete a computer science project in its after-school programs.
- **Expose girls to STEM concepts.** Selected nonprofit organizations expose girls to STEM concepts such as engineering, technology, and cybersecurity. For example, one nonprofit supported by financial services firms provides girls with the opportunity to learn about engineering through hands-on activities like designing and building a racecar. Nonprofit representatives also told us girls also visit a financial services firm's cybersecurity hub to learn more about cybersecurity. This same nonprofit organization developed a "fun with purpose" K-12 curriculum to inspire girls to celebrate scientific discovery and expose them to STEM concepts related to those

[25]See app. I for a list of selected organizations that engage girls and women in STEM.

scientific discoveries. A representative of another nonprofit said it provides opportunities for girls to use technology skills to solve real-world problems, emphasizing the effect that STEM careers have on the world.

- **Provide role models and a supportive environment for girls.** Selected nonprofit organizations provide girls with role models, and seek to do so in a supportive environment. One organization partners with a financial services firm to provide networking opportunities for girls by connecting them with women professionals in STEM roles. Another nonprofit organization teaches middle school girls about women who pioneered innovative technology. Additionally, a representative from this organization said that it tries to build community and a supportive environment for the girls who participate in its activities.
- **Expose girls to STEM occupations.** Selected nonprofit organizations provide girls exposure to STEM occupations. One nonprofit organization partners with financial services firms to provide high school girls with summer immersion programs within the firms. Another nonprofit organization exposes girls to STEM occupations through "career exploration" programs that show girls possible career paths with STEM degrees.

Studies have noted that some of these activities, such as offering after-school clubs and teaching girls about women in STEM, help girls overcome barriers in pursuing STEM education. For example, one study concluded that these activities allow students to experiment with STEM concepts and build confidence that they then carry back to formal education settings.[26] Another study found that high school girls had higher comprehension of a science lesson that contained images of women

[26]Educational Research Center of America, *STEM Classroom to Career: Opportunities to Close the Gap* (2016).

scientists compared to a lesson that contained images of men scientists.[27]

Selected Financial Services Firms Engage College Women through Partnerships with Nonprofit Organizations or Other Efforts

To encourage college women to pursue STEM degrees, selected firms partner with nonprofit organizations or universities to provide networking and peer-support opportunities, conferences, and scholarship funds, according to representatives of financial industry associations, nonprofit organizations, universities, financial services firms, and others.

- **Networking and peer-support opportunities.** Selected financial services firms partner with organizations that provide college women in STEM fields with networking and peer-support opportunities. One nonprofit organization, which partners with several financial services firms, provides college women with a community of peers and mentors, exposure to possible career paths and opportunities, internships, and skill development in networking, confidence, communication, and leadership. One student told us she received an internship and job opportunities in technology through this organization. Another student said the organization provided mentors through an internship with a financial services firm.
- **Sponsorship of conferences for women.** Some financial services firms sponsor conferences that focus on women in STEM. For example, financial services firms sponsor the Grace Hopper Celebration, an annual conference that provides opportunities for women with STEM degrees to network and find mentors.[28] Similarly, some financial services firms participate as sponsors and exhibitors in

[27]Jessica J. Good, Julie Woodzicka, and Lylan Wingfield. "The Effects of Gender Stereotypic and Counter-Stereotypic Textbook Images on Science Performance," *The Journal of Social Psychology*, vol. 150, no. 2 (July 2010): p.132–147. The researchers created three versions of a chemistry textbook lesson that contained identical text, but one lesson contained only images of men scientists, one lesson contained only images of women scientists, and one contained images of both men and women scientists. Eighty-one high school students were randomly assigned to read one of the lessons and then completed a reading comprehension test about the lesson. Women students who read the lesson containing only images of women scientists had statistically higher lesson comprehension compared to those women students who read lessons containing only images of men scientists. The study results were not statistically significant for men students or for students of either represented gender who read the lessons containing images of both men and women. Results of the study cannot be generalized to students outside of the study group.

[28]Rear Admiral Grace Hopper was one of the first women to receive a doctorate degree in mathematics and is viewed as an important and influential pioneer in the history of technology. In 2016, she was posthumously awarded the Presidential Medal of Freedom for her many contributions to the field of computing.

the Society of Women Engineers' annual conference, which includes a career fair.

- **Scholarships and endowments.** Certain financial services firms offer scholarships and endowments to engage college women and support their STEM education. For example, at least one firm provides scholarships targeted to women pursuing STEM degrees. Another firm created a permanent endowment with a medical center in 2020 to enhance access and support for young, underrepresented minority women interested in careers in medicine and biomedical research.
- **Funding for universities.** Selected financial services firms provide funding directly to universities to encourage STEM education programs. For example, an insurance company provided $20 million to the University of Wisconsin-Madison to expand research in data science. Another financial services firm funded a technology lab at the University of Maryland to provide research opportunities in STEM and job opportunities for students, though not exclusively women.
- **Support other activities.** Some firms host activities to engage women pursuing STEM degrees. For example, an industry representative described a firm that hosts "hackathons" to raise awareness of STEM careers in financial services. Another firm's representative spoke about efforts to organize a career exploration program that exposes students, though not exclusively women, to opportunities in financial services.

Representatives of nonprofit organizations that work to support college women pursuing STEM degrees cited several benefits to these activities. They said networking and peer-support activities help college women remain in STEM majors by providing support and helping participants understand their career options. Additionally, conferences for women in STEM help attendees connect with companies and find internships and job opportunities. College women we spoke with described the importance of attending conferences for women in technology and having the support of peers and mentors.

Financial Services Firms Have Various Strategies for Recruiting and Retaining Women with STEM Backgrounds

Selected financial services firms recruit women with STEM backgrounds through targeted efforts, including partnering with nonprofit organizations and sponsoring STEM-related events. To retain women with STEM expertise, selected firms offer leadership training and sponsorship programs.

Recruitment Efforts Include Partnering with Nonprofits and Sponsoring STEM Events for Women

Some financial services firms we spoke with recruit women with STEM degrees or experience through partnerships with organizations that work with STEM majors, events for women in technology, and programs to bring people back into the workforce.[29]

- **Partnership with nonprofit organizations to recruit specific types of applicants.** Selected financial services firms use nonprofit organizations to gain access to women with STEM degrees. For example, a representative of a nonprofit organization that works with college women majoring in STEM noted that financial services firms are increasingly working with nonprofit organizations that advocate for women and racial/ethnic minorities to recruit STEM majors. We previously reported that financial services firms are increasingly looking to recruit candidates at a broader group of schools rather than a small number of elite universities.[30] Additionally, a representative of a financial services firm told us it works with nonprofit organizations to find job candidates with STEM expertise but no college degree, which has helped the firm recruit STEM talent, including women.
- **Recruiting at events for women in in technology.** Some financial services firms sponsor events, such as conferences for women in technology, to recruit women with STEM backgrounds. For example, representatives from one firm told us that it sponsors events hosted by nonprofit organizations such as Lesbians Who Tech, Women Who Code, and Rewriting the Code. In addition, some firms recruit at career fairs associated with conferences for women in technology.

[29]Our prior work on effective practices for recruiting women and racial/ethnic minorities cites practices such as recruiting at a broader base of schools rather than only elite universities, establishing relationships with student and professional organizations, and intentionally recruiting diverse candidates. GAO-18-64.

[30]GAO-18-64.

One firm noted it typically hires over 100 individuals each year who the firm recruited at the Grace Hopper Celebration.

- **Offering re-entry programs for people who have left the workforce.** Several industry representatives said that some firms offer programs to recruit employees, in some cases women with STEM expertise, who have been out of the workforce for a period of time. For example, one financial services firm offers programs to rehire its former employees who have taken a multi-year career break. These re-entry programs give employees an opportunity to re-enter the workforce and provide the employer a chance to hire mature professionals with needed skills and experience. These professionals are frequently though not exclusively women.

Certain Retention Practices Are Tailored to Women with STEM Expertise

Representatives of financial services firms said most of their efforts to retain employees are aimed at all employees. These practices include offering family-friendly benefits, such as paid parental leave, childcare, tuition reimbursement, flexible work arrangements, and health insurance, among others. Financial services firms also may retain employees by offering competitive salaries and flexibility for employees to change careers within the firm.

However, some financial services firms have employee retention efforts that sometimes target women with STEM degrees in particular:

- **Sponsorship programs.** Selected financial services firms offer sponsorship programs—in which an executive acts as a guide to help an employee navigate the organization— to help promote and retain employees. A 2018 study found that sponsorship programs increased the number of women employees working in STEM who advanced in their careers and intended to stay with their current companies.[31] The study cited a program at a financial services firm that encouraged its women in technology to set career goals and make a presentation to senior leaders with the guidance of a sponsor. In addition, representatives of three financial services firms we spoke with noted that their firms have sponsorship programs aimed at supporting women's careers.

[31]Center for Talent Innovation, *Wonder Women in STEM and the Companies that Champion Them* (2018). Based on a survey of about 3,200 individuals, the study found that women in STEM who advanced in their careers and intended to stay at their jobs were 72 percent more likely to do so at companies with a sponsorship program compared to those at companies without that program. Data were weighted to be representative of the U.S. population.

- **Leadership training programs.** Some firms offer leadership training and professional development programs aimed at supporting women's career paths. For example, according to an insurance industry association representative, the insurance industry works to retain women with STEM degrees through professional development events, including a conference on insurance technology. Additionally, representatives from a financial services firm told us about its retention programs that offer leadership training, including one specifically aimed at retaining women in technology.
- **Affinity groups.** Affinity groups, sometimes referred to as employee resource groups or networking programs, provide forums for employees to gather socially and share ideas outside their work unit. Representatives of one financial services firm cited its Women in Technology and Operations employee group, which aims to develop its members' technical and leadership skills and help them meet other employees and learn about the firm. We previously identified establishing workplace affinity groups as an effective practice in retaining women and racial/ethnic minority employees.[32]

Our prior work on effective practices for retaining women and racial/ethnic minorities cite practices such as training managers and employees on inclusion and unconscious bias, establishing management-level accountability, and providing mentors and sponsors to these groups.[33]

Agency Comments

We provided a draft of this report to EEOC, the Board of Governors of the Federal Reserve System, and the Securities and Exchange Commission for their review and comment. We received technical comments from EEOC and the Board of Governors of the Federal Reserve System, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Chair of the Equal Employment Opportunity Commission, the Chair of the Board of Governors of the Federal Reserve System, and the Chair of the Securities and Exchange Commission. We will make copies available to others upon request. The report will also be available at no charge on our website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-8678 or cackleya@gao.gov. Contact points for our

[32]GAO-18-64.

[33]Ibid.

Offices of Congressional Relations and Public Affairs are listed on the last page of this report. GAO staff who made major contributions to this report are listed in appendix II.

Sincerely yours,

Alicia Puente Cackley

Alicia Puente Cackley
Director
Financial Markets and Community Investment

Appendix I: Examples of Organizations that Engage Girls and Women in Science, Technology, Engineering, and Math

Table 1 provides examples of organizations that engage girls and women in science, technology, engineering, and math (commonly referred to as STEM). GAO did not assess and does not endorse these organizations.

Table 1: Organizations that Engage Girls and Women in Science, Technology, Engineering, and Math

Name	Website
AnitaB.org (Grace Hopper Celebration)	anitab.org
Black Girls Code	blackgirlscode.com
Break Through Tech	breakthroughtech.org
Central Exchange (WiSTEMM)	centralexchange.org
Code.org	code.org
ColorStack	colorstack.org
CybHer	cybher.org
Girl Scouts	girlscouts.org
Girls for Technology	girlsfortechnology.org
Girls in Tech	girlsintech.org
Girls Inc.	girlsinc.org
Girls Who Code	girlswhocode.com
Invest in Girls	investgirls.org
Lesbians Who Tech	lesbianswhotech.org
National Center for Women and Information Technology	ncwit.org
Power To Fly	powertofly.com
Rewriting the Code	rewritingthecode.org
Society of Women Engineers	swe.org
STEM Connector (Million Women Mentors)	mwm.stemconnector.com
Technovation Girls	technovationchallenge.org
Tech Savvy Women	techsavvywomen.net
Women Who Code	womenwhocode.com

Source: GAO analysis of information provided by industry participants and nonprofit organizations. | GAO-21-490

Appendix II: GAO Contact and Staff Acknowledgments

GAO Contact

Alicia Puente Cackley, (202) 512-8678 or cackleya@gao.gov.

Staff Acknowledgments

In addition to the contact named above, Lisa Moore (Assistant Director), Leah DeWolf (Analyst in Charge), Giselle Cubillos-Moraga, Kumba Gaye, Jessica Sandler, Jena Sinkfield, and Shenandoah Sowash made key contributions to this report. Moon Parks and Jill Lacey provided technical assistance.

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Follow-up from Testimony

To Chairwoman Waters

Statistics on Procurement Diversity

BlackRock is a global asset manager and fiduciary to our clients. The assets we manage on behalf of our clients — who are pension plans that serve workers from all industries, individuals through financial advisors, nonprofit organizations, academic institutions, insurance companies and governments — represent the futures of millions of people across the world. Their futures are why we work with passion and responsibility each and every day.

As an asset manager, BlackRock operates as a fiduciary. That means the money we manage is not our own; we invest on behalf of our clients, in line with their objectives and preferences. We offer an extensive set of investment strategies, across active and index, asset classes, geographies and exposures, so that we can develop solutions that meet clients' specific needs.

It's important to note that the vast majority of our clients' assets are managed directly by BlackRock. That is, hiring third party managers is not a core aspect of our business model. However, it is noteworthy that BlackRock has a formal Diverse Manager Program (DMP), recognizing the importance of engaging diverse managers to deliver competitive returns to clients, advance economic outcomes, and empower a more diverse investment community.[1] Currently we have $107 billion total AUM allocated to third party mangers of which $7 billion is allocated to 30 diverse third-party asset managers, and another $8 billion was allocated to partially diverse-owned managers. Among the 30 diverse third-party asset managers, eight are women-owned, 19 are minority-owned, and three are women and minority owned. Our investment teams allocate to these firms in pursuit of delivering differentiated and competitive returns to our clients.

In addition to the DMP program, we also have a Diverse Broker program which increases connectivity and with firms owned by minorities, women and disabled veterans while helping them grow their businesses. We had a record year in 2020 with $295 billion notional trading volumes with diverse brokers. We currently partner with 23 firms of which five are disabled-veteran owned, nine are minority-owned, one is women and minority-owned, and eight women-owned.

Our efforts are trying to help diverse brokers break barriers to entry and build capabilities to compete and level the playing field with other counterparties. A few examples of how we look to achieve this include: working to identify key asset classes and markets where diverse brokers may have stronger capabilities; proactively engaging diverse brokers on opportunities to increase trading activities; and helping to identify new product and markets where diverse brokers can find ways to engage in trading activities to compete.

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[1] The definitions of manager diversity can vary based on state and government agency certifications. At BlackRock, we center on Minority, Women, and Disadvantaged Business Enterprise ("MWDBE") guidelines but recognize that these guidelines alone do not capture other important types of diversity.

To Rep. Wagner

Leadership Forums

We believe that a critical driver of our firm's future growth is our ability to grow leaders today. We are committed to identifying and developing diverse talent to help employees accelerate their growth and achieve their career goals. We are investing in comprehensive leadership development programs.

Of note, this year we launched PROPEL (PROfessional Preparation for Elevated Leadership) for our Black and Latinx Vice President leaders (our mid-level talent), as well as Black and Latinx Leadership Forums for our Managing Directors and Directors (our senior level talent). We have also invested in the accelerated development of our women through our Women Leadership Forum (WLF). These leadership programs include assessments, executive coaching, virtual learning and senior management sponsorship.

Launched in 2011, the WLF was designed as a specialized year-long program for high-performing women at senior levels of the firm. It provided participants with the insight, sponsorship, and global network needed to expand their leadership impact and scope. During the program, participants refined their voice, power and leadership presence, boosted their strategic and commercial impact, and built key relationships. Since the inaugural class in 2011, we have had 138 Managing Directors and Directors (our senior level positions) participate in this program. WLF helped us meet the unique needs of female leaders while building a diverse and inclusive leadership pipeline to achieve the overall goal of making BlackRock the best place to work for the best talent.

We are focused on ensuring that our programs are accelerating the careers of our underrepresented talent at BlackRock. We closely track their effectiveness through promotion and retention rates, role expansions, and leadership roles in external industry forums, including boards. For example, several WLF alumnae have been named to key governance bodies for BlackRock, including the Global Operating Committee, regional executive committees, and the Human Capital Committee. Many have expanded their external leadership.

Answer:
Additionally, we would like to clarify that the 43% women statistic mentioned during the hearing is the total percentage of women employed at BlackRock globally, not the percentage of senior women. We have 30% senior women in the U.S. and globally at BlackRock, which includes our Senior Managing Directors, Managing Directors and Directors.

To Rep. Pressley

Diverse Talent Hiring, Retention, and Promotions

Answer
At the core of our DEI strategy is BlackRock's most important asset: our people. Our steadfast commitment and actions to accelerate DEI are not only to attract and retain diverse employees, but also to allow them to flourish, feel safe, supported and have a true sense of belonging.

Accountability is a critical aspect of our DEI strategy. We take an evidence-based, data driven approach to crafting our DEI strategy. Senior management for each business unit across the firm is required to conduct Quarterly Business Reviews, which include reviews of their progress and plans to achieve DEI goals. Additionally, year-end business assessments, which include a review of the progress that is being made against the firm's DEI goals, influence individual compensation outcomes. This creates an environment of focus and transparency that holds leaders and managers accountable for continued progress.

As discussed in my written testimony, we publicly report diversity representation metrics through our Sustainability Accounting Standards Board ("SASB")-aligned Disclosure and EEO-1 Reports. Below is an excerpt from our 2020 SASB report which includes gender and race/ethnicity data and hiring data. It also shows how those metrics have changed year over year (i.e., increase/decrease by gender or race/ethnicity among senior leaders). Please note that this shows our representation data as per January 1, 2021. We will be publishing our January 1, 2022 data in Q1 2022.

Excerpt of our 2020 SASB Report (page 19)

Quantitative Data
Exhibit 5 below provides breakdowns of gender representation globally and racial/ethnic group representation for US employees.[11] The ▲▼ symbols and associated percentages represent year-over-year change in percentage points.[a] BlackRock also discloses its Equal Employment Opportunity ("EEO")-1 reports.

BlackRock uses voluntarily disclosed diversity data to review hiring, promotion, and attrition at the firm, regional, and functional levels. BlackRock reviews performance data, promotion, and compensation outcomes to monitor for fair and objective decision-making in the annual performance review process.

Exhibit 5: Diversity Representation

Gender Representation of Global Employees (%)

	Female		Male		N/A[g]	
Executive Management [a]	23.6%	▲+1.6pp	76.4%	▼(1.6pp)	0.0%	-
Non-Executive Management [b]	30.0%	▲+0.8pp	70.0%	▼(0.8pp)	0.0%	-
Senior Leaders [c]	29.7%	▲+0.8pp	70.3%	▼(0.8pp)	0.0%	-
Professionals [d]	45.1%	▲+0.6pp	54.8%	▼(0.6pp)	0.1%	-
All Other Employees [e]	93.6%	▲+3.2pp	6.4%	▼(3.2pp)	0.0%	-
Total	42.7%	▲0.4pp	57.3%	▼(0.4pp)	0.0%	-
% of New Hires [f]	47.3%	▼(1.7pp)	52.5%	▲1.7pp	0.1%	-

Racial / Ethnic Group Representation of US Employees (%)

	Asian	Black or African American	Hispanic or Latino	White	Other [h]	N/A [g]
Executive Management [a]	21.6% ▼(0.2pp)	4.9% ▲+0.9pp	2.9% -	69.6% ▲+0.3pp	0.0% -	1.0% ▼(1.0pp)
Non-Executive Management [b]	18.2% +0.3pp	3.0% ▲+0.3pp	3.3% ▲+0.2pp	72.1% ▼(0.4pp)	1.7% ▼(0.2pp)	1.7% ▼(0.2pp)
Senior Leaders [c]	18.3% +0.3pp	3.1% ▲+0.3pp	3.3% ▲+0.1pp	72.0% ▼(0.4pp)	1.6% ▼(0.2pp)	1.7% ▼(0.2pp)
Professionals [d]	31.1% ▼(0.2pp)	6.3% ▲+0.6pp	7.1% ▲+0.9pp	50.7% ▼(0.5pp)	2.5% ▲+0.3pp	2.2% ▼(1.0pp)
All Other Employees [e]	11.3% ▲+0.3pp	16.4% ▲+0.9pp	14.4% ▼(0.2pp)	51.4% ▼(1.7pp)	5.1% ▲+0.6pp	1.4% ▲+0.1pp
Total	26.3% ▼(0.2pp)	5.6% ▲+0.4pp	6.2% ▲+0.5pp	57.5% ▼(0.2pp)	2.3% ▲+0.1pp	2.0% ▼(0.7pp)
% of New Hires [f]	26.3% ▼(3.3pp)	9.6% ▲ +1.4pp	10.9% ▲+0.7pp	46.1% ▲+2.9pp	3.1% ▼(0.4pp)	4.0% ▼(1.4pp)

*The year-over-year change in this table was calculated by management comparing January 1, 2020 to January 1, 2021. The January 1, 2020 information used in the calculation was not subject to Deloitte's review and, accordingly, Deloitte does not express a conclusion or any form of assurance on such information.
Data as of January 1, 2021.

a) Represents Executives/Senior Officials & Managers as defined by the EEO-1 Job Classification Guide.
b) Represents First/Mid Officials & Managers as defined in the EEO-1 Job Classification Guide.
c) Represents Directors and above as well as a weighted average of executive management and non-executive management.
d) Represents Professionals and Sales Workers as defined in the EEO-1 Job Classification Guide.
e) Represents Administrative Support Workers as defined in the EEO-1 Job Classification Guide.
f) Represents new employees hired between January 2, 2020 and January 1, 2021.
g) N/A represents not available or not disclosed by BlackRock employees.
h) Other includes Native American or Alaska Native, Native Hawaiian or Pacific Islander, and "Two or More Races".

We also believe that a strong culture – one in which inclusion and belonging are paramount – creates room for all employees to thrive and bring out the best in each other. This year, we further developed an action plan to specifically focus on inclusion which involved regional town hall sessions by senior leaders and external experts on how to recognize exclusionary actions. We also hosted externally facilitated small group inclusion dialogue sessions in the second half of this year to further deepen our employee's inclusivity skills. Over 90% of our Managing Directors and Directors participated in them. We discussed how to respond to non-inclusive behaviors and what to do when witnessing micro-aggressions. And lastly, we offered People manager enablement sessions with more than 1,500 managers to learn about navigating difficult conversations and situations and lead with inclusion. We recognize that these efforts need to be ongoing, and we will continually work to embed inclusive behaviors into everyone's experience both at the individual and at the team-level.

Below we provide further context on how we are seeking to progress the hiring, retention, and promotion of our underrepresented talent.

Hiring

We focus on hiring as a leading indicator of our future employee compositions as it shows the decisions we are making today versus representation, which indicates the decisions we have made over multiple decades.

We have initiatives focused on making it more attractive and easier for women and racially/ethnically diverse talent to join BlackRock. We regularly review job postings for potentially biased language and actively engage in outreach and recruitment efforts for our open positions to endeavor to have candidate slates that are diverse across gender, race, ethnicity, disability, veteran status, among others. We have also designed a recruitment process to mitigate bias through competency-based interviewing and have implemented diverse interview panels. Additionally, we hold the recruitment and executive search firms with whom we partner accountable to the same standards.

In addition, we have developed a range of programs to encourage underrepresented talent to explore careers in the financial services industry, including the BlackRock Founders Scholarship, which is aimed at recruiting talented Black, Latinx, Native American, LGBTQ+, and disabled college juniors to BlackRock through a summer internship program. Further, in 2013, we launched "Find Your Future Forum," an annual educational event for freshman and sophomores in college aimed at increasing awareness of and interest in financial services careers among diverse student groups from all academic disciplines. In 2016, we launched the BlackRock Hallac Scholarship which provides full tuition scholarships awarded to rising sophomores at UC Berkeley and Georgia Tech who are pursuing a STEM degree and are from lower socioeconomic status.

Further, the NYC and San Francisco offices welcomed almost 70 Summer Excellence High School Interns for four weeks in July. This program started nine years ago and is a program designed for students from underserved and underrepresented communities to learn about the financial services industry, work daily with various departments, and meet a wide range of employees across the firm.

As I noted in my written testimony, as a result of many of these efforts we have significantly accelerated our progress on our women representation, as well as hiring of Black and Latinx professionals.

Hiring diverse talent certainly continues to be an area of opportunity for us. We will continue focusing on seeking out diverse talent, including through building our partnerships with organizations and conferences to broaden the sourcing of our diverse talent pipeline.

Retention

We work hard to retain our high-performing talent. We know that our talent is highly sought after and that we must understand where disparities exist in their experiences and address any inequities effectively.

BlackRock prioritizes continuous dialogue with our employees about their experiences at the firm in order to understand employee expectations and assess the efficacy of our human capital management practices, including quarterly employee opinion surveys, interactive townhalls, and employee, professional, and social impact networks. These employee engagement mechanisms provide us with actionable feedback for each team and for BlackRock as a whole

We monitor our attrition rates among various demographics. We also proactively focus on re-recruiting our diverse talent and demonstrate commitment to their futures by making a concerted effort to get to know them on a deeper level through talent reviews and career conversations with clear and meaningful development plans.

Promotions

We believe that a critical driver of a company's future growth is its ability to grow strong leaders. BlackRock is committed to sponsoring diverse talent through targeted development programs designed to foster career growth. Of note, this year we launched PROPEL (PROfessional Preparation for Elevated Leadership) for our Black and Latinx Vice President leaders (our mid-level talent), as well as Black and Latinx Leadership Forums for our Managing Directors and Directors (our senior level talent). We are also continuing to invest in the accelerated development of our women through our Women Leadership Forum, a program we have championed since 2011. These leadership programs include assessments, executive coaching, virtual learning and senior management sponsorship. To further deepen our leadership bench for key senior leader succession plans, we have also implemented a sponsorship program for 40 Black and Latinx Managing Directors and Directors who are sponsored by members of our Global Executive Committee and senior leaders across the firm. These sponsorship relationships will increase these leaders' visibility to senior leadership, foster internal mobility within the firm, help eliminate systemic barriers that Black and Latinx leaders face and give Global Executive Members insight into top talent in the firm.

We have developed a rigorous and diligent promotion process with clear guidance for how businesses can hold a high bar on performance and role definition in order to deliver fair and equitable outcomes. As such, we are confident that our promotion process rewards and recognizes merit and achievement without bias.

We have long focused on the importance of cultivating and advancing diversity in all forms in our workforce and leadership team as well as holding our senior leaders accountable for progress on DEI objectives. As a firm, we recognize the strides we have made but also acknowledge that significant work remains ahead to realize sustainable change.

To Rep. Lynch

Diversity Data
We agree on the importance of publicly reporting on our diversity representation metrics, and do so through our Sustainability Accounting Standards Board ("SASB")-aligned Disclosure and EEO-1 Reports.

STEM Pipeline
We have initiatives focused on making it more attractive and easier for women and racially/ethnically diverse talent to join BlackRock, including those who have not yet entered the workforce. In order to encourage them to explore these career options, we have developed a range of programs including the BlackRock Founders Scholarship, which is aimed at recruiting talented Black, Latinx, Native American, LGBTQ+ and disabled college juniors to BlackRock through a summer internship program. Further, in 2013, we launched "Find Your Future Forum," an annual educational event for freshman and sophomores in college, aimed at increasing awareness of and interest in financial services careers among diverse student groups from all academic disciplines. In 2016, we launched the BlackRock Hallac Scholarship which provides full tuition scholarships awarded to rising sophomores at UC Berkeley and Georgia Tech who are pursuing a STEM degree and are from lower socioeconomic status.

Further, the NYC and San Francisco offices welcomed almost 70 Summer Excellence High School Interns for 4 weeks in July. This program started nine years ago and is a program designed for students from underserved and underrepresented communities to learn about the financial services industry, work daily with various departments and meet a wide range of employees across the firm. The program is run across 20 businesses.

BlackRock's reach is broad but we're also local, with our employees participating in the communities where we work and live. This year so far, 317 volunteers have contributed 2,000 hours toward nonprofits that identify as focusing on education and 252 volunteers have contributed 1,400 hours to nonprofits that focus on youth development.

To Rep. Dean

Diversity's Impact on Profitability

We believe that the challenges of a diverse world require the innovations of a diverse firm with an inclusive, equitable culture. While the dynamics of diversity and decision making remain an area of ongoing academic study, research already reveals correlations between specific dimensions of diversity and effects on decision making processes and outcomes. As such, we believe DEI is a business imperative. We articulated our business case based, in part, on the research of Scott E. Page, Leonid Hurwicz Collegiate Professor at the University of Michigan and External Faculty Member at the Santa Fe Institute, and Dr. Sheen S. Levine, Naveed Jindal School of Management Assistant Professor at the University of Texas at Dallas. Both professors presented their respective research at BlackRock and engaged in direct dialogue with our leaders.

The research supporting the case for diverse teams and inclusive leadership argues that this is a better way to deploy human capital, resulting in better talent working at our firm, increased engagement, higher performance, more innovation, less groupthink and greater resiliency. We understand and appreciate that a broad array of voices who ask tough questions and continuously challenge the status quo will ultimately contribute to better outcomes for our clients, employees, and the firm. We believe in One BlackRock with many voices at the table.

To your question, we do not have internal studies about enhanced outcomes at BlackRock and are not focused on developing such studies given the plethora of existing studies validating the business case for diversity, equity and inclusion. We have, however, adopted an evidence-based, data driven approach in crafting our DEI strategy. Senior management for each business unit across the firm is required to conduct Quarterly Business Reviews, which include reviews of their progress and plans to achieve DEI goals. Additionally, year-end business assessments, which include a review of the progress that is being made against the firm's DEI goals, influence individual compensation outcomes. We believe that these measures create an environment of focus and transparency that holds leaders and managers accountable for continued progress.

To Rep. Garcia

Childcare and Benefits for Working Mothers

The firm offers a progressive and comprehensive suite of benefits designed to support its employees in all aspects of their physical, mental, emotional, and financial well-being.

BlackRock's medical plans are designed to help benefit eligible employees maintain their health and well-being, with a focus on comprehensive coverage, preventive care, and virtual access where available. Throughout 2020, BlackRock focused on enhancing access to telemedicine support, where available. BlackRock's global well-being platform, powered by Virgin Pulse, helps employees build healthy habits so they can be more successful in their everyday lives. This encompasses tips, incentives and BlackRock-sponsored challenges to support better eating, sleep, and exercise, including access to a free library of over 500 virtual fitness classes.

Since the start of the COVID-19 pandemic, BlackRock's priority has been the health and safety of its employees and their families. As such, BlackRock provided a voluntary, company paid COVID-19 testing benefit, designed to make testing for COVID-19 and its antibodies more accessible and convenient to its global employees and their dependents.

In addition, where local providers allow, BlackRock offers health benefits and voluntary benefits to same-sex domestic partners and spouses. Where local providers allow, our plans include transgender-inclusive health benefits. Our family medical leave and bereavement leave policies cover same-sex partners and spouses.

Further, BlackRock recognizes the importance for both parents to have time to care for their child after birth or adoption placement, as a result, BlackRock has a gender neutral Parental Leave Policy – which provides up to 16 weeks of paid leave for the primary parental care giver and up to four weeks for the non-primary parental caregiver in the U.S. Following the employee's return to work at the expiration of Paid Parental Leave, primary caregivers are entitled to a two-week flexible return to work transition to enable a smooth transition back to work. Flexibility may come in different forms such as arriving at work at a later time than normal to ensure a new childcare provider arrangement is comfortable for the child, parent, and caregiver; or leaving early from work. We understand that there may be a lot of anxiety when returning to work, and we care that our employees feel fully supported during this important time in their lives.

We have implemented several initiatives to support our people as they adjusted to the hybrid or fully remote working, including working parents. To further support our employees with family responsibilities, we have worked with providers to find back up dependent care solutions. For example, BlackRock employees receive 30 days of back-up child or elder care sessions per dependent each year. New parents are eligible for an additional 10 days of childcare (for children ages 6 weeks to 13 months) through the Return-to-Work Care program. In addition, parents have access to caregiving coaches who can help them find longer term childcare (nannies and babysitters), adult care, pet care, and housekeeping arrangements. BlackRock also offers a dependent care FSA to pay for eligible dependent care expenses for children under the age of 13, such as licensed nursery schools, day care, afterschool care and summer camp, and also for elder care. Our employees can elect up to $5,000 per year on a pre-tax basis, depending on their marital and tax-filing status. We also launched a caregiver concierge program through Cariloop which provides access to a licensed specialist who can help caregivers find solutions to their caregiving needs. Finally, we offer paid sick and safe leave for all U.S. employees, which allows employees to take the time off they need relating to personal illness and offers 10 days of paid time off to care for an ill family member, attend medical appointments, or address a domestic violence matter, among other matters.

Further, we implemented a more flexible work from home schedules and encouraged the use of our Flexible time off (FTO) policy which allows employees to take as many paid days off as they need to relax and recharge, with manager approval.

We have also created several online forums where employees can exchange ideas and crowdsource resources and tools to support expanded education and childcare responsibilities and our Families at BlackRock employee network provides both community and programming where employees can share their experience balancing work and family lives.