



WOMEN IN PRIVATE CAPITAL THE CASE FOR CHANGE

Published September 2018



FOREWORD

The Australian Private Equity and Venture Capital Association (AVCAL) is pleased to launch this report on women working in private capital.

Increasing the number of women in the private capital investment industry is a priority for AVCAL. We endeavour to build an inclusive and thriving industry where everyone feels confident that they can contribute and progress. This results in a broader group of talented people being attracted, engaged and committed to the industry.

Diversity is a key driver of innovation, essential for growth and consistent returns for investors. The diverse perspectives of a team ensure innovative thinking and well tested, robust ideas.

The industry is changing. Firms are realising the need for diversity, but there is still much to be improved. This report presents the business case for change, current statistics across our industry and recommendations on how to address the imbalance.

It builds upon the work AVCAL has undertaken since the inception of the Diversity Working Group in 2015.

This work has included promoting the importance and benefits of diversified and inclusive teams, equipping our members and recruiters with facts and information about the opportunities of working in our industry and supporting the junior women who will become the leaders of our industry in the future.

We would like to thank the dedicated professionals participating on AVCAL's Diversity Working Group, and all of our member firms who provided data to assist with this report.

—
YASSER EL-ANSARY
Chief Executive, AVCAL

FIONA LOCK & RUSSELL SINCLAIR
Co-Chairs, AVCAL Diversity Working Group



**WE ENDEAVOUR TO
BUILD AN INCLUSIVE
AND THRIVING INDUSTRY
WHERE EVERYONE
FEELS CONFIDENT THAT
THEY CAN CONTRIBUTE
AND PROGRESS.**



THE BUSINESS CASE FOR CHANGE

There is growing evidence demonstrating the positive correlation between gender diverse teams and business performance.

In particular, diverse executive teams achieving outstanding performance bear the greatest influence and responsibility for driving business outcomes. It has been shown by McKinsey, amongst others, that executive teams in the top quartile for gender diversity record a superior ability to innovate and achieve higher return on equity.

This is because gender diversity at the executive level promotes an inclusive culture, and collective intelligence improves the decision-making processes that are critical to thriving investment portfolios. Diversity plays a major role in ensuring firms remain competitive in today's dynamic globalised marketplace.

Investment firms also have a unique opportunity to further influence diversity imbalance in the corporate community more broadly through their involvement in governance and Boards across their portfolio investee companies. Put simply, private equity firms with strong female representation are more likely to support women leaders on the Boards and senior executive teams of their investments. This multiplier effect has the potential for much wider-ranging benefits across Australia's economy.

Companies in the top quartile for gender diversity within executive teams were:

**MORE LIKELY TO
OUTPERFORM ON
PROFITABILITY**

21%



**MORE LIKELY TO HAVE
SUPERIOR VALUE
CREATION**

27%



Companies in the fourth quartile of diversity are:

**MORE LIKELY THAN THE
OTHER THREE QUARTILES TO
UNDERPERFORM ON PROFITABILITY**

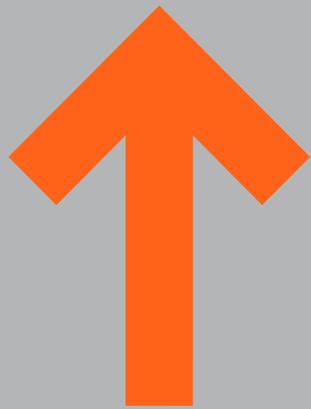
29%



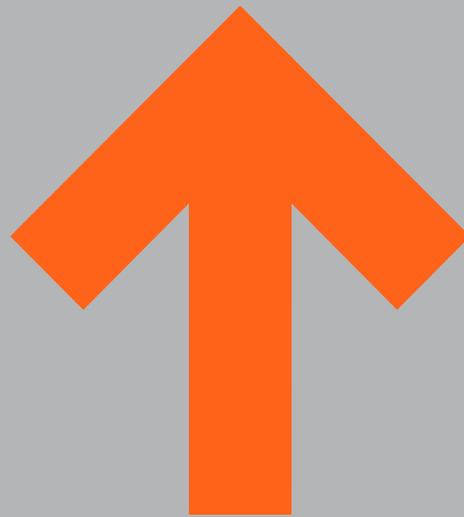
FOOTNOTE

McKinsey & Company, *Delivering through Diversity* – January 2018
– 1,000 companies over 12 countries reviewed (McKinsey Report)

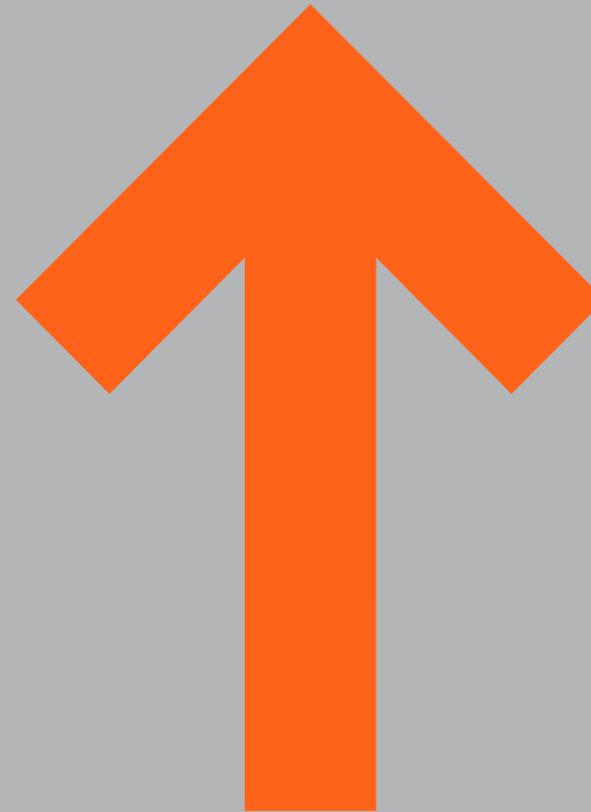
When employees believe their organisation is committed to, and **supportive of diversity**, they feel included:



42%
UPLIFT
TEAM COLLABORATION



31%
UPLIFT
RESPONSIVENESS TO
CHANGING CUSTOMER NEEDS



83%
UPLIFT
EMPLOYEES REPORT BETTER BUSINESS
PERFORMANCE THROUGH INNOVATION

FOOTNOTE

Deloitte/Victorian Equal Opportunity and Human Rights Commission Report, 2013 "Waiter is that inclusion in my soup? A new recipe to improve business performance" – 1,550 Australian employees reviewed

Goldman Sachs JBWere's research reported that:

The rise in female employment since 1974 has seen a

22% BOOST IN AUSTRALIAN ECONOMIC ACTIVITY



A 6% increase in female participation in the workforce would mean a

13%

BOOST IN AUSTRALIA'S GDP LEVEL

FOOTNOTE

Goldman Sachs JBWere Research Report, 2009, "Australia's Hidden resource: The Economic Case for Increasing Female Participation"

Goldman Sachs JBWere updated the potential boost to GDP from 11% to 13% based on 2010 data (26 August 2011)

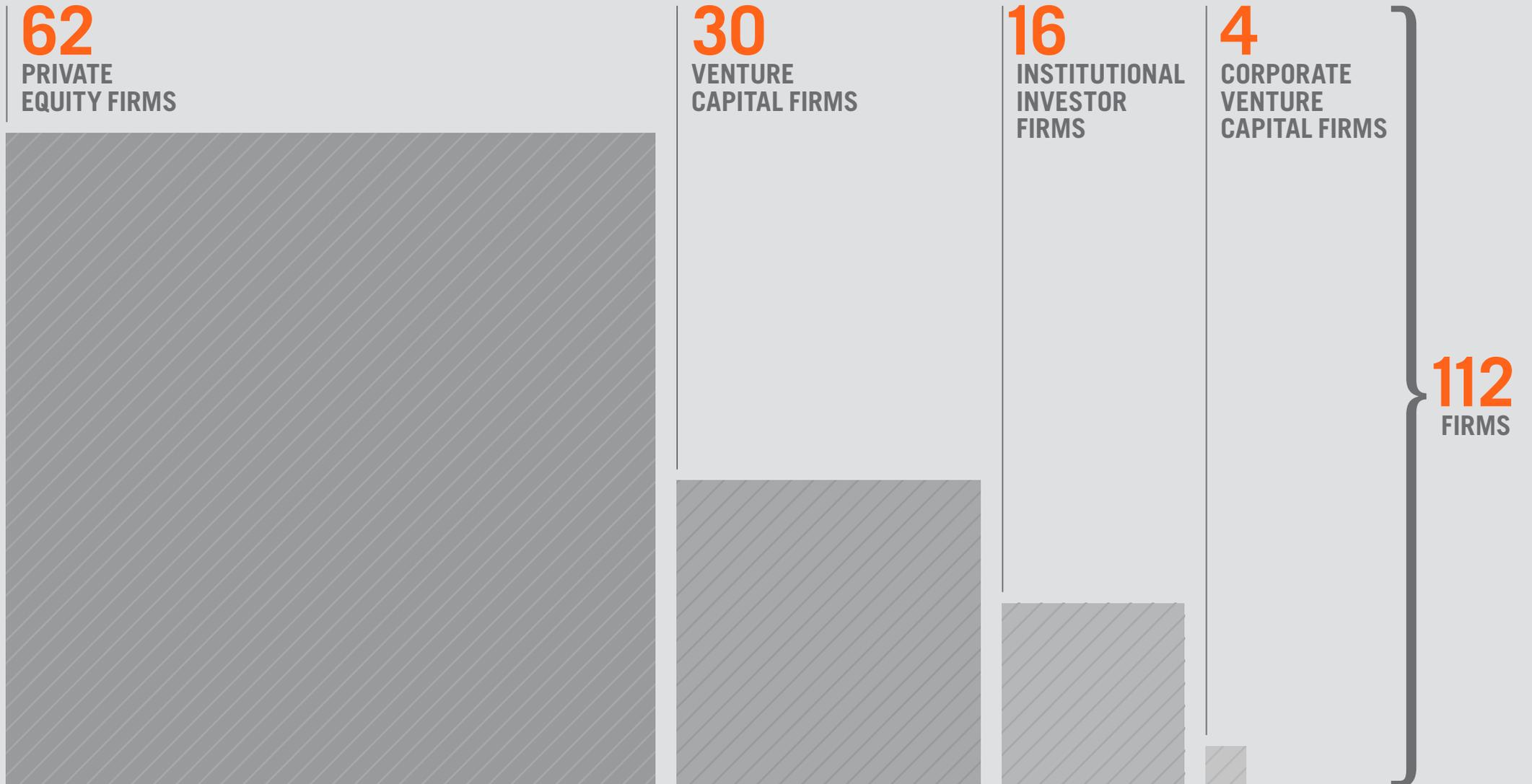


FOOTNOTE

National University of Singapore Business School Centre for Governance, Institutions and Organisations and Korn Ferry, 2015, "Diversity Matters: Adding Colour to Boards in APAC" – 1,000 annual reports in Asia reviewed

THE STATE OF PLAY FOR PRIVATE CAPITAL IN AUSTRALIA

112 firms in the industry were surveyed to determine how many women were in their investment teams



RESULTS

We are moving in the right direction, the number of women in the industry has increased:



THE DATA COLLECTED FROM 2014 TO 2017 COVERED PRIVATE EQUITY AND VENTURE CAPITAL WHEREAS THE DATA COLLECTED IN 2018 WAS MORE COMPREHENSIVE AND COVERED THE PRIVATE CAPITAL INVESTMENT INDUSTRY, WHICH ALSO INCLUDES INSTITUTIONAL INVESTORS.

The future is promising with the number of women in the industry increasing.

This rise is the result of firms realising the benefits of diversity to strengthen their teams and decision-making processes. It can also be partly attributed to a new generation of women following the path led by the female pioneers in the industry.

Significant achievements have been made by the AVCAL Diversity Working Group in promoting the importance and benefits of diversified teams, implementing initiatives to support the junior women and promoting female investment professionals within the industry as role models.

WHILE WE HAVE MADE PROGRESS, THERE IS STILL SIGNIFICANT IMPROVEMENT REQUIRED – WOMEN MAKE UP ONLY 11% OF SENIOR ROLES AND 20% OF THE TOTAL INDUSTRY IN AUSTRALIA.

PRIVATE CAPITAL ROLES HELD BY WOMEN

11% SENIOR



24% MID-LEVEL



37% JUNIOR



The results show that the gender imbalance challenge is widespread across the industry.

This is likely due to the fact that historically firms have tended to concentrate their recruitment on a limited number of channels that revolve around investment banking, management consulting and corporate finance advisory, which themselves have suffered from a degree of gender imbalance.

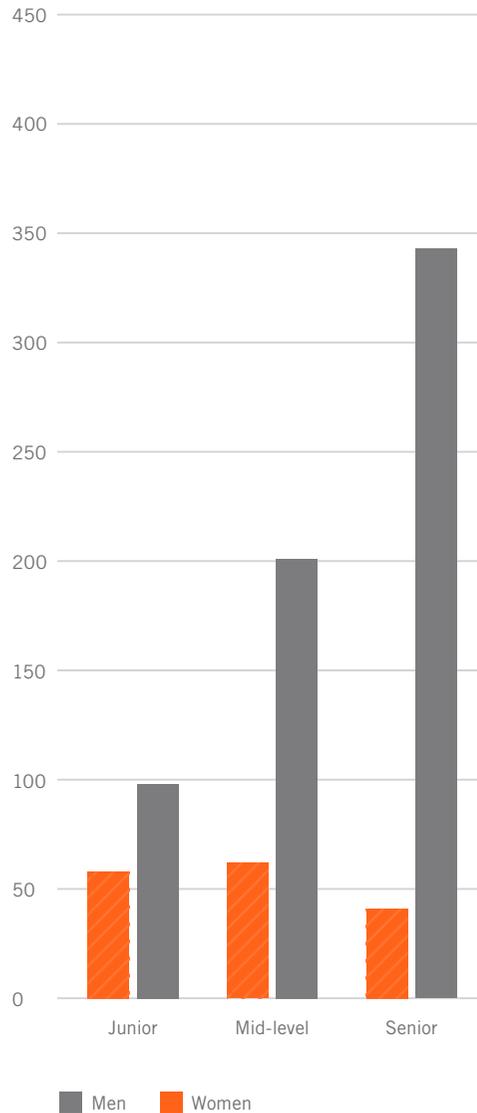
Importantly, the industry is primarily comprised of small teams, which means new recruitment opportunities tend to be limited.

With increasing awareness of the importance and benefits of diversified teams, firms are beginning to widen their recruitment pipeline and explore talent pools outside of traditional channels. Some firms are demanding more balanced candidate short lists for new recruitment – a clear sign of how change is being driven by leaders.

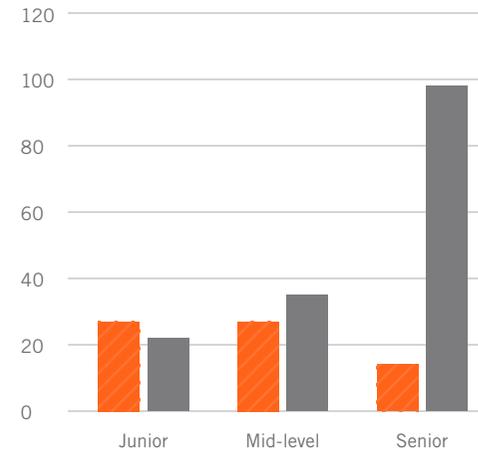
AVCAL has made important contributions to this positive industry shift by regularly engaging with firms and recruiters to challenge perceptions and consider the benefits of broadening the talent pool with candidates from different backgrounds such as engineers, scientists, and medical professionals.

The statistics reinforce the need for the industry and AVCAL to continue its work to achieve an inclusive and thriving industry with gender balance. There are a range of different strategies and approaches that can be taken to bring about this change.

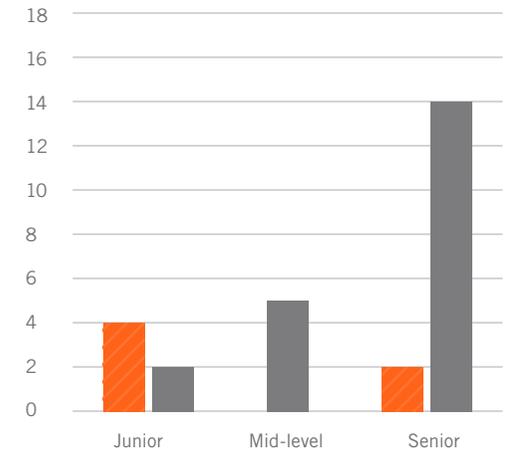
PRIVATE CAPITAL



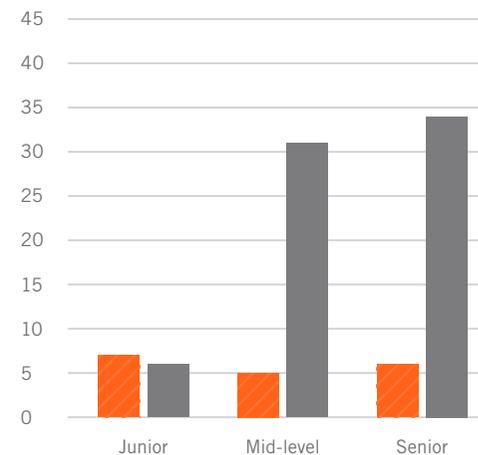
VENTURE CAPITAL



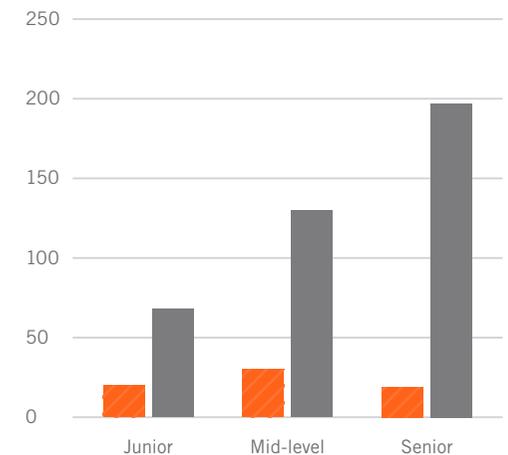
CORPORATE VENTURE CAPITAL



INSTITUTIONAL INVESTORS



PRIVATE EQUITY



■ Men ■ Women

RECOMMENDATIONS

This section of the report provides recommendations on how firms can create and foster an inclusive culture that enhances the performance of their teams.

GENERAL PARTNERS



To attract the best talent, general partners can position their firm as a flexible, adaptive and inclusive organisation by implementing diversity strategies that foster a supportive culture and promote retention and development of staff.

General partners can also apply for the AVCAL Leadership in Diversity Award to increase exposure and gain recognition for their efforts.

1 ATTRACT



To avoid unconscious bias and ensure they attract the best talent, general partners can widen the recruitment pool to different backgrounds, demand gender balance on shortlists and/or request that applicants' gender is excluded from shortlists.

To demonstrate commitment to a diverse team and increase interest from all applicants, general partners can make a point of highlighting the diversity strategies in job advertisements and talking about them in the formal and informal interview processes.

2 RECRUIT



To achieve motivated, engaged and talented staff, general partners should ensure that everyone has an equal opportunity to contribute to the organisation. This involves recognising the different needs of staff and implementing diversity strategies that have a flexible and supportive approach to career pathways.

Such diversity strategies may include allocating sponsors to the young women, encouraging participation in the AVCAL Diversity Mentoring Program and Women in PE/VC network, putting in place market leading maternity / paternity leave policies, keeping in touch with those on leave and developing a career plan for their return. It can also be helpful to set a goal for a certain percentage of women in executive positions.

3 DEVELOP



It is important to understand why staff may exit to build on processes and policies and to encourage greater retention of valued staff.

Leading diversity strategies are instrumental in retaining a thriving, engaged, diverse team.

4 RETAIN



HAVING A DIVERSE AND INCLUSIVE TEAM HELPS MAKE US STRONGER AND BETTER ABLE TO ENSURE OUTSTANDING PERFORMANCE.

CAMERON BLANKS
Managing Director, Pacific Equity Partners & AVCAL Board Chairman

LIMITED PARTNERS

Have a crucial role to play in addressing the gender imbalance.



Limited partners can ensure that diversity is a key focus for discussion with fund managers as part of the due diligence process undertaken when making investment allocation decisions. Doing this not only increases the opportunities for women but also increases the likelihood of realising stronger returns as diverse perspectives encourage innovative thinking and well tested, robust ideas.

It is important, though, for limited partners to first have an inclusive culture in their own organisation to effectively implement this.

DIVERSITY



WE ACTIVELY CHALLENGE FUND MANAGERS AND WORK WITH THEM TO IMPROVE THEIR DIVERSITY AS WE ARE COMMITTED TO ACHIEVING GENDER EQUALITY IN AUSTRALIAN WORKPLACES.

ANDREW MAJOR

General Manager-Unlisted Assets,
HESTA & AVCAL Board Deputy Chair



AVCAL

Views gender balance as a major priority for the industry and acknowledges its crucial leadership role in addressing the current imbalance. AVCAL is currently focusing its efforts on:



58%

OF THE AVCAL
TEAM ARE WOMEN



Attracting more women to the industry by correcting perceptions, hosting events, showcasing women in the industry with the AVCAL Diversity Role Model Series, and also recognising the firms working to address the gender imbalance with the AVCAL Diversity Award.

1 ATTRACT



Assisting firms to recruit, develop and retain women in the industry by engaging with recruiters, and having senior industry executives support junior women through the AVCAL Diversity Mentoring Program, and providing tools such as the AVCAL Diversity Handbook.

2 ASSIST



Regularly collecting and analysing data on the number of women in the industry to monitor progress and assess our collective performance.

3 COLLECT DATA

STATISTICAL REPORTING METHODOLOGY

Research was conducted over a two-month period between June 2018 and July 2018.

Data was collected through a survey as part of AVCAL's membership renewal process and was complemented by the use of public sources of information (e.g. firms' websites, LinkedIn) to estimate the investment teams at other firms.

In AVCAL's view, the data is sufficiently comprehensive to provide a degree of comfort about the picture the information paints, and over time AVCAL expects to be able to develop the data further and continue to increase the comprehensiveness of it.

THE FOLLOWING CATEGORIES WERE USED TO SORT THE DATA:

SENIORITY	JOB DESCRIPTION
Senior	Partner; General Partner; Founding Partner; Operating Partner; Managing Director; Chief Financial Officer; etc
Mid	Manager; Investment Manager; Director; Associate Director; Investment Director; Head of Investment Relations; etc
Junior	Associate; Investment Associate; Analyst; etc

ABOUT AVCAL

AVCAL is the industry body for private equity and venture capital in Australia. AVCAL delivers a broad-ranging work programme on behalf of the industry.

AVCAL formed its Diversity Working Group in 2015 to address the gender imbalance and since its inception the number of women has been rising with various initiatives successfully implemented:

- AVCAL Diversity Mentoring Program
- Recruiter engagement
- Tools to bring about change (AVCAL Diversity Handbook)
- AVCAL Diversity Role Model Series
- Events
- AVCAL Diversity Award

AVCAL members that would like to get involved with any of these initiatives, or others that would like to become an AVCAL member, please contact:

AVCAL

T: 02 8243 7000

E: members@avcal.com.au

AVCAL IS PRINCIPALLY FOCUSED ON:

ADVOCACY

Front-line advocacy on behalf of the industry with government and regulators

KNOWLEDGE

Improving knowledge and understanding of the important role played by alternative assets

FRAMEWORK

Maintaining a strong self-regulatory framework around the industry, through setting of standards and delivery of professional development programmes

EVENTS

Connecting the community of the industry through events



AVCAL

**LEVEL 12, AURORA PLACE
88 PHILLIP STREET
SYDNEY NSW 2000**

T: 02 8243 7000

E: MEMBERS@AVCAL.COM.AU