Episode 3: Gender Analytics in Financial Services

Financial services is one of the most important sectors in our economy. This is an industry that touches everyone—whether it is saving for retirement, getting a housing loan, financing a new business, or using a credit card—and with that comes the potential to exacerbate or remediate inequalities. And, we probably all know that still so little investment goes to women-owned businesses relative to their male counterparts. And, what about the fact that women are more likely to live in poverty after retirement in part because of the gendered nature of savings and investment?

In this episode, we are going to hear from Kelly Baldoni, Stephanie Kelly, Sylvia Kwan and Myan Marcen-Gaudaur about how a gender lens, an Indigenous lens, and more broadly an equity lens on financial services, can create new business ideas, identify new opportunities for improved returns, and achieve a more inclusive economy.

Featured guests:

Kelly Baldoni is Head of Global Women's Strategies at Impax Asset Management LLC, the North American division of Impax Asset Management Group and investment adviser to Pax World Funds. She oversees national sales and marketing initiatives for the firm's gender lens strategies and is a product specialist for the Pax Ellevate Global Women's Leadership Fund.

Stephanie Kelley is an Assistant Professor at the Sobey School of Business at Sant Mary's University in Halifax and was previously on the faculty at the Western University's Ivey Business School. Her research focuses on the ethics of analytics and AI in organizations, including in bank lending.

Sylvia Kwan is the Chief Investment Officer at Ellevest, a technology-enabled financial services company built by women, for women. In this role, she is responsible for creating the investment solutions, strategies, portfolios, and proprietary algorithms that drive Ellevest's investment recommendations across both automated digital and customized private wealth advisory services. She guides the firm's investment philosophy and leads the development and due diligence of Ellevest's impact and gender forward investments.

Myan Marcen-Gaudaur is Director of Social Impact at Scotiabank where she leads strategic investment initiatives related to Economic Resilience, Diversity, Equity & Inclusion and Reconciliation. In her previous work at CIBC, Myan's mandate supported the socio-economic empowerment of Indigenous Peoples through the development of equitable policies, processes, products, services and educational tools. She has had a 15 year+ career in film, sponsorship and marketing before shifting her professional focus toward corporate ESG and Social Impact.

Moderator: Jackie VanderBrug is Head of Sustainability Strategy at Putnam Investments where she leads a host of key ESG-focused business functions. She came to Putnam from Bank of America, where she most recently served as Head of Sustainable and Impact Investment

Strategy in the Chief Investment Office for Merrill and Bank of America Private Bank since 2018. She is also author of the book *Gender Lens Investing: Uncovering Opportunities for Growth, Returns, and Impact*.

Resources:

- *Gender Lens Investing: Uncovering Opportunities for Growth, Returns, and Impact* by Joseph Quinlan & Jackie VanderBrug
- Read our case study on Ellevest
- Check out GATE's other resources on gender capitalism
- Gender Analytics: Possibilities conference

Gender Analytics is a way to analyze your products, services, processes and policies with a gender lens to uncover hidden opportunities for innovation and improved effectiveness by considering gender, race, Indigeneity, disability, ethnicity, sexual orientation and other identities. Learn more here: www.genderanalytics.org

Want to hear more from the Institute for Gender and the Economy? Check out our signature podcast series, Busted, which busts prominent myths about gender and the economy!

Credits:

Produced by: Sarah Kaplan, Lechin Lu and Carmina Ravanera

Edited by: Ian Gormely

Transcript

Myan Marcen-Gaudaur: But you know the end goal is for an Indigenous person to come into a banking center or branch, and to pull out their status card, and to have it recognized as an acceptable form of government ID, and to allow them to open a banking account without or cash a check without discrimination, without a teller picking up the phone and calling the police because it looks suspicious. To me, the end goal is that it's a seamless client journey, the one that most of us, if not all of us, in this room have that simply doesn't exist today.

Sarah Kaplan: Financial services is one of the most important sectors in our economy. This is an industry that touches everyone—whether it is saving for retirement, getting a housing loan, financing a new business, or using a credit card—and with that comes the potential to exacerbate or remediate inequalities. We've all heard the story about a married couple where the male spouse got a higher credit limit than the female spouse on their new Apple Credit Cards even though they share finances. And, we probably all know that still so little investment goes to women-owned businesses relative to their male counterparts. And, what about the fact that women are more likely to live in poverty after retirement in part because of the gendered nature of savings and investment.

Welcome to episode 3 of Designing for Everyone, a podcast by the Institute for Gender and the Economy or GATE. I'm Sarah Kaplan, she/her pronouns, and a Professor of Strategic Management at the University of Toronto's Rotman School of Management, Founding Director of GATE and your podcast host. In this 7-part limited series, we're featuring a high-impact set of conversations we had in April 2023 at our Gender Analytics: Possibilities conference.

In this episode, we are going to hear from practitioners and academics about how a gender lens, an Indigenous lens, and more broadly an equity lens on financial services, can create new business ideas, identify new opportunities for improved returns, and achieve a more inclusive economy. In this panel session, we'll hear from a number of terrific experts.

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The conversation was moderated by Jackie VanderBrug who is Head of Sustainability Strategy at Putnam Investments where she leads a host of key ESG-focused business functions. She came to Putnam from Bank of America, where she most recently served as Head of Sustainable and Impact Investment Strategy in the Chief Investment Office for Merrill and Bank of America Private Bank since 2018. And, importantly for us, she is also author of the book Gender Lens Investing: Uncovering Opportunities for Growth, Returns, and Impact. (We'll post a link to Jackie's book in the show notes.).

These experts will take you on a tour of all of the risks and opportunities available in financial services if we just thought about designing for everyone. Take a listen to what they had to say.

Jackie VanderBrug: Let's dig in immediately here. Kelly, can you start us out? Impax was one of the first entrants. Back when Sarah and I were writing about this a decade ago, Impax has already had a product. Can you talk about this women's leadership, Global Women's Leadership Fund, and the motivation behind it? What was going on?

Kelly Baldoni: Yeah. Thanks and thanks for inviting me and Impax to be part of the conversation. I think we started our gender lens investing journey back in 2007 before that was definitely a term.

Jackie VanderBrug: Before it was called that.

Kelly Baldoni: Yeah. And I actually joined the firm in 2014 and had no idea what gender lens investing was, but kind of quickly learned from Jackie and other kind of pioneers in the space. But we're investment managers, right? So, I love all the different perspectives that we've already heard from today. But from the seat that I sit in and what motivated us to get into this space was really to deliver strong returns to our clients. So, we build products for investors. And our goal is to help them grow their wealth over time. And so, at our firm, it was definitely the business case or the investment case that linked company performance with greater levels of gender diversity. When we started, it was definitely looking at the leadership levels. So, who was making the decisions at those companies? Were those teams diverse? Because the research tells us when they are, they should outperform their less diverse peers. And so that was, you know, kind of simple and straightforward and a concept we had super high conviction in. And said why aren't we creating a product that's just investing in those companies that have greater levels of diversity throughout the top of the organization. And let's try to deliver that, you know, alpha or performance to our clients. So that was definitely where we've begun. It's been a long journey. And a lot of evolution that we'll kind of talk about today thanks to the growing data that we've been able to capture and get deeper into company profiles and more robust gender lens. So for the10 years, we've been refining and building an Impax gender score that helps us identify and rank companies that we think are doing a better job than the rest. And so that's been our approach, kind of our motivation. We have even higher conviction now than when we started the research. The data and the evidence is all there and we've started to do some of our own too, which is great.

Jackie VanderBrug: That is fantastic and if we go back to the beginning panel, data is everything. Data often feels like it's everything in our worlds for sure. So, Sylvia, you're Chief Investment Officer of Ellevest, a firm that developed a fintech product aimed at women investors. And oftentimes people don't even put women and investors in the same sentence. Can you give us your sense of what was the problem that you were trying to solve or what was more likely the opportunity you saw?

Sylvia Kwan: Yeah. In the US, women control more than $5 trillion of wealth independently and over $11 trillion jointly. And they're on track to manage two thirds of US wealth by 2030. Yet despite this wealth, women are under invested compared to men. And there's actually a study by Black Rock that is annual and it hasn’t budged. It basically shows that the average US women's portfolio is more than 70% in cash. So that means savings accounts, checking accounts, under the mattress, you know, anywhere but in an investment account. And in fact, I think the same study shows that 38% of women don't invest in the financial markets. More than half feel like the financial markets is just not for me. It's not for people like me. And so that's what we call the gender investing gap. And it really has some very dire consequences for women if we cannot narrow it. So, if you think about women kind of starting in the hole with the gender pay gap, earning $0.82 for every dollar that a man makes and if women are not investing the earnings that they're making and allowing that amount to compound, and then women live longer in general than men, and so that wealth has to last 6 to 8 years longer, it's really no surprise that women retire with 2/3 the wealth of men and are 80% more likely to be impoverished in retirement. So basically, women are just not set up for financial success. So, that's the problem and that's the reason why Ellevest was founded. I would say, in our path and our journey to really build the financial services company for women, what we found is women are not investing, not because they're not good investors. In fact, the research shows that women are generally better investors than men are. And it's not because they're not willing to take on risk. It's largely, we believe, because the financial industry was built by men for men. And there's actually some interesting data that backs up. There's a study recently, I think, a couple of years ago or last year, by BNY Mellon where they interviewed a number of asset managers and 86% of them admitted that their default customer—so the customer that they build products for that they communicate to—is a man. And we all know, at least in the US, the financial industry is really dominated by men. So that's really the problem that we are trying to solve is how do we figure out how to remove those barriers to bring more women engage with their investing, engage with their finances so they can be set up for financial success.

Jackie VanderBrug: Well, thanks. There are so many challenges there, but also a bunch of myths that you busted right in that little intro. Let's continue to expand the circle. Mayan. Your focus has been on Indigenous financial inclusion, so you and others have said equitable banking is a human right. And Sarah appropriately set us up is that there are human rights here and then there are regulatory realities and things that we all live with. But I'm really curious because your recent work at one of the largest financial institutions in Canada, you've looked through what kind of adoptions are required or are helpful in creating products and services that actually address needs of marginalized groups.

Myan Marcen-Gaudaur: Yeah. Thank you. And I do want to just preface to say that when Sarah and I first met and when we were having great dialogue leading into this conference, I was at CIBC and a lot of the work that I'll be talking about today is the work that I did at CIBC. Today I'm with Scotiabank and I can explain that, but off the record. But yes. Banking, I believe, is a human right. It's something that I completely took for granted when I was on marketing and sponsorship for six years at CIBC. It wasn't until I was invited to lead the Indigenous client segment within the retail world at CIBC did I realize that there are massive disparities. And there are two components to this. And this is not a science. Any of us trying to tackle these issues, this is early days. We weren't talking about this stuff even five years ago. And from our position at CIBC, there were two distinct territories. The first one is the more obvious one is around building equitable products and services that meet the needs of the distinct and marginalized segments. With the Indigenous segment, we were looking at three key areas. The first was around housing and specifically mortgages. If you are a First Nations person and you live on reserve, you don't own the property that your home resides on, which makes it incredibly difficult and I would actually say impossible to get a mortgage. Something that most of us probably in this room can't imagine and take for granted that the right and access to a basic mortgage. That leads to the second piece, which is around lending as a whole and capital is a theme that will come up again and again, because there are huge disparities there. It is difficult to obtain capital or any lending product if you don't have those basic things to lend off of, such as your home. But more granularly is the ability to build a credit score. And that leads to the last piece, which is around just basic banking. 15% of First Nations people are unbanked in Canada and there's a lot of reasons for that. One can be geographical. You know, it is difficult to bank if your closest branch or banking center is 8 or 10 hour drive from your home. There's also cultural reasons for it. But the major one in my mind has to do with the discrimination that a client might, and likely will, feel engaging with a bank in Canada. And that leads to the second pillar which is around truth and reconciliation. And the fact that we as a financial institution, and all of them, have to recognize and say that we are part of the colonial system. Our business model has been built on exclusion, discrimination, racism. So, the first piece is easy. You know, we're really good at building products and services, but the hard part is truth and reconciliation. For those who are in the financial space and in any sector, in industry, you know, it's easy to want to rush to reconciliation, but we cannot do that before truth. And that is the harder part is to reflect back on the role that we have played in in a colonial society. There are major and there are active and passive examples. A major example could be the Métis scrip and the role that financial institutions play. More passive examples would be how branches resided in communities where residential schools were doing their banking with us, where those priests were coming to us to do their business. And we need to understand that and look back if we truly want to do things differently, which is the theme we've heard this morning. But that takes a lot of work and a lot of raw authenticity. So to go back to your original comments, Canada does purport to be a very rights based nation, but it is an imperative on all of us that we recognize the disparities that really do exist when it comes to rights and financial institutions. Because we are an essential service, we need to lead the way in that rethinking.

Jackie VanderBrug: That's super helpful and gives us a lot to actually jump into as we keep going. Stephanie, as we think about financial services, we're so aware of all of the information about individuals that institutions amass, either because individuals give it or they get it from other peers, competitors, the government, we're washing information. And the more so obviously as AI is coming at us. You've done research about how the collection of data on gender can shape wealth inequalities, and I'd love to get a couple of findings that were surprising from your work and specifically this question about how emitting gender doesn't necessarily reduce gender bias or other pieces. And maybe connecting back to what Myan was talking about. Also in terms of this question of where is it that we've made rules or shaped processes that were intended to do one thing and actually resulted in something else.

Stephanie Kelley: You've hit on quite a few points from the paper there already, Jackie. So tying into kind of what Dori said this morning, there should be, and I personally believe, there should be a lot of excitement around AI, but there also should be many, many, many, many reservations about it. And it makes me nervous as a researcher in the space. But the paper that we looked at touches on so many things here. But who collects the data and why. So while we do have a wealth of data and we have lots of information that most definitely is not representative of all of the customers or stakeholders, I know the term came up, that we are actually serving. So, when we then build models, no matter how great they are, from an algorithmic sense, they are going to perpetuate the information that's in there. So, the key finding of the paper is when you build lending models, particularly for individual lending, in most instances, gender is actually predictive of creditworthiness. I'll touch on why in a second. So, if you don't include gender in your predictive models, they are going to be more discriminatory against the minority populations than if you do. So, in most instances, minority populations and over represented by women. There's of course lots of intersectionality there. So why does this happen is the data that we collected is very representative of the majority population and how they obtain credit worthiness and what's representative of being creditworthy. In your example that you mentioned there, having or owning the property is representative of wealth or creditworthiness in one population, but not in the Indigenous population. So, if we have data that's very representative of one area group or a group of individuals and then we continue to perpetuate that, we're just further excluding those groups. So, that's one. You must include gender if you actually want to reduce discrimination. And that's very different from things like the fair credit, the Equal Credit Opportunity Act in the US, which were based on non-model type of discrimination. They said you shouldn't have gender, you shouldn't have…

Jackie VanderBrug: Because the fear was if you have gender in the same way that we had, if you had race, you might not get a loan in a certain…

Stephanie Kelly: Yes!

Jackie VanderBrug: So you might not get a mortgage in a certain area, right? Redlining or other pieces. So having lack of the data identifiers was supposed to make it more equal.

Stephanie Kelley: Absolutely. So, policy which came up before that was based on previous types of decision making, human to human, right? It was a lender, a person, making that decision. And now those laws are being applied to AI and we're seeing that they're paradoxically kind of irrelevant, and in fact, can be more harmful. So that's one. And then we said why does this happen is because the data is not representative. And then it goes back to the design of policy moving forward. So, policy moving forward needs to allow for the responsible, I say responsible, collection of data and the diverse collection of data. And so it would be interesting to know who's designing those policies, the discussion that came up. That's a question maybe for another time. How do we make sure that those policies are more inclusive? And allow for the correct data to be collected.

Jackie VanderBrug: That's great. And actually there's a number of questions coming up. So we'll sort of pause and dive a little bit deeper here, because folks want to know about the nature both of the analytics going into these different scores and the nature of the scores themselves. So, maybe we will pop back over to Kelly. When you talked about a gender score, can you unpack that for us? What goes into it? And are there changes in the analytical processes that you have either in terms of collecting that data or analyzing it differently than existed before that you needed to create the product?

Kelly Baldoni: Yeah, that's a good question. It's constantly evolving, because the data is evolving and we're getting more of it over time. So I mentioned, you know, we started back in 2007, but it was in 2014 when we created an Impax gender score. So, we have about five or six now expert analysts that make up our gender analytics team. I don't know if there are other firms that have that. But I'm pretty proud of these individuals many of who have been working on this data collection since the beginning, since 2007. But our official score was launched in 2014. And at that time, it was really heavily on the leadership data. We're collecting data at 1600 public companies, mostly large gaps. Our starting universe is the MSCI World index. And we're essentially looking at the representation of women in the board looking to see who's chairing key board committees, like the audit committee, compensation committee, etcetera. Then we looked to see women in management—executive leadership, specifically seats that would include CEO and CFO—not just trying to capture the token woman on the board by any means, but just who's making the decisions at that company. That's kind of where we started. And then essentially we would rank them 1 to 1600 and we did invest in the top 25. And we would do that analysis every year because it's very manual. We take a lot of data from public filings and websites. And then we also have diversity data providers. And then our team gathers it all and analyzes it. That's where we started. But what's changed and evolved over time that we're really excited about is the additional gender criteria that we've been able to add or for gender indicators. That really rely on and kind of look at the workplace policies and practices. So things like is a company doing a pay equity analysis and disclosing the results of that? Do they have proactive diversity goals and targets? What kind of retention and promotion practices do they have within the organization? Are they disclosing employee demographic data? Are they signatories to the UN's women's empowerment principles? There's about 18 indicators that we now have. So that's come a long way from where we started. It's really just because of what we were able to gather. We're looking at a global scale, so it's not a small set of companies. And data can be inconsistent. So, our researchers take it very seriously to try to get the best consistency across the board. Our approach is a systematic one. So, we're really trying to take our eyes or our thoughts out of it and just let this data shine through and deliver that alpha that we pointed to. I'm really excited the work that our gender analytics team has been able to accomplish over the past eight years. It ss really capturing what is one of the most robust data sets that's out there now and I could share later just on some of the results of how that's gone and delivered alpha over time, too.

Jackie VanderBrug: Yeah, it's great to hear the progress. And it is interesting the regulators in different parts of the world requiring, especially in Europe, coming explosion of more data on the on the social, on the human side, to catch up to some of what we've required on the environmental side. So, the folks want to know what kinds of design properties or what kinds of data did you collect or are you collecting to sort through what are the financial products that women want? How do you actually overcome some of the barriers that you talked about?

Sylvia Kwan: Yeah. When we started Ellevest eight years ago, we really spent hours and hours and hours with women, interviews, research. And I've been in financial services for my entire career, so I had a hypothesis of what women wanted. And we initially thought that women want to be emotionally connected, for example, with their money before they start and so let's take women on an emotional journey. So that was a disaster. That's not what women want. And so we really had to face our own biases. Because just being in financial services, there's a lot of baggage that some of us have. So really starting from scratch and saying, OK, let's actually talk to women and understand what are the barriers that they feel they have to financial services? What is it going to take to get them engaged with financing and with investing? And what we found was for women, for example, maximum return is not the only goal. They have investing as a means to reach a financial goal, such as retirement, or sending their kids to college, or buying a home, and so the approach itself needed to be very very different. Women wanted plain English, for example. They also wanted investments that align more with their values. And so, a lot of the data that we had in the very beginning was very qualitative. What we really wanted to do was build a service alongside women and so we did a lot of, OK, this is what we heard from you. This is what we have. How does that feel? And so doing a lot of just repeated user testing and user testing. So fast forward to now, we do now have many many clients using our service and so now we have a lot more quantitative data of how our clients are actually using the service. We provide recommendations, but you know how often do they take those recommendations? How often do they adjust? And that is a really useful information, because that's part of how our clients behaving. And so how do we iterate and refine our service to increase the probability that they will engage with investing. Where do they get stuck in the process and what can we improve at that point in the process to ensure that we really continue to break down those barriers. So now we have a lot more quantitative data. What kind of goals women are looking for? And we are continuously using that data as alongside also doing a lot of user testing and research to continue to improve the service, so that it really meets the needs and preferences for women.

Jackie VanderBrug: So again, I love the journey piece of this. We learn, we do better. Myan, I'm gonna come to you on the organizational journey in a minute. But Stephanie, just quickly, there is a question on the credit scores, which clearly are a hot button for a lot of folks. Any thoughts to this somewhat oftentimes opaque process that controls so much? How to improve it? How should researchers be looking at this? Any other commentary around credit scores?

Stephanie Kelley: So, very quickly, the models that we were looking at used actually four different credit scores and about 750 other features. So, when we think of very traditional credit scores being kind of one of the only things that control financial futures to moving to this idea where they're a very very small part of it, because they're not very representative of non-traditional individuals. So, one, look at institutions that don't rely entirely on credit scores. It's a little bit different here in Canada. I know in the US, credit scores are much, much, much stronger and used for a lot of other aspects. But spend your money wisely. Bank with banks that don't necessarily mandate those things, choose lenders that don't necessarily mandate those things. I think there is definitely a movement to shift away from that, because they're just not representative. I know in the meantime that's hard, but there are institutions out there that are designing products that you don't have to have those kinds of traditional values.

Jackie VanderBrug: Alright, there are other pathways. So, speaking of pathways, Myan, there are really important organizational implications for doing this kind of work we've talked about. It's not one and done. They're different journeys for different companies. But could you give us a little bit of a sense of the types of organizational challenges that leaders in the room might face as they're looking at some of these questions.

Myan Marcen-Gaudaur: Correct, this is not a one and done, a set-it-and-forget-it. The work we're doing here is generations in the making and it's really important to be grounded in in that reality. That this is a very, very long road and what we're doing is trailblazing. So in fact, there is no road yet. Something that was said, Alia in the in the previous panel. I loved it so much and she summed it up perfectly. Ensure we're designing with the margins not just for the margins and that can benefit all. I did really want to underline that point that she made. When it comes to the Indigenous segments, we're coming from a place of very little concrete knowledge, very little concrete data, the sensitivity around data, and how we acquire that, is something that we're very mindful of. And so, one of the techniques we're able to use is to look at other equity deserving segments and women has made a lot of progress and that is the one that we are able to look at in terms of a reference point, and to be inspired by, and to learn from, and build from and. In the financial sector in Canada, there are a few things that really stood out to us. One was it's a very simple observation, looking at all of the leaders of all the six major banks, all the CEOs, they are all men. This is 2023. We've never had a female, a woman CEO. And that to me is extremely alarming. That to me is a barometer of the progress that we're actually making. If we start to go down the hierarchy and the comment and the discussion around hierarchies, it is very interesting and very important from an Indigenous lens. But if we go start to look down in in the financial institution hierarchy, we start to see women at an SVP and SEVP level. There is representation. It was also touched upon earlier and I'm so glad for the foundation that has been built earlier this morning, is that although there are women in the corridor of corporate power. Do we really know what to do with it. Have we been educated? Have we been mentored? Have we been taught in a way that we know how to use our power to empower others? And I think there's a lot of work to be done there. And it’s part of the reason is the third piece. The third observation is around ageism and how that disproportionately affects women at some point. It happened within CIBC just in this past year with who we all thought as women was going to be the bank’s first CEO. She became CEO, but of another company and another organization because we just don't have the constructs to support women leaders and at some point those women disappear from our organizations. The ones that are our matriarchs, the ones that are our elders, the ones that can pass on that the wisdom and the insights and the teachings that is necessary to foster female leadership in organizations. And so the system is very much built to not support us. So, all of that are things that we might think about the obstacles and the challenges and the barriers that we will need to also overcome for the Indigenous segment and others.

Jackie VanderBrug: Thanks. My brain is going so many different directions and there are fantastic questions coming up here. Let me go to the heart of some of what I heard you saying and also some of the what was coming up before in panels with this question. How do we think about the power and privilege position of the institutions that we're each associated with? When we're looking at the societal and financial sector changes that we think are in front of us. But also balancing to, per Sarah's intro, the fiduciary requirements that we have. Realizing that each one of you are in and moving in and out of different types of power and privilege rules, in terms of Sylvia, your role as a perhaps a startup, not the amazingly backed, easily financed organization. So, I don't know if you have thoughts on that one?

Sylvia Kwan: Yeah, that's a great question and it's a complex question. So, I think along this journey that we've been on Ellevest, one of the things that we as a team have realized is really kind of that responsibility and that the seat that we sit in. And so, in addition to kind of removing the barriers and increasing access, one of the things that we are really looking at is broadening our lens of what it means to be gender focused. For example, you know there are so many gender gaps in financial services. One of them, not just women under investing, but 99% of asset managers are actually owned by white men. And so that leaves literally 1% for women and people of color. It's no wonder that women don't feel welcomed in financial industry. And so one of the things that we are very focused on is how do we move the needle on that. So not only looking at the underlying investments, but who's making the decision? Are there women fund managers out there that we can support? Like how do we bring more women to the investment decision making table? And then also as stewards of money? How do we get more money into the hands of women? So that means women entrepreneurs, women founders, women business owners. I mean, talking about lending, the data shows that, women business owners have many more challenges in finding funding. And when they do find funding, it's at lower amounts and higher interest rates, for example. And so, how do we put and use the power of our money and our investment dollars at Ellevest across our clients to make those changes and start to close more of those gender gaps through investing? And so that's sort of a new kind of lens that we've been kind of moving towards over the last couple of years. And in recognition that it's just so much broader and there's so much that we can do. I mean, capitalism really is one of the major changes of things and how do we use our capitalism and our position to make the change that we want to see.

Jackie VanderBrug: We'll let others jump in here, but also add the context of where Myan was going with the Win-Lose or Win-Win side here. Because at least in the US, we see some push back. Maybe we'll call it that, or significant blowback, in terms of the concerns that we are over focusing, whether it is on women or other previously excluded populations, to the detriment of the overall good and kind of curious how you how you've crossed that.

Stephanie Kelley: I can, at least from a research standpoint, the research that we did, we made sure that we weren't just talking about gender discrimination. We were also talking about profitability. So, if you're a true pragmatist and you don't want to listen to the gender lens angle, you can look at the profitability angle. And in fact, excluding gender from your lending models is less profitable for a firm. So, it's not only discriminatory, it's also less profitable. So as a researcher, I try to always have that, honestly that kind of negative or that pragmatist view. Well, if you don't want to listen to one part of the story, how do we make sure that we present this and show that this is in fact good for business? Even if you want to be kind of colour blind or gender blind or whatever you want that these kind of negative terms that we use. So as a researcher, I always try and have that dual angle. It's not always going to be able to be there, but I really do try and design my work to show both sides. We know it's there, right? That's the whole reason we're all here. We know it's more profitable. It's better for business. But you just need to take that extra energy to show it and to track it.

Jackie VanderBrug: Kelly, that's where you started. Do you want to jump in with your research also? Or any other experiences that you're having in the current climate?

Kelly Baldoni: Yeah, I mentioned I started in 2014, so I've been talking about gender lens investing for a long time. And it's been really interesting to see the waves and the different challenges that have come at different times. As Jackie and many other people in the room know, at first it was like convincing people this was even smart. So, it was all about the business. It’s all about the research like these companies should outperform. And then in our experience, the first five or six years of our fund, we had great competitive performance. And then the last several years, we've trailed our benchmark mainly because we don't own energy. So, we're a sustainable investment firm and we don't own any energy names and that's going to happen over time. It's especially with long term investment products like mutual funds and the fund that we have designed. You're not going to outperform all the time. But what's been challenging for me is when gender doesn't perform, it doesn't work. And so,you're just like your backs up against a wall a fair amount of the time. So that's one challenge.

Another to your earlier question, Jackie has been you know is our firm Impax walking the walk. So I can't be out there every day talking about this and what we want to see in companies and the data. We're not practicing what we preach. As an investment firm, we have some offices in the US, but we're headquartered in the UK. We have a lot of progress to make on diversity, gender and other types of diversity as well. So, we're not perfect out there either. So, then you're kind of another challenge or kind of defense that you're playing. And then, gender is one dimension of diversity. So the past few years it's been like finally once I felt like there was some momentum buying gender lens investing, it was like, well, you know, with the killing of George Floyd and everything that was going on, certainly in the US and I'm sure it was being talked about here in Canada, right, like, that's great, but we want to see other lenses, maybe racial equity lens apply. And so you're trying to create obviously, as I started with, strong investment products, but also what the your clients and customers and investors are looking for and what they want to see. To Sylvia's point, we're working with people that want to align their investments with their values, their beliefs, have intentionality behind where they're directing their capital. And so, we have a responsibility to create those kind of products too. So kind of long winded, but there's been a lot, I would say, of challenges, fun challenges, in this space as we're moving it along. What I am excited about is our gender score that I mentioned. We did over the past year an intense research project, basically slicing and dicing it with a quantitative tool that we had purchased at the beginning of last year to see if gender deriving alpha. Where is it coming from? Which components of the score are the strongest signals of alpha? How do we access more of that? So we had a great portfolio manager, Christine Cappabianca, that really led on this research. And just this past couple of weeks we've started to talk about it. So, the long and the short of it is that each component that we looked at was additive over time to performance. So eight years on the gender leadership, so women on board, women in management, female CEO and CFO, all positive results. The strongest was women in management. I think there's some nuances with that. Women on board again positive, but it was the weakest signal. We think some of that was kind of arbitraged away just over time. But a strong and another component of the signal though was if you didn't own companies that had no women on your board, that was super additive to performance. It was almost about what you didn't own in that sense. But then, we looked at those newer additions to our score, which was those workplace policies and practices I've mentioned. So, we have four years of data on those at the 1600 companies that we've been collecting that at. And those were all like off the chart. If our PM was here, she'd probably stand up at this point and be like, I got to just show you guys all this chart, because they were really surprising how strong that they were. So, we looked at pay equity as a signal. We looked at companies setting diversity goals. We looked at employee demographic data disclosing that. And then we looked at a company that had three or more of those, so companies you could tell are pretty committed to an inclusive workplace culture and valuing diversity throughout the organization. And the three or more was the strongest signal by far. Like over 20%, we were measuring a cumulative returns. So I have that data if anyone really wants to dive in, I could share it after. But I was super encouraged to see that this quote UN quote is working. And that's definitely going to be the message that we're going back out there with this year. It is that even in times of underperformance, we can tell you why that happens in a fund. And that's going to happen overtime. But it wasn't the fact it was a gender score and we have that research and information now that I'm super excited to share. Because it's adding to the research that brought us to the table in the first place is that this is a smart investment.

Sylvia Kwan: Can I add to that?

Jackie VanderBrug: Go ahead. Sure.

Sylvia Kwan: I'm equally excited about the research that, Kelly. We got a preview a couple of weeks ago about the research and I think it's really exciting. Both Kelly and Stephanie have talked about, there really is a business case for investing in women and closing gender gaps. And what frustrates me a lot is that there's always this perception. It's a zero-sum game that the economic pie is fixed. And so if I include others, that means my share gets smaller and it's just so untrue. By including other groups, we believe, you're actually growing the economic pie. I'm sure we've seen the study from McKinsey that shows like even if we narrow the global gender gap, it could add something like $12 trillion to global GDP. And that's just a lot. So I think that closing whether it's gender gaps or racial gaps and bringing more of those underrepresented groups into the economy, grows the economy, which really benefits everyone. So, I think there's a very, very strong business case for what we're doing here. And I love just seeing the data that's starting to back that up.

Jackie VanderBrug: Yeah. Thank you. We definitely have this perception and you heard it through all of the panels of the fallacy that actually designing for, with, underrepresented groups means less, right? It's the dividing of the pie versus growing the pie. Myan, I'd love to come back to you on this question, because you were on the front lines and a in a large organization. There's a question from the room in terms of do we need more accountability? Does putting KPI's or clear mandates on leadership drive that forward? Is it moral courage? Is it the business case? What creates the push and the pull?

Myan Marcen-Gaudaur: Yes, all of the above. Yeah, it's all of the above. There is a business case that says what's good for society is good for business. There is the accountability from the brand, from the business, to have a voice, and to publicly commit its stance and its targets. One of the reasons I was attracted to Scotiabank was their ScotiaRise program, which I am now in front of. A half billion dollar commitment to economic resilience into communities that we serve by 2030. It’s a bold commitment and it's one of those commitments where when you say it publicly, you will be held accountable for it. And to me, that was a signal that this was an organization that was prepared to walk the walk. That is absolutely necessary. Also, leadership matters tremendously. And I think we can all in the room now have a sensitivity that we know when a leader is being authentic and we know when a leader is reading from a script. It is imperative that we pay close attention and hold those leaders accountable, the ones that are reading from a script, that is not sustainable. I hope that this is the last dwindling years. We all actually know leaders who are like this. This is not the path to change is to have leaders who are truly uncomfortable and disconnected to what we're trying to accomplish.

Jackie VanderBrug: OK, so we have 10 minutes left and I want to shift our focus a little bit further out. There's been a few questions coming in about what each of you would like to see, either in data or in practice. So I should give you a choice either if you could change something, if you'd have folks behave differently, what would that be? Or something that you really are excited about that you see coming ahead that you think we can get behind? Stephanie, why don’t we start with you on the research side and then we'll going to organizations.

Stephanie Kelley: So for me, it's the democratization of AI. I think on many, many levels.

Jackie VanderBrug: You heard it here first. She's excited.

Stephanie Kelley: I am. I really am the one that comes to mind is obviously ChatGPT. It is all over the place and there are many risks with it. But there are some things that excite me. For example, the coding side of ChatGPT. For those who don't know, you can kind of ask for computer code prompts from ChatGPT and it'll source prompts for you. So, if you're writing code, there are quite a lot of cool things. There's a very, obviously, recent study that came out that said about 17 to 18% productivity increase just by using ChatGPT. So when we're designing algorithmic whatever models to be more ethical, whether that's less biased, more explainable, whatever, we can now be 17 to 18% more productive in doing that. There's greater accessibility we can democratize AI, so the people designing the systems start to understand and have access to more of those systems. Hopefully we can break open the assumptions behind that. So the democratization of AI, that's kind of everybody here, it's our responsibility to start digging into these things. Because it is becoming much more accessible than it was even a year or two years ago.

Jackie VanderBrug: Kelly, you want to jump in?

Kelly Baldoni: Yeah, I think what we're excited about is more data. We always want more to have a deeper analysis, a deeper understanding of a company. It's really hard. As I mentioned on a global scale and with public companies, when something's not required, they don't typically want to disclose, right? So a lot of the workplace stuff that I went over, that's like a binary. Do they have that or not? What I'm excited for is when we get to is that policy any good? Kike the culture piece of a company, I think. There's a lot of research that's already out there and it's going to continue to come out. It’s linking that the company performance, which is what we're trying to capture from our seat as investment professionals. But how do we understand more about the culture of a company and how do we factor that in the systematic analysis, which is what we're doing. So hopefully we can start to dig in a little more to that. For example, I was just talking to a friend recently. He works at Ernst and Young and they have six months parental leave policy for men and women. I was like. Oh, my God, that's awesome.His wife is pregnant. And he literally laughed and just looked at me and said that would be career suicide. And I was like…My gender analytics team is checking that off, right? Like good for them. This is a great policy. But then you get underneath it. And don't like Tweet that about Ernst & Young, but you know, like, I don't know, I just.

Jackie VanderBrug: The same was true at Merrill Lynch. Right? We had paternity leave, but in the CIO office, the men were like, hmmm. And it really did require a senior male to take maternity leave and I had to have the conversation with…you have to take this, because otherwise none of the younger men will. And also by the way, it impacts all the women who do. How is it career suicide for you and not…so great example

Jackie VanderBrug: Sylvia, were you going to jump in?

Sylvia Kwan: Just really quickly, I totally agree on data. We'd love to get more gender focused data and some standardization on data. Because companies will report data that makes them look in the best light, and it's just not easy to compare. So having that transparency is really important. And what I am excited about is, I would say, women investing in women. How do we harness the power of our capital that we have and invest in other women and get kind of that flywheel going?

Jackie VanderBrug: And Myan?

Myan Marcen-Gaudaur: Trust. Trust is a thing I'm really excited about. Business won't happen until we reestablish trust among the Indigenous segment, but all equity-deserving segments. To me, that is the real indicator of success. That is the thing that will take years and decades and generations to accomplish. But to me, that is the end goal of the thing that I think about and work towards every day.

Jackie VanderBrug: And do you think it's getting better? Because at least in America, trust in banking right now is not super high. What is accretive to trust and what pulls away from it? The banks like to know.

Myan Marcen-Gaudaur: Yeah, that’s huge. That's a huge question. You know, I think that the three key pillars are, or four, are our policies, our practices, our products—I guess it's the four Ps and our people—are all instrumental to establishing trust. But the end goal is for an Indigenous person to come into a banking center or a branch, and to pull out their status card, and to have it recognized as an acceptable form of government ID, and to allow them to open a banking account or cash a check without discrimination, without a teller picking up the phone and calling the police because it looks suspicious. To me, the end goal is that. A seamless client journey, the one that most of us, if not all of us, in this room have that simply doesn't exist today. And to remove that apprehension that many Indigenous people feel approaching the idea of finances, or literally approaching a branch, that all of these could and may and likely happen. That is what we're striving to remove.

Sylvia Kwan: So if I can add to what Myan was saying is, I think, transparency builds trust and engagement is what you're getting to. It's about relationship that is actually what engenders trust. Is that engagement and that relationship. So when it comes to financial services, being able to engage more women or engage people of color and having that relationship is the piece that builds trust as opposed to look at these numbers, look at our performance. Like that is not something that builds trust with women.

Myan Marcen-Gaudaur: It's the what, but I think more importantly, we don't talk as much about is the how, how we do it, which is what you're touching on. Key things like inclusive thinking and and having Indigenous voices and viewpoints at the table, but also things like being aware of how we've contributed to the colonial system. Being sensitive to our biases. Understanding that what we might perceive as a good intention might not be received that way. Balancing urgency and patience. We as banks were very competitive. We always want to be the first to market and be the best. But to also know that if we get it wrong, we have destroyed any opportunity to rebuild that trust. And so there's these principles about how we do things that is really critical to to the trust building.

Sarah Kaplan: So, that concludes the discussion on inclusion in financial services. But, I’m hoping it is just a starting point for you as you see all of the opportunities that can come from rethinking financial products and services with an equity lens.

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See you next time!