

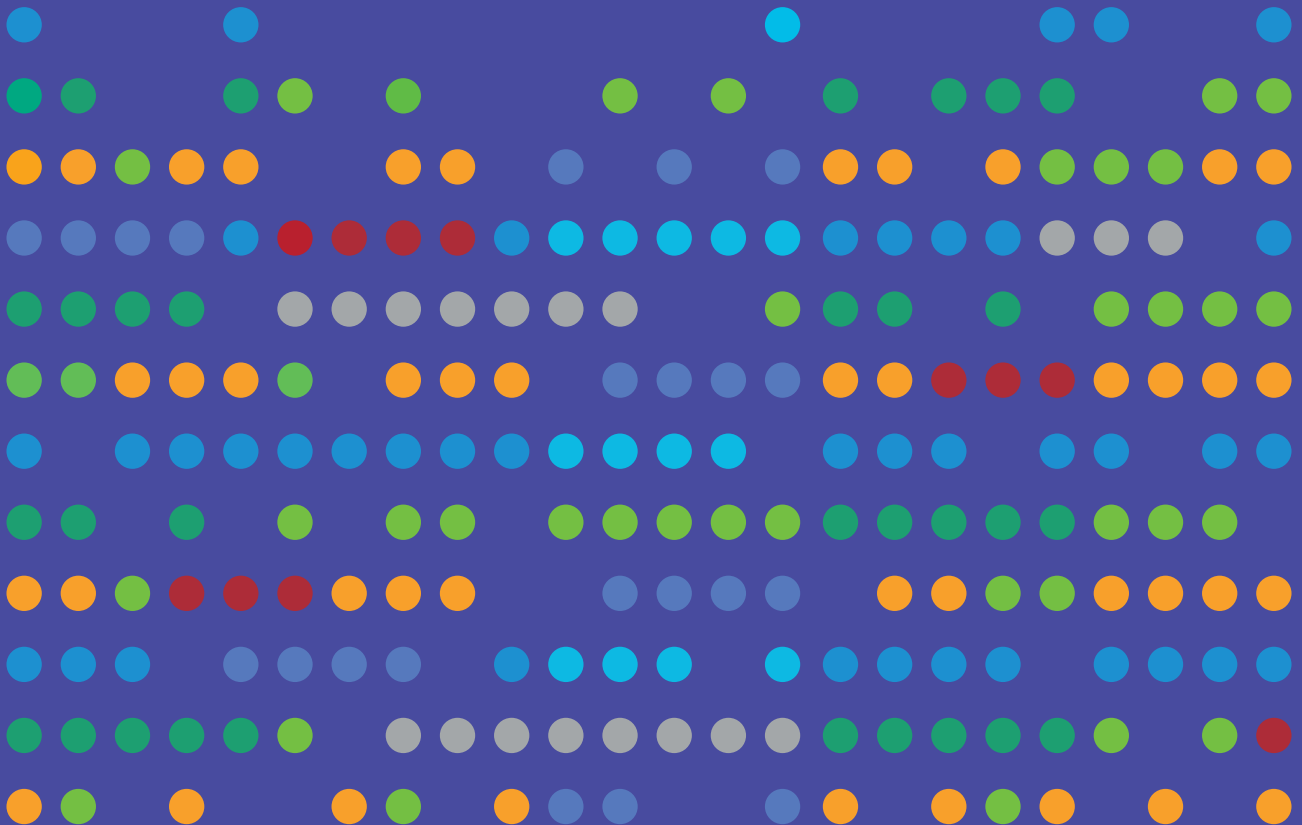


CFA Institute

EXPOSURE DRAFT

**CFA INSTITUTE
DIVERSITY, EQUITY AND INCLUSION
CODE (USA AND CANADA)**

July 2021



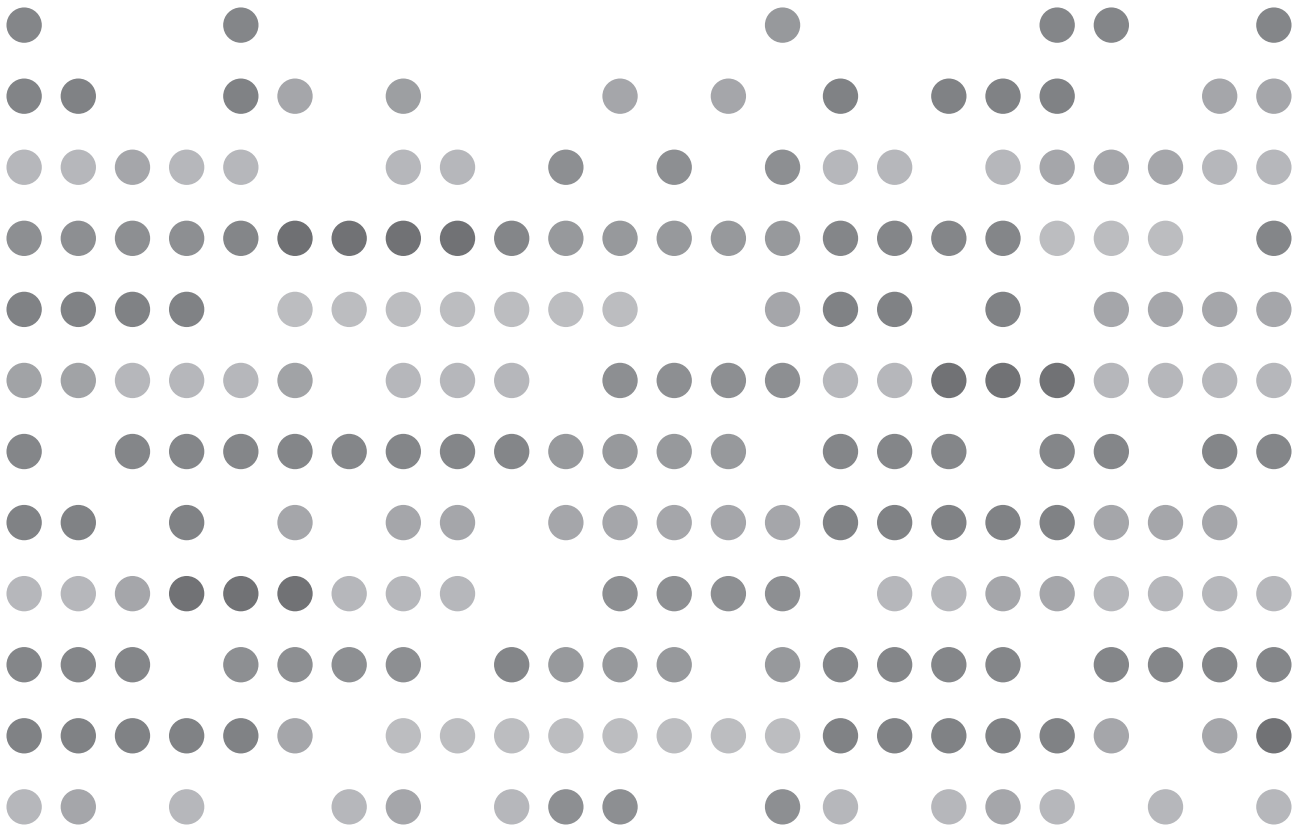


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CFA INSTITUTE DIVERSITY, EQUITY AND INCLUSION CODE (USA AND CANADA)

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Preamble

In March 2020, CFA Institute Inclusion & Diversity Steering Committee tasked the Diversity, Equity and Inclusion (DEI) Code Working Group (USA and Canada) with developing a set of principles to drive greater diversity, equity and inclusion within the investment industry. Given CFA Institute's reputation for rigor and high standards, as well as its focus on comprehensive strategies for effecting change, the DEI Code Working Group took an immersive approach.

The DEI Code Working Group, itself a highly diverse team, consists of members of CFA Institute Inclusion & Diversity Steering Committee, DEI practitioners, and investment professionals. The Group shared a common belief that progress required commitment from the senior leaders at investment organizations who would have to both lead by example and hold their organizations accountable. The Group settled on six core principles that would require the support of the leadership: Pipeline, Talent Acquisition, Promotion and Retention, Leadership, Influence, and Measurement. Each organization must commit to working on these core principles while collaborating with others in the field, working purposefully toward the goals, and promoting the ideals throughout the industry.

The Working Group is aware that the industry comprises a diverse set of institutions of different sizes, each with different starting points and tool kits. As a result, the Group wanted to focus on principles that were appropriate for all signatories but accommodative of many different implementation strategies. Considerable time was invested in developing a variety of recommended implementation strategies for each principle so that each signatory could choose the mix appropriate for their institution. These strategies appear in the Implementation Guidance, which supports the DEI Code. The Group understands that not all organizations have the same capacity or start from the same place, but the expectation is that all signatories to the DEI Code will commit to real change, to making tough decisions, and to making the necessary investment of resources. Moreover, all signatories will commit to continuous improvement.

Looking critically at your organization and committing to making sustained change is never easy, and the investment industry has made attempts before without lasting impact. However, CFA Institute and those charged with designing the DEI Code know that this commitment will lead to greater inclusion of wider viewpoints from the best talent, which will result in better investment outcomes and help create better working environments.

– The Diversity, Equity and Inclusion Code Working Group



**Marg Franklin, CFA
President and CEO
CFA Institute**

As the first female President and CEO of CFA Institute, I may be evidence of the progress the investment industry is making on gender diversity, but I am also profoundly disappointed by its inability to grapple with the broader issues of diversity, equity and inclusion. It is my sincere hope that this first draft of our Diversity, Equity and Inclusion Code will be an accelerant to igniting the change we need across the investment profession.

We at CFA Institute are not perfect—far from it. But we believe we can partner with organizations across the industry to produce meaningful results that provide a model for others to follow. We advocate for professional excellence and for adherence to upholding ethical standards, and our existing codes and standards are how we hold ourselves accountable for doing so.

We know there is more work to do, and I commit CFA Institute to being the first signatory of this new Diversity, Equity and Inclusion Code upon release of the final version.

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CFA Institute Institutional Relations Team

CFA Institute Legal Team

CFA Institute Internal I&D Team

CFA Institute Compliance Team

Executive Summary

Our Purpose

We recognize that a diversity of perspectives will lead to better investor outcomes; an inclusive investment industry will better serve our diverse society. Further, we recognize that an organization with an inclusive culture, awareness and education, and effective working relationships is a better place to work. We also understand the importance of improving equity while acknowledging the magnitude of the task. Therefore, our scope is within the workplace where we have direct agency and where we have influence as investors.

An Introduction to the Six Principles

Principle 1: Pipeline – We commit to expanding the pipeline of diverse talent.

Principle 2: Talent acquisition – We commit to designing and implementing inclusive and equitable hiring and onboarding practices.

Principle 3: Promotion and retention – We commit to designing and implementing inclusive and equitable promotion and retention practices to reduce barriers to progress.

Principle 4: Leadership – We commit to using our position and voice to promote DEI and improve DEI outcomes in the investment industry and to being held responsible for our firm's progress.

Principle 5: Influence – We commit to using our role, position, and voice to promote and increase measurable DEI results in the investment industry.

Principle 6: Measurement – We commit to measuring and reporting on our progress in driving better DEI results within our firm. We will provide regular reporting on our firm's DEI metrics to our senior management, our board, and CFA Institute.

In addition to the Principles, we undertake to accelerate and amplify their impact by agreeing to:

- COLLABORATE with other firms to publicize careers in the investment industry and provide informational materials, combined with concerted outreach.
- SHARE with other signatories tried and tested DEI practices and work together to develop new, aspirational strategies to drive progress.
- PROMOTE acceptance and implementation of the Principles within the investment industry by speaking about our progress and socializing the DEI Code and the Principles with our global workforce and colleagues.

In Canada, we commit to implementing the Truth and Reconciliation Commission of Canada Call to Action #92, and we embrace Indigenous reconciliation.

The Diversity, Equity and Inclusion Code (USA and Canada)

Preface

We trust signatories will be able to demonstrate innovation in their approach to these principles. The Principles are intended to be additive to existing commitments because they are specifically designed for the investment industry. In creating this Code, we consulted extensively with a range of industry trade bodies, other stakeholders, and regulators as we reviewed existing pledges and frameworks.

We ask at the outset that signatories commit to reporting on those metrics that are relevant to their organizations. The purpose of this DEI Code is to meet the industry where it is, define the current state, and drive improvement from a realistic foundation. We have designed a Reporting Framework to guide signatories in this process.

Following public commitment to the Principles, signatories will confidentially report on their progress annually to CFA Institute Code & Standards and External Inclusion & Diversity teams using the Reporting Framework. In turn, CFA Institute will report on industry-level statistics. Firms will be given bespoke, private feedback on their reports relative to the industry. Individual company details will be kept confidential, although with their agreement, firms' progress may be showcased. CFA Institute will convene annual roundtables for signatories to share their practices and explore new ideas. Therefore, accountability for impact is a critical factor for all entities involved.

The Principles are metrics based, not merely aspirational or a paid-for designation. Their successful integration requires commitment, not only a compliance-led approach. We recognize, however, that compliance is a helpful tool for level-setting in this work. The Implementation Guidance, a core component of this Code, is not an exhaustive list and will be annually revised and updated by CFA Institute to reflect effective, tested DEI practice, including that of signatories.

Diverse Groups

This is an indicative list for consideration; it does not just designate legally protected groups. Further detailed and regionally differentiated information appears in the Implementation Guidance.

- Gender
- Gender expression
- Sexual orientation
- Race
- Ethnicity
- Veteran status
- Generation (e.g., Gen Z, millennials, Gen Y, seniors, etc.)

- Indigenous groups
- Neurodiversity
- Ability (e.g., vision, hearing, speech, mobility, learning differences, etc.)
- Socioeconomic status
- Educational training
- Other, such as citizenship status, persons with criminal records, and non-native-language speakers

Definition of Diversity

The full spectrum of human attributes, perspectives, identities, and backgrounds.

Definition of Equity

Fairness of access, opportunity, and advancement for all within an organization, which requires eliminating barriers and root causes that have prevented underrepresented groups from full participation within the workplace.

Definition of Inclusion

A dynamic state of operating in which any employee can be and feel respected, valued, safe, and fully engaged.

Diversity, Equity and Inclusion are referred to together in this document as **DEI**. We note, however, that equity is at a very early stage of development in the investment industry; it is included as a long-term goal for firms.

Definition of Reconciliation for Firms Operating in Canada

“Call to Action 92” states:

We call upon the corporate sector in Canada to adopt the United Nations Declaration on the Rights of Indigenous Peoples as a reconciliation framework and to apply its principles, norms, and standards to corporate policy and core operational activities involving Indigenous peoples and their lands and resources.

The Principles

We as signatories of the CFA Institute DEI Code commit to the following principles:

Principle 1: Pipeline – We commit to expanding the diverse talent pipeline.

Definition:

Expanding a diverse talent pipeline of prospective employees is critical to the investment industry's long-term success.

Commitment:

To tackle the difficulty, driven at times by perceptions of scarcity, in sourcing diverse talent, we commit to continued outreach to attract capable but often overlooked individuals from underrepresented groups. We will raise awareness among students prior to college (both public schools and private schools catering to lower-income student bodies), including those in Indigenous communities; among those at various higher-education institutions, such as Historically Black Colleges and Universities (HBCUs), Hispanic-Serving Institutions (HSIs), and Indigenous-focused institutions and programs; and among other underserved groups that have not historically been attracted to a career in financial services, including those in affinity groups at predominantly white institutions (PWI). We also commit to collaborative outreach with other organizations, because we recognize that only through sustained, systematic effort to build capacity and awareness across populations can the lack of diversity in our industry be addressed.

Principle 2: Talent acquisition – We commit to designing and implementing inclusive and equitable hiring and onboarding practices.

Definition:

Ensuring that all aspects of hiring practice are inclusive, from intern and graduate recruitment to experienced hires and senior roles, is critical to improving diversity.

Commitment:

We commit to creating, implementing, and regularly reviewing robust talent acquisition processes and policies, such as anti-bias training for hiring managers, interviewers, and recruiters, as well as to driving positive progress in the diversity of the workforce. We commit to systematic outreach to attract talented but often overlooked individuals from underrepresented groups into our organization. Some firms cite difficulty in finding diverse individuals via traditional routes, so we will therefore explore more inclusive sources of candidates. We also commit to collaborating with other organizations to identify and drive better DEI practices in external recruitment, including hiring for cultural add rather than cultural fit and modifying practices to consider a wider range of education level, degree type, and experience. We also commit to ensuring that once diverse talent is acquired, we will alter our onboarding policies to make sure the process feels inclusive to all parties.

Principle 3: Promotion and retention – We commit to designing and implementing inclusive and equitable promotion and retention practices to reduce barriers to progress.

Definition:

Promotion involves ensuring that all aspects of access to training and development—including mentorship and sponsorship, progression, new opportunities, and appraisal processes—are equitable and inclusive and seek to address inequities resulting from systemic racism and other forms of bias. Promotion covers intermediate step opportunities and individual recognition, which can be crucial in building employee visibility and experience.

Retention involves designing and maintaining inclusive retention and support systems, such as mentorship and sponsorship, work–life accommodations, and efforts to eliminate harassment, which can be a principal cause of departure. To further equity, this work requires identifying barriers to historically underrepresented employees’ progress, as well as valuing their contribution. This may include accommodating obligations of Indigenous people to participate in and lead initiatives within their communities and Indigenous governments where applicable.

Commitment:

We commit to creating, implementing, and regularly reviewing robust processes. This work will be supported by manager, senior leader, and wider organizational cultural training to embed inclusive and equitable practices.

Principle 4: Leadership – We commit to using our position and voice to promote DEI and improve DEI outcomes in the investment industry and to being held responsible for our firm’s progress.

Definition:

Leaders set the standards and expectations for inclusive behavior, model the behavior, and help define their firms’ culture by example, both internally and externally. To drive progress, leadership must be diverse, inclusive, accountable to stakeholders, and trained to manage and lead diverse teams at all leadership levels within the organization.

Commitment:

We commit to using our role as leaders to create robust leadership development processes. These processes should focus specifically on building understanding, increasing awareness, improving skills, and changing behavior around DEI within the workforce, along with ongoing implementation and regular review of those processes by our senior leaders.

Principle 5: Influence – We commit to using our role, position, and voice to promote and increase measurable DEI results in the investment industry.

Definition:

As asset owners, allocators, and consultants, we have the ability to encourage and motivate our asset managers and other providers of industry services to adopt the Principles of this Code as well as practices that promote greater DEI within the investment industry.

Commitment:

We commit to the creation of robust, regular review processes for service providers, sub-advisors and vendors with respect to DEI practices proportionate to our firm's size.

Principle 6: Measurement – We commit to measuring and reporting on our progress in driving better DEI results within our firm. We will provide regular reporting on our firm's DEI metrics to our senior management, our board, and CFA Institute.

Definition:

Recognizing that we cannot improve what we do not measure, a systematic framework around measurement and tracking, where appropriate, for the other five DEI Code Principles is required. Measuring is key to success in improving DEI: What gets measured gets evaluated and managed, particularly in a data-driven industry such as investment.

Commitment:

We commit to the completion of the Reporting Framework and to the regular review of the returns by senior management, including updates for our board, to ensure our organization is making progress on increasing representation and driving DEI at all levels. Measuring DEI is not an exact science; not all elements of DEI are obvious or are captured well in human resources (HR) systems or Equal Employment Opportunity (EEO) categories. We also commit to collaborate with other organizations to surface and drive better measurement practices. An annual activity and impact report to CFA Institute is part of our commitment.

Guidelines and goals or targets may differ by firm. As a general tenet, however, those groups that face the greatest inequities and least inclusion should be prioritized. The guidelines provided are not exhaustive, and DEI should be thought of as a long-term business strategy. There is no finish line but rather an iterative, continuous improvement process.



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