



# The Spotlight

The Spotlight is a regular Q & A feature that showcases our people, their expertise, and trending topics that are on top of our clients' minds directly from the voices of our business leaders.



## Anthony Poole, Partner, European Asset Management

Anthony Poole leads McLagan's European asset management practice and is based in London. Since joining the firm in 2006, Anthony has been responsible for providing performance and rewards consulting services to investment management organizations. His work includes compensation plan design and analytics across all asset management business functions, as well as regulatory assessment.

### Questions and Answers

#### **How has the UK's recent push towards pay equity—Mandatory Gender Pay Gap Reporting—impacted the asset management industry? How are firms responding?**

This is a high priority for asset management firms. We are increasingly seeing diversity metrics and targets applied to the individual objectives of senior leaders. A key challenge for asset managers is to reshape their workforce in parts of the business where long term performance track records are fundamental to client experience and business success. Existing gaps are largely a result of low female representation at senior levels, which has sparked multiple firms to instill initiatives to address this problem. There has also been more equalisation around benefits, particularly maternity and paternity policies, and we expect this trend to continue.

#### **How are traditional asset management firms adapting to the constantly evolving digital workforce?**

Technology is a heavy focus, but also a challenging space to address due to current cost pressures within the industry. For many asset management firms, operational processes are being examined, which can often result in the decision to outsource, especially in the case of smaller businesses. The extent to which firms are evolving to a new digital environment varies significantly depending on size and manager focus. While technology has significant implications for the three core areas of a firm—investment management, sales, and support—organisations will have very different conclusions about where they will generate the biggest return from their own technology investment.

#### **If you could describe the European asset management industry in three words, what would they be?**

Resilient, Changing, Patient.

#### **What is your top piece of compensation design advice for asset management firms?**

Transparency and flexibility are crucial. In the UK and Europe, formulaic pay is becoming less prevalent in favour of an approach that allows leadership to reward a broad range of behaviours. Industry performance is under pressure, resulting in the need for senior management to have a pay program that supports sufficient flexibility to reward the right people and behaviours.

#### **What are the top of mind challenges in today's regulatory environment in Europe?**

The Senior Managers & Certification Regime in the UK is currently high on the agenda for many asset management firms ahead of its implementation in December 2019. The new regime aligns asset managers with bank regulation and drives The Financial Conduct Authority's (FCA) agenda of accountability.

The regulatory environment for pay in asset management has steadied. The anticipated next stage will be the application of the Investment Firms Directive (IFD), which combines various directives for asset managers to create more consistency. However, it will also potentially bring more firms into scope. Timing for the implementation of IFD is unclear, but it could be as soon as 2021. As the industry enters this new phase, firms will be challenged to design and integrate fresh pay approaches that fulfill business and talent needs, while aligning with prescriptive regulatory requirements.