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Dame Meg Hillier MP
Chair of the Treasury Committee
House of Commons
Palace of Westminster
London SW1A 0AA

By email: treascom@parliament.uk

14 October 2025

Dear Dame Meg,

Thank you for your letter of 18 September 2025 requesting an update on our work relating to the important topics raised in the Treasury Committee's Sexism in the City inquiry. Since I gave evidence to your Committee, we have continued our work on the topic of diversity and inclusion and in April of this year published a Guide to Rethinking Firm Culture. I have included a copy as an attachment. We have also continued to engage with the Financial Conduct Authority (FCA) on its work on non-financial misconduct and were pleased with the FCA's helpful draft guidance provided in CP25/18.

In the annex I have responded in turn to the points you raise in your letter. We have kept this submission brief, in line with your request, but would be happy to expand on any of the points made.

Yours sincerely,

/s/

Adam Jacobs-Dean
Head of Markets, Governance and Innovation
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The Alternative Investment Management Association Ltd

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Annex

What is your assessment of the proposals within the FCA's current CP25/18: Tackling non-financial misconduct in financial services consultation?

AIMA supports the FCA's approach as set out in CP25/18. We made the following points in our response to the consultation, which is appended with this letter.

- Handbook guidance covering both COCON and FIT is important to help firms apply the FCA's rules consistently and fairly, particularly given the serious reputational and employment-related consequences of allegations of non-financial misconduct.
- Guidance on COCON and FIT should include detailed case study-style examples. These would help bring the scenarios to life and allow firms to better calibrate their internal assessments, while providing a useful benchmark across the industry.
- The proposed guidance on the scope of COCON provides important clarification on what scenarios are likely to fall within or outside the scope of the rules, the treatment of mixed personal and professional settings, and appropriately balances both subjective and objective considerations.
- The proposed guidance on Individual Conduct Rule 1 (Act with Integrity) is helpful and could go further to clarify that a lack of intent to cause harm is not, in itself, a defence where it was objectively unreasonable to believe that harm would not result from the conduct in question.
- The proposed guidance on Individual Conduct Rule 2 (Due Skill, Care and Diligence) is helpful for assessing misconduct involving members of the workforce. However, the guidance goes too far by placing responsibility on managers to take reasonable steps to prevent non-financial misconduct.
- The proposed guidance on FIT would help firms to assess fitness and propriety and codifies practices that are already widely applied by firms.
- The proposed guidance on FIT appropriately clarifies that firms are not expected to monitor employees' private lives or social media but must investigate reasonably when made aware of information that may call into question an individual's fitness.
- The proposed guidance on FIT appropriately focuses on behaviour that demonstrates disregard for legal and ethical responsibilities or which risks undermining trust and public confidence. This reframing and use of neutral language makes the guidance more objective and workable.
- Handbook guidance should come into effect at the same time as the new COCON rule (1 September 2026).

Do you have any additional recommendations or areas of concern that have emerged since your oral evidence session on 15 November 2023?

We would like to draw the Committee's attention to our April 2025 publication, AIMA's Guide to Rethinking Firm Culture, as mentioned above.

While firms might be motivated to ensure they possess a strong internal culture – something that is vital to minimizing the risk of misconduct – a key challenge is that there is no one way to demonstrate or set out to improve this; each firm has its own unique history, structure and commercial aims that underpin the way in which it operates and the nature of its culture. It can be difficult to know where to start.

To assist firms, AIMA created this paper setting out practical approaches to the issue of firm culture, drawing on conversations with member firms. There is no expectation that firms will follow all the approaches discussed - indeed, smaller firms will inevitably be more selective in the steps they take - but we hope that the paper illustrates what is possible.

The Guide is organized according to the following chapters:

- Defining what you want to achieve
- Creating a framework for success
- Measuring progress
- Putting in place supporting measures

It includes interviews with several industry leaders to help bring to life the points addressed.

Recommendation that all firms should consider equalising their offer of parental leave for men and women and making their parental leave policies transparent (Paragraph 76) – AIMA comments

AIMA does not routinely collect information from its members about staff remuneration or employment benefits (including parental leave and pay entitlement). However, we advise that prospective investors in hedge funds might wish to enquire about this to make an assessment as to whether the investment manager's approach reflects the investor's values and preferences. Specifically, our August 2020 Diversity and Inclusion Questionnaire includes the following suggested question that investors might wish to ask of their investment managers:

C.1 Does the Firm have a family leave or parental leave policy?

Please provide details of the relevant policy, including the number of weeks paid/unpaid, % of salary covered during paid weeks, flexible working initiatives, impact on bonus, carry, or vesting, any programs that support individuals returning to the workplace, and any minority or gender-based differences in policy.

- a) Yes ☐
- b) No ☐
- c) Due to be implemented within the next 12 months ☐

Comment:

Recommendation that firms should consider what steps they can take to tackle abusive behaviour, including the use of appropriate training, such as unconscious bias training and active bystander training (Paragraph 158) – AIMA comments

AIMA's Guide to Rethinking Firm Culture discusses the role of training in detail. The following extract from the Guide is relevant to this point:

Technical and interpersonal training: *Firms that have spoken with us have conducted a mixture of online and in-person training on various aspects of workplace behaviour, from recruitment and allyship to understanding and reducing stress from a neuroscientific perspective. In general, the firms we talked to reported that interactive training sessions, especially those which feature staff discussions and/or that are tailored to the firm's particular needs and priorities, are most effective – even where such sessions are recorded and watched offline by others at a later date. Firms have noted the benefits of using online training platforms that enable a firm to include and engage with its own selection of case studies. Another firm highlighted positive employee response rates when*

incorporating aspects of popular culture within training modules. For example, the firm shared that in one well-received session clips were played from popular television programmes and employees were asked to discuss if any scenes portrayed harassment. In another session, employees viewed a range of contentious sports clips and were asked to consider whether a goal or foul had been made, to demonstrate the nature of subjectivity. A firm also shared that it is migrating its training resources to a new platform that will allow it to track employee engagement and compare it to attrition rates; this analysis would help it to evolve its offerings. While mandatory training regimes can be helpful, some firms note that small frequent reminders that encourage staff to raise issues can be more valuable. An important objective is to achieve consistency across teams and job functions when it comes to understanding the values of the firm and working in accordance with these.

The new Worker Protection Act imposes a new duty on firms to prevent sexual harassment. What action have your member firms taken to prevent harassment in the workplace? (Paragraph 161)

Data from industry surveys suggests that it is a near universal practice for fund managers to have in place a policy relating to staff conduct, with the overwhelming majority providing dedicated staff training on this. Our Guide to Rethinking Firm Culture also elaborates on some of the additional ways in which firms seek to embed their expectations of staff (some of this we have categorized as relating to firm culture, which can of course include conduct matters):

- Including culture or related D&I themes as a distinct standing agenda item in regular executive committee meetings.
- Including indicators of culture in internal audits or undertaking specific reviews that cover cultural and governance considerations.
- Maintaining informal and/or formal feedback channels for employees to ensure there is no gap in perceptions between senior staff and the wider firm. This could include feedback through line managers, surveys and discussion at staff engagement groups.
- Putting in place procedures for the reporting of more serious concerns. As well as internal reporting and escalation procedures, this could include providing an internal or external whistleblowing service.
- Monitoring employee participation in culture-focused inclusion initiatives, such as employee networks and mentorship programmes, through appraisal processes.
- Measuring the return on investment of cultural initiatives, considering both qualitative improvements (such as employee happiness) and quantitative impacts (such as productivity, financial performance and client satisfaction).
- Participating in industry-wide research studies and benchmarking initiatives to gain insights into industry trends and best practices and identify areas for improvement.
- Engaging in peer-to-peer discussions with other firms to stay updated on best practices and support industry-wide efforts.

We have also engaged with our members to understand to what extent they have updated their conduct policies in light of the UK Worker Protection Act. We understand that implementation work has generally included targeted updates to firms' existing policies, training for staff (sometimes facilitated by external advisers) and reminders to staff about expectations.

Some specific challenges encountered by our members in the course of implementing the requirements of the Worker Protection Act include how best to provide a framework for reporting of incidents that preserves anonymity (noting that our members tend to be relatively small in terms of headcount). Firms have also relayed that it can be difficult to obtain specific assurances from external vendors about their approaches to preventing sexual harassment, given that these vendors might primarily operate in jurisdictions outside the UK and so have a lower level of familiarity with UK employment law. We do not, however, believe these to be material impediments to achieving compliance with the Act and mention them for solely for completeness.