

## Exelon and Hamilton Lane push to increase industry diversity

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In deciding whether to back a manager, limited partners traditionally have focused in on returns and strategy — not the team's gender and racial composition. That, however, appears to be starting to change, as more limited partners are asking managers about the composition of their team and plans to become more diverse. Two of the more notable limited partners asking such questions — **Hamilton Lane** and **Exelon Corp.** — recently spoke to Women's PE Briefs about why they began doing it, what they are asking and what they hope to accomplish.

**Chrissie Pariso**, senior portfolio manager, private equity, at Exelon, said that she began asking GPs about diversity and family leave two years ago, the result of "seeing the same org charts over and over again," and wanting to hear GPs "talk about diversity and whether it was important to them."

The need for such questions was also driven home by the low number of women in investing roles in private equity. "I feel we haven't made much

progress in terms of gender diversity," Chrissie said. For obvious reasons, she hopes other limited partners join her and Hamilton Lane.

"We need more LPs asking these questions on diversity and family leave," she added. "We aren't going to see significant change unless LPs and GPs view diversity as important." The diversity of the team, said Chrissie, "is certainly an important factor, when we consider all our partners." She mentioned that Exelon focuses on how firms are thinking about the issue and their culture.

Hamilton Lane, meanwhile, is gathering data and will review it as they decide whether to reinvest in managers in the years to come. With nearly \$360 billion of assets under management and supervision, Hamilton Lane is one of the key players in the private equity industry.

"We want to start the conversation," said Hamilton Lane Managing Director **Tara Blackburn**.

Hamilton Lane's decision to ask about diversity evolved from the firm's Responsible Investment Committee, Tara added. A signatory to the Principles for Responsible Investment (PRI) since 2008, the Bala Cynwyd, Pa.-based firm, she said, has long been monitoring the environmental, social and governance efforts of firms, and, about a year ago, began looking at how to expand. As a firm that is diverse — half of its employees are women or minority, and 30 percent of its senior leadership roles are held by women — Hamilton Lane thought that asking about gender and racial composition was a natural evolution, especially given that some of its pension board clients were also asking such questions.

"Diversity is becoming much more prominent in the U.S. and European LP community," commented **Ana Lei Ortiz**, also a managing director with Hamilton Lane. She said the questions that Hamilton Lane is asking may help drive change, "or at least lead to a very good conversation." She added that many GPs

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want to take action. “We don’t tell them what they should be doing. We ask what they are doing.”

Tara said the diversity questions are included in Hamilton Lane’s broader ESG template and give the firm “a real sense of a manager’s diversity at a point in time.” Managers are asked about the types and levels of positions at their firms, and who is in those roles, giving Hamilton Lane a “very good sense” of the firm’s diversity profile. Tara mentioned that if a firm has a particular focus on diversity, they’ll be able to see that over time, through the data. She said the firm will track the data and gain insights from it. “We do believe diverse perspectives lead to better decision making.”

Ana added that, from Hamilton Lane’s experience with ESG, it learned that simply “asking the question” can be quite influential in getting GPs to think about ways to change.

Tara, echoing Ana’s thoughts, said the questionnaire “is a first stake in the sand.” She added that public pension board managers are often seeking proof when a manager comes before it claiming to care about diversity. The data being collected will help “support those assertions over time,” she said.

She said Hamilton Lane is hoping to see improvement from its managers as they come back to raise their next fund. “We are looking for incremental improvement,” added Ana. “We want GPs, as they are raising capital, to say, ‘this is what we are doing.’”

Aside from industry statistics and stagnant org charts, Chrissie was also motivated to ask questions by Exelon’s own belief that diversity of backgrounds — including race, ethnicity, gender, age, sexual orientation, disability status, experience and thought — drive better decision-making and

better financial results.” She said diversity and inclusion are important to company leadership “and the focus flows down throughout our organization.”

Chrissie mentioned that most of the GPs “have a positive reaction” to the diversity question and “view it as an important issue.”

Exelon is, itself, trying to do something about the problem by putting in place a program to recruit and develop minority managers. “As in other instances across the business, we see that the performance of our investment teams improve when our teams are diverse,” said Chrissie.

The fact that Exelon, this year, updated its policy to 16 weeks for mothers who give birth and eight weeks for adoptive parents and partners has made family leave a particular focus, Chrissie said. “I think it’s important to focus on family leave and not just maternity leave,” she continued. “This acknowledges a variety of family structures, including the LGBT community, and also does not place the responsibility of raising children solely on women.” She believes “having a generous family leave policy helps build a stronger culture.”

Chrissie said it is imperative that firms move away from views such as women can’t handle long hours and travel, and that they would need to “lower the bar” to hire diverse candidates.

“If GPs continue just to hire from the same background, same schools, same networks, we aren’t going to make progress on diversity,” she commented.

Chrissie, though, says that she does not want to stop with the GP. “It would make sense to dive deeper and ask for diversity relative to portfolio company boards, CEOs and portfolio companies,” she said.