

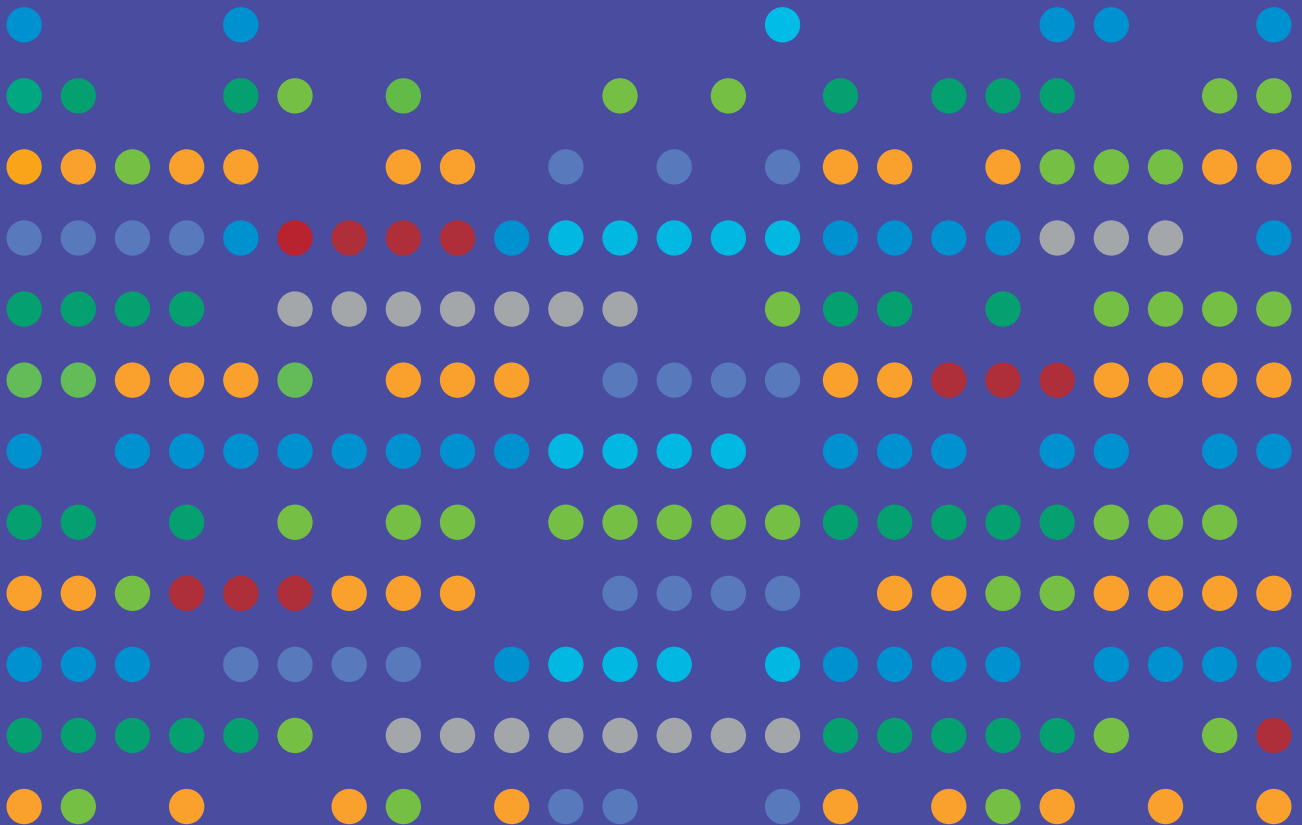


CFA Institute

IMPLEMENTATION GUIDANCE

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

2022



Contextual Note

A core aspect of the CFA Institute mission is to develop and administer codes, best practice guidelines, and standards that guide the investment industry and help ensure all investment professionals place client interests first. Our codes and standards typically are global. Diversity, equity, and inclusion (DEI), however, when integrated into human capital management in the investment industry, can involve different considerations in each geographical region. This is not only because employment laws are different but also because local variations in demographics, culture, and societal customs mean that the necessarily detailed advice in the supporting Implementation Guidance will not fit all regions equally well. The practical application of DEI involves careful attention to detail to create cultural change. A broad, strategic understanding of the concepts is important, but operationalizing change takes many intersectional steps.

CFA Institute therefore decided that the DEI Code should be published region by region, with specifically designed Implementation Guidance for each region. The intention is to create a DEI Code, which over time will build to form a regionally adapted, global DEI Code. In the long term we anticipate that developments in human capital management will move the interpretation and application of DEI in each region closer, such that a single global version will be practical; until then, the DEI Code, the Implementation Guidance, and the Reporting Framework will be regionally differentiated.

In the meantime, we will work with our members, CFA societies globally, institutions, policy makers, and other industry stakeholders to continue our research into effective DEI practices, further develop the DEI Code Implementation Guidance, and provide education opportunities to support its goals.

We chose the USA and Canada as the starting point since investment organizations in these markets demonstrated strong demand for a CFA Institute DEI Code to drive change, accelerated by the events of 2020, in particular the anti-racism protests following the murder of George Floyd and the increasing focus on Indigenous rights in Canada. However, since demand is also rapidly increasing in many other regions, CFA Institute will be working with groups of investment professionals and their regional DEI advisers to adapt this first version of the DEI Code for other markets.

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

IMPLEMENTATION GUIDANCE

Introduction

This document provides supportive guidance for signatories to the Diversity, Equity, and Inclusion (DEI) Code and should be read in conjunction with the DEI Code and the Reporting Framework. It has been written by investment professionals, advised by expert DEI practitioners, for business leaders and their human resources (HR) business partners.

The practice cited here derives from tested processes and ideas shared by participants in the CFA Institute Experimental Partners Program and the key advisers to the DEI Code. It also leans on CFA Institute practice. This guidance is intended to meet the investment industry where it is in DEI terms and enable industry leaders to drive and accelerate change.

We find that incrementally building capacity is more effective and more sustainable than tackling multiple areas at once. As understanding and capacity develop, however, organizations will be able to broaden and deepen their DEI initiatives. An organization can work to become inclusive even before increasing its number of employees from underrepresented groups, and such efforts will benefit all within the organization.

We considered but decided against setting the minimum action required to adhere to each Principle since each organization will be at a different stage with its own strategic priorities and set of available resources. However, we have provided an indication below of the foundational actions we look for in signatories and how we will approach a lack of any progress. Overall, we expect signatories to focus on the most impactful initiatives for their own circumstances, which they can determine by conducting a DEI self-assessment and aligning it to their strategic plan.

The Principles are metrics based, not merely aspirational: Their successful integration requires commitment to cultural change, not only a compliance-led approach. We recognize, however, that compliance is a helpful tool for level-setting in this work. For signatories who are unable to show any progress over a two-year period, we will offer extensive support and engagement, following which we will hold them accountable to enact urgent change or else have their signatory status lapse.

Foundational reporting requirements for completion by the end of the initial two-year period from becoming a signatory comprise the following:

- An adopted DEI policy and statement
- An established senior leader ownership and oversight governance process
- An implementation plan to integrate DEI within the signatory organization’s people, processes, and policies

However, it must be emphasized that CFA Institute is recommending, and the DEI Code is designed to enable, accelerated change in investment organizations of any size—hence the illustrative Commitment explaining possible actions for each Principle. This Implementation Guidance has ideas and strategies from foundational and simple to more complex for signatories with mature DEI practice, with flexibility for small firms. We expect signatories to focus on the most impactful initiatives for their own circumstances. Therefore, while the Code constitutes a voluntary and aspirational set of baseline principles for firms to work toward, we look for more than a minimal mindset.

This Implementation Guidance, a core component of the DEI Code, is not an exhaustive list of all the available actions. CFA Institute will revise and update it annually to reflect effective, tested DEI practice, including that of signatories. This Guidance is intended to provide a wide range of resources to match the needs that each signatory assesses they require to make progress; some will be more appropriate for the short versus the long term. We do not envisage that every aspect will be covered at once, rather that a selection of actions will be chosen according to organizations’ strategic priorities and capacity.

This Guidance will be reviewed and updated regularly to reflect changing practice in the investment industry. Signatories may wish to comment on their progress toward each Principle in narrative form using the Reporting Framework to explain the ways in which the firm has adhered to each Principle under the DEI Code, even if this has been achieved in a way that differs from the Implementation Guidance. These tested ideas will then be incorporated into the next update.

While the DEI Code is designed for organizations, the learnings and ideas it contains can also be practiced by individual managers and used as an educational resource by CFA Institute members.

Diverse Groups

This is an indicative list for consideration; it does not just designate legally protected groups, but also a range of groups to which organizations may wish to give consideration. However, additional groups may be relevant to signatories, and they should also be included as needed to support their work accelerating DEI. Further detailed and regionally differentiated information appears in the Reporting Framework.

- Gender
- Gender expression/identity
- Sexual orientation
- Race
- Indigenous groups
- Ethnicity
- Generation (e.g., Gen Z, millennials, Gen Y, seniors)
- Socioeconomic status
- First generation college students
- Mental well-being
- Other, such as citizenship status and non-native-language speakers
- Intersectionality of two or more groups
- Ability (e.g., vision, hearing, speech, mobility, learning differences)
- Religion
- Veteran status
- Neurodiversity

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. Note that equity is distinct from equality, which requires that each individual be treated without discrimination, including being given equal opportunities for advancement. Note that essentially the same support for everyone regardless of the starting point is equality, but that may not provide an equitable solution. Equity offers those who need it targeted support to reach their full potential.

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. In part this is because it is a top-heavy industry, so it is more difficult to make these strides in equity areas. Investment management has also historically attracted and recruited from a relatively narrow, homogeneous population, despite talent being equally distributed across all populations. Over successive generations the industry has lacked the knowledge, experience, or motivation to change. That situation is now changing, and the DEI Code is intended to address each of those gaps. Therefore, equity is included as a long-term goal for signatories.

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—Definitions and Practice Guidance

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 and lack of awareness of the opportunities in the industry, 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), such as those in Indigenous communities; among those at various higher-education institutions, including 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, or the Arabic community, including those in affinity groups at predominantly white institutions (PWIs). We also commit to collaborative outreach with other organizations, such as external diversity partners¹ that attract early talent, because we recognize that only through sustained, systematic effort to build capacity, industry understanding, and mutual awareness across populations can the lack of diversity in our industry be addressed.

Practice Guidance:

- i. We distinguish between general community outreach or corporate social responsibility-type activities and outreach to attract diverse talent: They are different but can be complementary and should be coordinated to avoid conflicting messages and interests. Typically, industry organizations conducting community outreach might be sharing their professional expertise by offering financial literacy classes but not specifically marketing investment as a career. They may also be supporting community finance initiatives by serving on a board, utilizing their professional knowledge but not promoting potential roles at their firm.
- ii. Work should include regular outreach to a broad swath of institutions—including schools (pre-college), public universities, and colleges—such as HSIs, Indigenous-focused institutions, HBCUs, and those serving the Arabic community. Organizations should consider supporting overlooked, underfunded schools in their communities

¹See suggestions in the Resources section.

- to help equip students with the knowledge, connections, and aspiration to enter the investment industry.
- iii.** We recommend that signatories explore an option to meet with community leaders before outreach work and ask them to share insights about their culture and community before they begin conducting their outreach. We believe it is important to recognize the value of learning from the people who know their community the best, as opposed to solely reading outside research.
 - iv.** When conducting outreach in communities, organizations should consider what employee education is needed in advance. For example, when initiating outreach with Canadian Indigenous communities, organizations should provide education for management and staff on the history of Indigenous peoples, including the history and legacy of residential schools, the United Nations Declaration on the Rights of Indigenous Peoples, treaties and Aboriginal rights, Indigenous law, and Aboriginal–Crown relations. This endeavor will involve some skills-based training in intercultural competency, conflict resolution, human rights, and anti-racism.
 - v.** We know that Indigenous candidates may not be attending the large urban universities in Canada. Organizations may need to recruit from smaller post-secondary educational institutes.
 - vi.** We have learned that decisions that influence the talent pipeline are made as early as grades nine and ten. Designated leaders need to engage with high school career counselor staff in the same way as other industries already do. To maximize impact and use of resources, this outreach can happen jointly with other aligned organizations.
 - vii.** For smaller organizations, which lack wide name recognition, part of the outreach process may involve developing a clear employer brand. Working with national organizations to introduce students to the organization may help lesser-known organizations attract a more diverse group of candidates.
 - viii.** Resources—financial, personnel, and time—are frequently cited limitations to expanding an organization’s talent pipeline. As a result, work with a wide range of groups, such as existing affinity organizations, charities, and racial inclusion foundations, can magnify the impact of the available resources. These organizations also can mobilize resources relevant to talent acquisition (Principle 2). Where possible, organizations should undertake measures to support such groups financially. The resources pages show some suggested potential partners.
 - ix.** In order to engage with a wider audience, changing the narrative of the asset management industry can be emphasized more. Companies should strive to make the industry a place where people feel excited to start working. Potential solutions include highlighting language like “creating wealth for future generations” and “contributing to lasting, sustainable change.” The CFA Institute University Relations team has found that this kind of intentional, service-based framing helps to emphasize the bigger picture and the immense impact that early talent can have when entering the industry.

- x.** Showcasing diverse employees as role models and ‘Success Stories’ on public websites helps to give potential candidates the message that the firm values those from historically underrepresented groups. Promoting internship and graduate opportunities alongside these success stories can reinforce that message, which should be given credibility by communicating a public DEI strategy. Care should be taken in asking employees to raise their profile, however, so as not to add to cultural burden or appear disingenuous about the reality of diversity data. In particular, openness about the diversity, or lack thereof, on the board and the senior leadership team is important to avoid the appearance of “social washing” or “diversity washing.”²
- xi.** While promoting employer brand helps attract potential candidates, the employee value proposition (EVP) should help them see what the employer has to offer them in exchange for their skills and experience. The EVP should complement the brand.
- xii.** Limiting investment jargon and instead using more everyday language on the Careers page of public websites helps make the investment industry more accessible to those who tend to see it as either not open to them or unlikely to give them the same opportunities to succeed as others.
- xiii.** Organizations can offer themselves as a resource. Examples include classroom visits, research competitions, and mock interviews to help students understand the investment industry. Organizations can also attend career fairs, provide virtual conference speakers, or set up mentoring programs in conjunction with other entities. Business clubs, especially investment clubs, at higher-education schools can be effective partners, offering scope for sponsorship and deeper engagement.
- xiv.** Sustained contact over time can reach more-engaged students and nurture them over time. Even if students do not pursue an investment career following the initial reach-out, they will be more likely to see the industry positively and more likely to consider it later. Because millennials and younger generations may have multiple careers in their lifetimes, this strategy can pay back long term. Talent pipeline expansion can also extend to older age groups beyond traditional student cohorts (e.g., entities dedicated to enabling women to return to the industry, having left for a career break or due to previous work–life balance challenges). Even if students do not choose a career in investment, they may well become future clients, so the brand association built early on can have a positive return on investment.
- xv.** Two-way feedback is a valuable resource in improving outreach. Organizations can survey internship candidates and outreach audiences to improve their understanding of the issues that deter diverse candidates from applying to the industry. At the same time, organizations can offer feedback to all long-list, entry-level candidates so they have the opportunity to develop, even if their application was unsuccessful. If the resources to do

²Social washing or diversity washing is akin to green washing in which an organization takes part in performative, marketing activities but does not effect real DEI change.

so are unavailable, the organization should manage applicants' expectations clearly at the outset.

- xvi. Internships should be paid, open to any student to apply, and not biased in favor of selecting candidates who were introduced by a senior executive. Some organizations have found that among US programs targeted toward first-generation college students, 75% of applicants are Black, Hispanic, and Latino Americans.

Principle 2: Talent Acquisition—We commit to designing, implementing, and maintaining inclusive and equitable hiring and onboarding practices.

Definition:

Ensuring that all aspects of hiring practice are equitable and 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, cultural competency, and other educational 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 and to give existing employees opportunities to move functional area within our organization. Some firms perceive difficulty in finding diverse individuals via traditional routes, so in addition to exploring more inclusive sources of candidates, we will reduce the systemic barriers for talented, qualified underrepresented individuals from these traditional sources. As importantly, we will combat the misperception that finding underrepresented candidates means organizations have to lower their criteria and look for 'alternative talent.' We also commit to collaborating with other organizations to identify and drive better DEI practices in external recruitment, including hiring for cultural add as well as cultural fit and modifying practices to consider a wider range of education level, degree type, and experience. We also commit to ensuring that our onboarding policies feel inclusive and equitable to all reasonable parties.

Practice Guidance—Some of the Points under Principle 1 (Pipeline) May Be Useful Here as Well:

- i. Traditional routes include elite universities with long-established, regular campus outreach from investment firms and headhunters that keep producing the same homogeneous lists of candidates.
- ii. Inclusive sources can include state universities (see Pipeline suggestions), sourcing candidates from public finance, and working with alternative recruiters with strong

networks among a wide selection of potential candidates, including women and individuals from underrepresented communities.

- iii. The process and the recruiting environment should be inclusive at each stage, from developing job descriptions and written application forms to the interview. Methodically reviewing each step against the criterion of inclusivity is a good start. Considering candidates in terms of cultural *add* or *complement and supplement* as well as just cultural *fit* is more likely to support diverse hiring and avoid building homogeneous teams. Aligning inclusive talent acquisition with strategic business imperatives to grow the organization gives these DEI-focused changes credibility and increases their employee buy-in.
- iv. Organizations should pay attention to creating and implementing a fair and consistent experience for candidates. Interviewing should use standardized, competency-based questions appropriate to the role and score candidate responses numerically as well as qualitatively. To aid wide adoption, the questions and tests should be closely related to the specific roles. Incorporating an objective, competency-based analysis of candidates—for instance, using a skills rubric given to those involved in the interview and hiring process or third-party testing—can help to focus interviewers on the matrix of skills required to perform a role, as opposed to relying on more subjective instincts about the candidate that may be predicated upon a common background or interests to the exclusion of others.
- v. Note that interviewing “standards” do not work for some candidates. For example, neurodiverse candidates, such as those on the autism spectrum, may fail to interpret social cues and overlook nonverbal communication through a standardized interviewing procedure. In order to interview candidates who self-identify as neurodiverse, advice from qualified consultants should be taken as to how to design and implement an inclusive selection process.
- vi. Inclusive talent acquisition requires dedicated training specific to the task of recruitment. Such training helps recruiters and hiring managers improve their ability to recognize and appreciate diverse backgrounds, experiences, and skills with the goal of mitigating bias. Training should be held close to the hiring season for interns and new graduates, and refresher training should be available ahead of an experienced-hire process.
- vii. Accessibility requirements for candidates and new staff should be considered throughout the process. Team managers/recruiters may consider including a statement in any communication with candidates and new staff to encourage them to request any arrangements necessary.
- viii. Training for managers around interview techniques and management styles should include approaches that are more suitable for people with disabilities (including those with ‘invisible disabilities’).
- ix. Training for all involved in recruitment should include at least some of the following:

- a. Awareness of implicit biases, the costs of stereotyping, and the behavioral benefits of challenging our own assumptions.
 - b. Building an understanding of these Principles and the skills involved for managers and the commitment to cultural change, including cultural competency.
 - c. Actions needed to change previous practice.
 - d. Identifying gaps in cultural intelligence, as well as in skills, on an existing team.
 - e. How to frame a broad search to produce a larger pool of candidates.
 - f. How to mitigate bias to create inclusive and effective job descriptions.
 - g. Interview practice for hiring managers, including communicating for understanding and listening skills.
- x.** Educational and professional attainment should be reviewed in the context in which they were achieved. A candidate may have been studying while working two jobs or coping with family caring responsibilities, for example. Such candidates may have a less linear education record than others, but they can still bring valuable determination, grit, and commitment to a role, as well as ability.
- xi.** In the case that only a few individuals have the very specific qualifications required (e.g., the Certified Financial Planner [CFP] designation)—particularly away from the main financial areas—greater flexibility may be needed. If a pool is too small, employers could broaden their criteria by looking out for non-traditional candidates or by reaching candidates outside of the geographical area and offering relocation assistance.
- xii.** Particular care should be given when considering the Rooney Rule as a standard. Configured for business use, this rule requires “at least one woman and one underrepresented diverse candidate [to] be considered in the slate of candidates for every open position.” Yet the Rooney Rule has broadly failed even in its original realm of the US National Football League, where the majority of the talent is Black. The rule often is used to limit consideration to one underrepresented candidate on a slate. Research shows, however, that for a candidate to be objectively assessed on skill set and not viewed solely as *the diverse candidate*, a candidate pool must contain at least two such candidates. Therefore, despite the Rooney Rule’s continuing popularity, we do not recommend using it, but we *do recommend* mandating—or requiring an explanation of the absence of—diverse slates of candidates for interview.
- xiii.** Employee resource groups (ERGs) and business resource groups (BRGs) can be helpful in discussing processes and policies, if they have the experience and capacity. If the organization involves ERGs in recruitment, cultural taxation (the over-reliance on underrepresented employees for the work of diversity) can be a real issue, so organizations should give thought to incentivizing and training for this additional commitment. Active BRGs tend to have more capability to contribute to recruitment policy review because they are more closely aligned with business goals, understand the steps to achieve those goals, and receive training to that end.

- xiv.** Leveraging ERG networks through an understanding that the organization is *always-on recruiting* for mid-level and senior hires can also be a productive approach. Always-on recruiting means building relationships with potential hires even when the organization has no open roles. ERGs are more likely than the general employee population to have diverse professionals in their networks and so can be effective ambassadors for the organization. Using the always-on approach, quality hires might take place two to three years from inception. In the meantime, cultivating the relationship is key, as is a focus on quality rather than quantity of candidates.
- xv.** When involved in recruiting through their networks, employees need to be comfortable with articulating and living the organization’s values and understand how to communicate them in a way that best presents the organization’s culture. They may need some training along these lines, similar to that for the Talent team and/or hiring managers. This training will also serve the purpose of building capabilities within the existing workforce. If BRGs have been involved in creating a cultural framework, they may be well placed to present it.
- xvi.** Internal referrals from diverse employees should be recognized, encouraged, and incentivized. Employers should be open to non-standard routes to hiring—for example, an organization employee mentoring a veteran from a historically underrepresented group could recruit that individual to join the organization, effectively reaching this candidate through the employee’s pro bono network.
- xvii.** Interview panels should include diverse members of the organization, from any function. Research shows that demographically homogeneous panels tend to deter diverse candidates from joining. Homogeneous panels are also less effective at the complex task of identifying and acquiring talent because of selection and other biases. Including members of ERGs or BRGs on interview panels can help to identify cultural add as well as inform candidates about organizational culture.
- xviii.** Mid-career recruitment can include sourcing candidates through returnships and veterans programs. The former will have industry experience but may need support updating their skill sets before being able to accelerate their progress. While the latter are unlikely to have industry expertise, they may well have other highly desirable characteristics.
- xix.** It is not only incumbent upon senior leaders to follow through on broadening their recruiting pool; more importantly, managers also should follow up on the process and adapt to improve results. Organizations should have accountability at both the mid and senior levels when standard recruiting tools do not result in diverse candidate pools or when the DEI mindset is not embedded within the culture. If not all managers are ready to adjust their recruitment processes, signatories can start with those who are keen to meet the DEI goals—even only half is a start. Over time, our research shows it will be more widely adopted as managers see the business benefits of more equitable and inclusive hiring.

- xx.** Equity in hiring overall does involve taking some risk, but that risk can be managed by being monitored, so that it is proportionate to the value added from diverse hiring.
- xxi.** An important part of education and training is raising awareness that talented, underrepresented candidates are effectively hidden in plain sight at the same institutions as majority candidates. Organizations may fail to attract underrepresented students because 1) recruiters are not looking (no one makes an effort to find something they do not think exists), and 2) the lack of diversity makes the investment industry unattractive to underrepresented groups, creating a vicious circle. Education and training can help to combat the misperception that finding underrepresented candidates means managers immediately have to lower their criteria and look for ‘alternative talent.’
- xxii.** An additional strategy can involve ‘in-reach’ to mid-career professionals by taking a second look at the talent already present in the industry. Many companies have talented employees from underrepresented groups. These existing employees may not work in investment related roles. Underrepresented people became underrepresented in the investment industry not because they lacked the skills or education, but because they were not given the opportunity to enter early in their careers. For example, women graduate hires are sometimes funneled from potential investment roles to marketing and client service, or people of color directed into operations roles. Supporting employees in pursuing professional credentials can enable this transition.
- xxiii.** We recommend that firms starting out their DEI action plan address the lack of visible minorities on their public websites and other promotional materials with a clear direct narrative. The issue for underrepresented candidates at any level is not ‘having to see it to be it’; rather, it is an issue of ‘because I don’t see it, I don’t think I will be given the opportunity to be it.’ Therefore, firms need to show a clear policy to improve DEI.
- xxiv.** Make sure this process includes how, specifically, interns are *courted* (i.e., engaged with as part of the social activities during their internship). Our research suggests that some organizations change their hiring practices but not their courting practices, and some candidates may not relate to the type of activities traditionally arranged for this purpose. In Boston, for example, a baseball game at Fenway Park may be the ideal firm social event for some, but others may feel excluded.
- xxv.** The Federal Reserve has been working diligently on the DEI issue for over a decade for their district banks, with some success. Their goals are based on the underlying population of their districts. In setting these goals, they consider a number of questions. For example, what is the makeup of the district’s population and of the available candidate pools? That data is then used to consider various objectives. They also continue to work on the pipeline for PhDs from underrepresented communities (who they hire for senior positions), but the overall employee population is measured against the makeup of college degree holders in their districts. That can vary considerably from Minnesota to Dallas to NYC. Separately, they measure their non-employee “spend” in their locality: What is the makeup of what they spend on construction, service

providers, etc.? Are they supporting firms that are women or minority owned? What is the underlying representation of those firms? What are those statistics compared to their regions? All these elements contribute not only to the local economy but also to the local ecosystem of talented entrepreneurs and professionals.

Principle 3: Promotion and Retention—We commit to designing, implementing, and maintaining 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 regular manager, senior leader, and wider organizational cultural competency training to embed inclusive and equitable practices.

Practice Guidance:

Promotion

- i. Assess talent review and promotion processes for bias, and implement measures for improved transparency and consistency. This review will need to be informed by DEI training or consultant advice. The guidance from Principle 2 (Talent Acquisition) is also relevant here.
- ii. Provide transparency for opportunities and promotion to encourage all candidates to apply for internal opportunities. If all promotions and opportunities are visibly competitive, even if one person appears to be the most suitable candidate, others may be encouraged to apply. If one person appears certain to land the role and the pool is not

open to competition, then other equally qualified candidates may feel demoralized and not apply, limiting the selection pool for managers.

- iii. Leaders should monitor how step-up opportunities are awarded and adjust to be inclusive, because underrepresented groups often are not notified about temporary projects, business rotations, or other growth opportunities in the same way normative or majority groups are. Over time, repeated such opportunities can give a significant cumulative advantage in building experience and visibility to one group and not to another, likely underrepresented, group.
- iv. In constructing an accelerated program for future leaders to address the need for diversity of experience at a senior level, hiring managers and leaders should ask: “Is this next step for a team member a functional role viewed as primary to the organization?” Typically, the line through the business to the C-suite role flows through sales teams, for example, rather than service teams, such as HR or back office operating roles. Some organizations could rotate individuals among teams once they reach the level of managing director in order to increase their exposure to different business functions, widening experience.
- v. A culture that intentionally manages risk taking in relation to career progression can raise awareness that all constituents have the option of risk taking. However, managers should be aware that perception and experience of risk can be very different for diverse groups. Those who have struggled to gain a foothold in the industry and/or those experiencing financial hardship in their private lives are far more likely to feel more exposed in applying for the next level. Generally, research suggests that significant additional effort is required by people of color to achieve senior roles compared with majority populations, with a commensurate effect on their perception of risk. Therefore, individuals from underrepresented groups may need more support, such as sponsorship or coaching, to take on the challenge of the next level.
- vi. In identifying barriers to diverse employee progress and valuing historically underrepresented employees’ contributions, organizations may need to consider and understand specific factors that typically do not present challenges for members of normative groups. For instance, many Indigenous candidates may come from small rural communities and have little to no exposure to corporate office environments or corporate culture—a huge barrier for some. Another factor might be how to allow employees to maintain cultural connection with their community during the year (e.g., to accommodate traditional practices or community events). Mentoring and sponsorship programs have an important role to play in career development for talent, especially for diverse talent. Reassessing the impacts of these programs regularly (recommended annually) can help keep the program on track and open leaders to revisions where necessary.

Mentoring. Mentoring programs can be varied (see below) but should be clearly linked to the organization’s business goals. Participants may be informal volunteers or may

be invited by leaders and HR according to inclusive criteria. Mentoring programs can last a year or more, or they may follow a speed mentoring model, all depending on the needs and capacity of both the organization and the targeted employees, both of which should be assessed and communicated at the outset. Reverse mentorship programs can refresh senior leaders' management skills as well as build their knowledge of junior talent entering the pipeline and senior leaders' understanding of their colleagues' lived experiences.

Organizations can consider formal programs to ensure that at the start of employment, every employee is offered a mentor—or more informally, a buddy—to avoid unintentionally leaving valuable support to chance. Typically, organizations need a formal matching for this approach to work.

Sponsorship. A program for potential leaders, with clear linkage to long-term organizational strategy and succession planning, can help accelerate improvement in DEI. It is essential, however, that the selection criteria and recruitment process for candidates for these programs are created with care to mitigate bias. Sponsorship programs can be based on the sponsor and sponsored being in the same line of business, with the sponsor having visibility into the sponsored employee's work.

That way, the sponsor can offer stretch projects and rotations to increase the sponsored individual's experience and visibility and to advocate for that person when they are unable to speak for themselves, such as when senior management considers candidates for promotion.

However, other approaches with sponsor and sponsored in different business segments can also be highly effective. This approach may be the most practical in small and medium-sized organizations.

Executive coaching should also be added as an important factor in increasing the opportunity for successful mid-level diverse management to become high-level senior management and c-suite executives. Because complexity increases as the level of management increases, an executive coach can be an important resource in navigating the nuance.

It is important that leadership skills, management, and functional training be open to a wider, more diverse pool of employees, which is often already present but overlooked because this pool presents differently from the normative. An objective and equitable assessment to identify individuals' training gaps is critical to ensure systemic biases in the selection process can be addressed and that all participants are equally ready to succeed.

- vii.** Identify potential leaders as part of a succession planning program, and set clear ambitions for inclusive representation in the program. These ambitions may be in the form of DEI goals and targets linked to the overall business strategy, and they should be distinct from quotas, which can feed resentment from majority groups and

unintentionally devalue the initiative. ERGs and BRGs can identify individuals with previously unnoticed leadership capacity and can reveal future business leaders.

- viii. Enhancing the employee value proposition is as relevant for employees readying for promotion as for external candidates. High-achieving individuals are more likely to be exploring external opportunities as well, so the organization may need to remind them about why they should stay.
- ix. Externally publishing and reporting on demographic data at a senior level, in alignment with public commitments—such as The Diversity Project (based in the United Kingdom) and The Diversity Project North America (Nicsa is a sponsoring organization), The Responsible Investment Association (RIA), the 30% Club, the NASDAQ board diversity proposal, and others—can help to drive internal recognition for the importance of inclusive promotion. Some of these surveys offer anonymous reporting to the public, whereas others offer full public reporting.

Retention

- x. Develop and deploy DEI programs for all employees to raise awareness of and address mindsets, habits, and behaviors that undermine an inclusive culture and reduce retention.
- xi. Cultural competency training can build inclusion within the organization as employees develop their understanding of their colleagues' communities, lived experience, and heritage. This can be particularly useful for those who are motivated to learn but worried about saying the wrong thing—'putting their foot in it.' This group sometimes needs the language and the tools to feel more confident about DEI. People can be encouraged to educate themselves—there are many resources available. The goal is better understanding, more effective communication, and improved collegiality. Some organizations offer certification for managers completing DEI training and education programs that incentivize participation.
- xii. An important component is a DEI communications roadmap to explain the organizational purpose at each stage. Tested practices include sharing organizational and leadership perspectives on the importance of DEI for business success and identifying periodic focus topics to engage all employees. Celebrate underrepresented employees' successes and showcase them as role models, offer them opportunities to represent the organization by speaking at external events, write case studies, and share personal stories. Bring in speakers from outside the organization to showcase diverse talent success stories if internal examples are limited.
- xiii. Effective early steps may include reviewing HR policies and practices to ensure that they include robust complaints procedures, creating safe spaces to escalate issues around harassment or disrespectful behavior. Another step is training leaders and HR on effectively addressing such concerns. Confidential third-party software solutions can help employees anonymously report harassment and bias and also offer resources and

action plans. Training in addressing micro-aggressions or subtle acts of exclusion, which are often simply aggressions, is foundational to this work and can enable employees to call out or support colleagues appropriately or confront and change their own behavior. Senior leaders should model the idea that an inclusive culture values everyone and that all benefit. Emphasizing and affirming desired behaviors can substitute a negative lesson and help address any majority group resentment or resistance.

- xiv.** Organizations should implement policies that support variable work options (e.g., parental or other family dependent carer leave, dual-career support, wellness, and other policies), making flexible working the norm for all. Leaders should practice what they preach and also show their own flexible work habits. The industry-wide transition to working from home (WFH) is relevant here, but because it was precipitated by the COVID-19 pandemic, this trend is not the same as a strategic shift to flexible working. Flexible working can improve retention but only if it provides genuine options for employees to manage their time while meeting their productivity goals.
- xv.** Compensation is important in improving retention. Awards should be made within an established review process, on an equitable basis, and subject to senior leadership review. We encourage organizations to make a commitment to equitable compensation using a salary equity analysis or similar study that allows assessment by demography. This approach should address improved transparency when communicating adjustments to compensation or lack thereof with employees. Employees should have a clear and explicit understanding of what is being rewarded, or what work the employee should do in order to meet the next milestone when a compensation adjustment would be accessible. This approach can ensure clarity, transparency, and a level playing field for all employees with respect to compensation and the path toward promotion. Pay gap reporting, such as the HM Treasury Women in Finance Charter in the UK or the pay data reporting requirement in California, offers a useful model here.³ Organizations should also consider other forms of recognition beyond compensation to improve retention. See the Reporting Framework for options to monitor and report.
- xvi.** Such tools as segmented engagement surveys, focus groups, and personal catch-up conversations can guide management in taking actions that will help keep their talent engaged and committed to the organization. Triangulating the data will allow inclusion metrics to be created for managers to monitor. Consult employees with leadership potential—and all employees, if possible—about their aspirations, but manage expectations by encouraging employees to frame those aspirations with close reference to organizational strategic business goals. Note that the process of identifying high-potential talent should also be reviewed to mitigate bias—concepts such as leadership potential and high potential can be very subjective, so an intentional approach can establish robust, inclusive definitions that contribute to business resilience and future success. Coaching and support to enable apparently underperforming individuals to

³See <https://www.dfeh.ca.gov/paydatareporting/> and <https://www.gov.uk/government/publications/women-in-finance-charter>.

improve can be even more additive to overall organizational performance than solely focusing on the obvious high performers.

- xvii.** Conduct *stay interviews* with as many employees as possible to understand why employees stay with the organization. Screen the results of all meetings through an employee demographic database, paying special attention to members of underrepresented groups. For this purpose, demographic data can include all employee life cycle data, such as engagement survey, salary, bonus, portion of carried interest, level of potential, and other factors needed to understand similarities and differences in experience and treatment. For employees who might leave, the organization may need to reevaluate what they can provide to meet the candidate's needs and help them achieve their goals. For example, offer to provide one-on-one mentoring—through ERGs or BRGs, if they have the capability, or through senior staff members. Take care to offer diverse employees the choice of a mentor from their demographic or from majority groups, rather than assuming their preference. To be effective, retention practices need to be sustained through downturns as well as growth periods; build a strong EVP and communicate a shared mission and vision consistently. Otherwise, as external job opportunities proliferate, highly skilled employees will leave, with a potentially damaging impact on both reputation and profitability.
- xviii.** Conduct exit interviews to understand why employees leave. Research suggests that employees are more likely to leave due to an ineffective manager than because of the job or organization, per se. This exit data can be helpful in bringing issues to light and providing insights. Ideally, the turnover rate for members of underrepresented groups is in parity with that of the majority group. If a significant difference arises, this information can operate as a prompt to investigate the causes.
- xix.** Paying attention to employee mental health and well-being can help with retention. Possible practices can involve supporting managers to help their teams thrive and to manage such issues as workplace stress and presenteeism. Some employers have boosted retention rates by offering enhanced wellness packages, including (during COVID-19 lockdowns) virtual yoga, mindfulness, and Pilates classes. Stress can be a major reason for employees to leave. Examples of good employee engagement strategies include planning employee mental health *pulse checks* and raising awareness of available support. If organizations make stress checking a normal part of health checks, it can help to reduce any stigma around anxiety and periods of mental illness. One firm's CEO recently shared his experience of depression and the support he needed to recover. However, note that this work also requires a high degree of preparation to develop capabilities for managing when an employee is unwell, such as knowing when to seek professional referrals and the appropriate use of sensitive personal information within HR processes.
- xx.** DEI is also relevant in downsizing/layoff procedures. These policies are less likely to adversely affect workforce diversity if they use previous performance ratings rather than last-hired/first-fired or job-category rules (everyone in particular support roles, for

instance). As for hiring, managers making these assessments should also have completed DEI training suggested in the Guidance for Principle 2.

Principle 4: Leadership—We commit to using our position and voice to promote DEI and improve DEI outcomes in the investment industry. We will hold ourselves responsible for our firm’s progress.

Definition:

Leaders set the standards and expectations for inclusive behavior, model the behavior, and help define their organizations’ 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, both executive and non-executive, to create robust leadership development processes. These processes should focus specifically on building understanding, increasing awareness of the root causes of inequities, improving skills, and changing behavior around DEI within the workforce for the better, along with ongoing implementation and regular review of those processes by our senior leaders.

Practice Guidance:

- i. Provide formal DEI training, including coaching, to leadership on a regular basis. Provide counseling, support, training, professional opportunities, and development for promising diverse leaders as well as the next tier of potential leaders.
- ii. Compensation can reflect the successful integration of DEI processes and activities, with an eye on goals and objectives as well as their outcomes. This strategy should be pursued with care, however, avoiding the imposition of quotas and considering the potential impact of incentive system design. Leaders should be equally cognizant of the economic, the business, and the moral case for improving DEI in the industry.
- iii. Although DEI goals are everyone’s responsibilities, where possible, we recommend a leadership-level position, reporting directly to the CEO, that is focused solely on integration, implementation, and measurement.
- iv. The ability to adapt is seen as a key inclusive leadership skill. Leadership may take many forms, depending on an individual’s personal style and the present needs of the organization and current circumstances. For example, leading with empathy and showing compassion have been important aspects of maintaining an inclusive workplace during the COVID-19 pandemic. Through their choice of language and behavior,

leaders can define the nature of the leadership that meets the business needs of their organization at a given time.

- v. Many firms in the CFA Institute [Experimental Partners Program](#) have explored and harnessed the power of storytelling in improving DEI. Doing so means understanding that multiple audiences exist within the same company. The language of DEI is heard differently by different people—which is to say, *words matter*. When discussing processes and procedures, recognize employees as people, not as numbers or cogs in a machine. Using personal anecdotes and experience can help employees accept ideas. Broadening the language an organization uses to describe its leaders can allow many different people to envisage themselves as leaders. Leaders are often described in ways that fit only normative conventions, so broadening the language can make leadership more relatable for employees.
- vi. Being present in a virtual world, in which *My door is always open* means nothing, can be hard. However, it is possible to host an informal virtual *open door* video call with colleagues, leaving them with the option of joining or not. Presence can be projected through firmwide *Town Hall* meetings. Leading in challenging times can mean acknowledging uncertainty, even though projecting certainty often gains support. Inclusive communication means active listening as well as talking, so making the time to spend in these forums allows a safe space to listen.
- vii. Systems can be designed to create change or perpetuate and support the status quo. Reviewing organizational systems, people processes, and decision making through this lens can help identify obstacles to DEI.
- viii. Decision-making processes should be clear. Is decision making distributed or centered? Hierarchical or flat? How is authority effectively delegated? Understanding the answers to these questions can help design leadership that works best for the firm. The choice of to whom to delegate should be inclusive—and hence not always to the same people. Recognize your leaders' expertise—good leaders can give credibility to others. Leadership can also mean the ability to get things done without always having the ultimate authority to get those things done, so long as accountability for action is acknowledged.
- ix. Fostering innovation and creativity can require leaders to recognize junior colleagues' expertise and allow them scope to exercise it. Leaders need to be ready to manage the divergent claims of internal competition and collaboration so that the whole organization can benefit. For example, different teams can compete to achieve performance targets but still be encouraged to work together on broad-based projects, such as a pitch for new business. If the firm's established management maxims do not necessarily tie to DEI, or even contradict it, managers will need to review their use to create a consistent culture. For example, a focus on a *star* portfolio manager without acknowledging the importance of their team can undermine DEI, as well as create the risk of hubris.

- x. Leaders should be able to demonstrate organizational culture and set expectations. One aspect is defining the organization’s non-negotiables. For instance, the attitude toward risk can be seen as a key indicator of underlying culture by regulators. The CEO needs to take ownership of the results of employee data to achieve change.

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 members and clients of the investment industry, 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-advisers, and vendors with respect to DEI practices proportionate to our firm’s size.

Practice Guidance

Asset owner, asset manager, consultant, fund director, and allocator recommendations for investment managers:

- i. Ask managers to become signatories to this DEI Code.
- ii. Encourage diverse talent acquisition.
- iii. Encourage and promote diverse talent retention, growth, and promotion within their managers and within the industry.
- iv. Survey managers annually on progress on DEI metrics, including hiring, training, mentoring, and retention.
- v. Where managers are not making progress on DEI metrics, request action plans and follow up.
- vi. Encourage managers to use diverse vendors (broker/dealers, software, audit, and other functions).
- vii. Encourage managers to review companies that raise DEI concerns within their Impact Investing/ESG strategies and to analyze DEI impacts for all relevant investments.
- viii. Collaborate with other investors to advance DEI in all sectors of finance and investing.
- ix. Ask investee companies to commit to engaging in meaningful consultation and building respectful relationships with Indigenous peoples and to obtaining their free, prior, and informed consent before proceeding with economic development projects.

- x. Ask investee companies to ensure that Indigenous peoples have equitable access to jobs, training, and education opportunities in the corporate sector and that Indigenous communities gain long-term sustainable benefits from economic development projects.

Asset Owner and Allocator Recommendations for Themselves:

- xi. Incorporate DEI goals in the investment policy statement (IPS). If the firm does not have an IPS, investment staff can have a distinct effort for DEI outside of an IPS.
- xii. Embed DEI information requests in the manager research process:
 - a. Ownership
 - b. Organizational leadership
 - c. Investment team composition
 - d. Incorporation of a DEI lens in investment strategy
 - e. CFA Institute DEI Code signatory—including completion of the Reporting Framework
- xiii. Publicize status as signatory to this Code and encourage manager and consultant partners to consider.
- xiv. Add diverse investment committee members that can further idea generation and familiarity with more inclusive investment processes.
- xv. Target an increase in diverse talent on asset owner and capital allocator teams to expand the funnel of potential investment ideas.
- xvi. Look to connect diverse managers with networks to help them scale up their businesses.
- xvii. Actively engage diverse networks through conferences to increase visibility of the capital allocator role, to publicize DEI goals to attract and retain diverse talent, and to show investment managers that DEI is a priority.

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 first five DEI Code Principles is required. Measurement is key to success in improving DEI: What gets measured gets evaluated and managed, particularly in a data-driven industry such as investment. Data collection is also important, not only as a tool for greater understanding but also in introducing wider culture change. An essential part of the culture shift is building trust, which takes time, leadership,

and stringent data handling protocols. Therefore, data collection is not the only goal here, although it is essential to accountability.

Commitment:

We commit to an annual 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), the Canada Business Corporations Act (CBCA), or other legal categories. We also commit to collaborate with other organizations to surface and drive better measurement practices.

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 with a notably positive return on investment. There is no finish line but rather an iterative, continuous improvement process that requires commitment from every individual.

Metrics

Practice Guidance

General Guidelines:

- i.** For full information on investment role definitions used by CFA Institute, please see our Competency Framework: <https://interactive.cfainstitute.org/competency-framework>.
- ii.** Each signatory should complete the Reporting Framework to measure progress on DEI. Establishing a *baseline* initially and then regularly checking progress can help drive changes in approaches to all aspects of people processes. Measuring progress in DEI should be regularly re-assessed over time because results can fluctuate as expectations increase and practices evolve.
- iii.** Clear communication about the scope and the strategic purpose of data collection is essential in building trust for each of the many interactions cited in this section. Data collection communication should be anchored in storytelling about employees' experience and embedded in the firm's overall business strategy.
- iv.** Partnerships with HR should be a meaningful driver of DEI growth with all parts of the business. Such partnerships should provide data collection and analysis to inform the business strategy.
- v.** There are multiple leadership approaches, from appointing a chief diversity officer at the executive level to creating DEI business councils within business units, recognizing that even within organizational DEI, implementation can look very different depending upon the functions. Frequently established practice should be a formal, written DEI policy or initiative, as well as at least one member of the organization's management committee or equivalent leading DEI initiatives. Our research shows that organizations with established DEI governance in place tend to score more highly on a spectrum of DEI, which can be measured from mature to early stages. Therefore, we ask signatories for information about these indicators.
- vi.** The Reporting Framework sets out what to measure in detail. The following section provides general guidance. The data requested is applicable to organizations' US- and Canada-based operations. Note that in Canada, as opposed to the EEO-1 demographic categories in the United States, the category *Indigenous* is tracked separately (see the Resources section). Other locations will be covered in future, regionally differentiated versions of this Code.

Suggestions on What to Measure:

- a.** Gender identity. Number and percentage of male, female, non-binary, and non-declaring (prefer not to say) employees overall and within each function (as well as other internal breakdowns, such as job groups). This information can be broken

down by category—for example, applicants, external hires, internal hires, managers, senior leaders, and departures. *This data collection can only be optional.* Typically, applicants are more prepared to volunteer this data than current employees, and in both cases, *there should be no pressure to conform.*

- b.** Self-identification—Race and/or ethnicity. Number and percentage of US employees overall (and broken down by groups) by race and/or ethnicity and also categorized by applicants, external hires, internal hires, managers, senior leaders, and departures.
- c.** Veteran status. Number and percentage of US and Canadian employees who identify as a veteran of the armed forces.
- d.** Self-identification—Ability. Number and percentage of US and Canadian employees who have identified as and/or have reported a disability (e.g., vision, hearing, speech, mobility, learning differences, and others).
- e.** Age—Measured in years, typically grouped by decade.
- f.** Neurodiversity. Includes autism spectrum condition (ASC), attention deficit hyperactivity disorder (ADHD), dyslexia, dyspraxia, dyscalculia, and hyperlexia.
- g.** Self-identification—Sexual orientation. This data collection can only be optional. Number and percentage of US and Canadian employees who have self-designated as follows:
 - i.** Heterosexual
 - ii.** LGBTQIA+ identifying
 - iii.** Other
 - iv.** Prefer not to say
- vii.** Having clear, long-term goals is important but may be difficult depending on the maturity of each organization’s DEI strategy. When a specific, numerical long-term goal does not make sense, measuring interim, more practical goals is a suitable replacement. For DEI goals that will incrementally lead to the desired state, organizations could, for example, measure the diversity of applicant and interview pools during the year of signing the Code and endeavor to improve that statistic. They could then develop to recording and analyzing job group changes and promotions. Next, they could review the number and percentage of employees moving from one job group to another, which can be categorized in multiple ways.
- viii.** It is open to signatories to consider adding inclusion metrics (e.g., diversity pay gap, parental leave policy and utilization, disaggregated employee engagement results, evaluation of the effectiveness of procedures designed to address sexual harassment). This can assist signatories to look beyond analysing headcount to focus on cultural change and long-term organizational shifts that develop equity and inclusion.

- ix.** Organizations that are federal contractors should already have in place affirmative action plans with formal goals. Firms are encouraged to make these plans and goals public.
- x.** For small firms, particularly those just starting DEI work, a few focused data points clearly linked to the firm’s business goals tend to be more effective in improving performance than a swath of detailed numbers that cannot be readily absorbed and acted upon. Therefore, smaller firms, or firms at an early stage in this work, may initially be unable to complete the whole Reporting Framework.
- xi.** All levels of the organization need to be held accountable for DEI, but targets may need modification depending on level of seniority. For example, measuring senior leadership pipeline versus DEI targets would be worthwhile, yet many organizations may have only an absolute target for new first-year associates. All employee levels should be measured and evaluated irrespective of the available pool of candidates.
- xii.** Signatories should strongly explore tying management incentives to agreed-upon targets and goals to help ensure real, measured progress is achieved just as with any other business initiative. See contextual information under Principle 4: Leadership.
- xiii.** Signatories should consider signing additional DEI pledges where they would provide further resources, but with discretion—this should be about genuine change, not a performative, social washing exercise.
- xiv.** Measuring DEI may seem challenging but can begin with anonymous HR surveys, such as the annual employee engagement survey. This approach ensures a *safe space* for employees to provide survey responses and feedback, with active support and promotion from the leadership level. Diversity without inclusion is fleeting. Both are necessary, with equity, to effect change.
- xv.** Signatories are encouraged to triangulate their employee data to identify departments or teams where results suggest that inclusive practices are not embedded and support and training may be needed. Note that as communication on DEI increases in the early stages of adoption, expectations may rise leading to more questions, some early disappointment if the pace of change is slow, or more complaints as employees feel empowered to disclose any experiences that fall short of the new vision.
- xvi.** Signatories should report information about their DEI efforts to their board of directors and/or other governing bodies and key stakeholders. Signatories should also consider communicating this information on external and internal websites. DEI functions may work closely with CSR, sustainability, and ESG reporting to understand wider reporting trends.
- xvii.** Hitting specific targets is not the endgame; DEI is a continuous improvement exercise. The desired outcome is not hitting arbitrary numbers—it involves real, measurable, and long-term behavioral and organizational shifts. Setting goals is helpful in making those shifts. Evidence of change can include diversity data, DEI metrics, survey returns to track cultural change, and a comparison of qualitative versus quantitative data.

Specific Guidelines by Principle:

- i. **Pipeline:** Measure number of outreach schools and diversity at target schools, with a goal to increase the diversity mix each year. For smaller firms, this work may be undertaken in collaboration with other firms. For all firms, public collaboration can improve how underrepresented groups perceive the investment industry.
 - 1. Identify public schools, underfunded neighborhoods, and other hard-to-reach groups that have not seen the investment industry as a career choice; agree on a target for outreach; and measure successful contacts against that number.
 - 2. Start early: Studies show, for example, that girls commonly lose interest in or feel discouraged from pursuing STEM when they are high school age. Decide the appropriate age ranges to target, and record the age range of the audience, using school year groups where appropriate.
 - 3. Provide a baseline measurement of outreach activity upon signing the DEI Code, and thereafter provide an annual activity and impact report to CFA Institute on the progress of outreach actions.
- ii. **Talent Acquisition:** Where possible, track the diversity of the applicant pool at every level, along with the schools or institutions, with a target to increase the diversity of the overall pool every year.
 - 1. Related to the foregoing Pipeline measures: Recruit from an increasingly diverse school set. Consider HBCUs and other Predominantly Black Institutions, HSIs, public schools, and unconventional options, such as junior college programs and trade schools. Alternatively, consider promising talent that did not complete a conventional four-year degree. Recruiting from majors that allow for skill transfer, despite not being perfectly aligned with the industry, can also improve diversity across a range of groups.
 - 2. As an example of an alternative approach, CFA Institute considers other achievements, such as a combination of 4,000 hours of work experience and/or higher education, to be a viable alternative to university. Typically, this work would take a minimum of three years sequentially to achieve. CFA Institute guidance states that if you have a combination of work experience and higher education to achieve the minimum hour and year requirements, you are eligible to undertake the CFA Program, which is a master's-level credential.
 - 3. Professional work experience does not have to be investment related to be relevant. Internships, apprenticeships, and articleships can be applicable if they are paid.⁴ Work experience with a candidate's own business or family business will usually qualify only if it is full-time, professional experience for which the candidate is paid.

⁴An articleship is typically an in-role training program required as part of a professional course of study.

Professional work experience requires the application of higher-level judgment and business skills, including the following:

- Leadership and teamwork
 - Business communications
 - Critical thinking and problem solving
 - Time management
 - Professional judgment
 - Analytical skills
 - Adaptability
4. Senior management of signatories should commit meaningful time and financial support to DEI work. In the case of talent acquisition, we recognize that inclusive hiring may take more time and resources than traditional approaches. Therefore, organizations should undertake to measure the diversity of candidate pools and appointed candidates, as well as interviewing panels, and set objectives for hiring managers.
 5. When working with recruiters, both internal and external, it can be helpful to include clear expectations for creating diverse candidate pools. In general, internal recruiters and interview panels—the people doing the recruiting—are well placed to subsequently serve as mentors and sponsors of the people they recruit. More often than other demographic groups, white male recruits may come to the firm through personal connections, so they often have built-in mentors/sponsors when they arrive.
 6. Use of an enhanced reporting mechanism and framework for candidate feedback will measure whether the Talent Acquisition process is becoming more inclusive and changing outcomes. If not, such a framework allows an opportunity to reflect and refine team training.

iii. Promotion:

1. Measure diversity within promotions across different levels to help consider how the promotion process works and how competitive it is. Provide clear metrics for promotion at each level, and consider diversifying factors as part of the decision. Data should be collected, published to senior leaders, and reviewed internally to ensure that promotion practices are equitable and inclusive.
2. Leverage data to work on attraction, retention, and engagement strategies as well as their impact. Also, use data to work on promotion strategies throughout the organization (these strategies could focus on equity in terms of gender, tenure, or area of office—middle, front, or back office).
3. Does the firm provide incentives for career risk taking, or the opposite—for example, by switching to another asset class or area of investment management? Record and

review how often these opportunities are offered, to whom they are offered, and who accepts.

4. Provide training and development for promising leaders early in their careers. Record and review progress and outcomes.
Review progress of emerging talent against succession planning criteria so that identifying talent and future opportunities are closely aligned and monitored as metrics. Mentoring studies show that attention to those perceived as *low-profile* employees achieves the most impact in terms of inclusion and overall organizational effectiveness. Note that low-profile does not denote low ability; it merely recognizes that some employees are less adept at acquiring recognition than others.
 5. Measure the number of employee-initiated moves versus leadership or manager-initiated moves; also measure how many are not moving.
 6. Provide clear metrics for promotion at each level, and consider diversifying factors as part of the decision. Data should be collected, published to senior leaders, and reviewed internally to ensure that promotion practices are equitable and inclusive. Tracking this information across the organization can help firms to understand where they might miss talent otherwise eligible for accelerated leadership programs and other selective development opportunities.
 7. The regular review of data, by group, on time to promotion and on voluntary and involuntary departures can be key to identifying where the problems are and addressing those problems. Are members of some groups not being considered for promotion? Are members of some groups quitting because they have been waiting too long to be considered? Are work–life conflicts leading some to leave, voluntarily or not? The data can lead to solutions.
- iv. **Retention:** Set a baseline retention measure for different levels in the organization, and continue to monitor relative to overall workplace diversity by job type and unit.
1. Evaluate and consider how to value historically underrepresented employees' contributions in employee surveys, through ERGs and BRGs, and through client feedback.
 2. Consider exclusionary aspects of the culture and how to improve, especially within the group of individuals who manage people. For example, track subtle acts of exclusion, also known as micro-aggressions, in employee surveys.
 3. Work with ERGs and BRGs to enhance satisfaction among historically underrepresented employees.
 4. Consider establishing a formal, written policy regarding pay equity to work toward the goal of abolishing any inequities.
- v. **Leadership:** Track diversity at the most senior level of the firm as well as at the business unit level.

1. The organization's leadership should oversee and be accountable for the metrics established in the Code, to successfully progress toward meeting DEI objectives. They should model best practice by measuring and recording a baseline for diversity at the most senior level as well as on the board. To increase diversity at a higher level, track the diversity of the leadership pipeline or *bench* that will backfill available positions when leaders leave.
 2. Regular training and education for leaders should become the norm, and leaders should regularly communicate the importance of DEI to their group and firm. This regularity should be recorded and be part of reporting.
- vi. **Influence:** We commit to using our role, position, and voice to improve DEI in the investment industry through the following actions:
1. Asking our asset managers to become signatories of this Code.
 2. Becoming members of outside organizations that promote DEI (see the Resources section).
 3. Committing as signatories to participate in one industry DEI event per quarter. Participants will be executives or senior-level staff.

Resources

Organizational Resources

The following **affinity organizations and racial and ethnic inclusion foundations** are suggested resources for potential support and collaboration in the work of implementing the DEI Code.

They represent only a small selection of the rich range of resources available. Further regional foundations and potential partners will be added as the Principles are built out with introductions and suggestions from signatories.

- a. National Association of Securities Professionals (NASP)
- b. Association of Asian American Investment Managers (AAAIM)
- c. Canadian Association of Urban Financial Professionals (CAUFP)
- d. The BlackNorth Initiative
- e. The Robert Toigo Foundation
- f. The Jackie Robinson Foundation
- g. National Association of Black Accountants
- h. Wall Street Bound
- i. The Young Investors Society
- j. Sponsors for Educational Opportunity (SEO) New York
- k. Girls Who Invest
- l. The Financial Women's Association
- m. Invest in Girls
- n. 100 Women in Finance
- o. Women's Association of Venture and Equity (WAVE)
- p. The Forté Foundation
- q. Rock the Street, Wall Street
- r. Kayo Global Institute
- s. Veterans' groups based in the USA and Canada
- t. Association of Black Foundation Executives (ABFE)
- u. United Negro College Fund (UNCF) Asset Management & Finance Pathways Program
- v. Association of African American Financial Advisors
- w. Management Leadership for Tomorrow
- x. Indigenous Works
- y. The Martin Family Initiative
- z. Indspire

- aa. The Posse Foundation
- bb. Canadian Council for Aboriginal Business (CCAB)
- cc. Reconciliation Canada
- dd. Reconciliation & Responsible Investment Initiative (RRII)
- ee. Advancing Reconciliation in Canada: A Guide for Investors

Informational Resources

The following reports have been collected from a wide range of sources. While many others are available, these are some of the most relevant and helpful for the investment industry.

- a. CFA Institute DEI Code information, including public consultation responses: <https://www.cfainstitute.org/en/ethics-standards/codes/diversity-equity-inclusion>
- b. CFA Institute Experimental Partners Program report 2021: <https://www.cfainstitute.org/en/research/industry-research/accelerating-change>
- c. SEC Asset Manager Advisory Committee D&I report: <https://www.sec.gov/files/spotlight/amac/amac-report-recommendations-diversity-inclusion-asset-management-industry.pdf>
- d. Diversity Project North America Annual DEI Perception Study: <https://learn.nicsa.org/DEI-report>

Initiative Resources

The following **existing DEI initiatives** may be of interest to signatories. We include them with links to further information. We are pleased to work with many of the members of these groups as we seek ways to drive DEI progress in the investment industry through collaboration.

- a. CEO Act!on Pledge: <https://www.ceoaction.com/>
- b. BlackNorth Pledge: <https://blacknorth.ca/>
- c. The Responsible Investment Association Canadian Investor Statement on Diversity and Inclusion: <https://www.riacanada.ca/investor-statement-diversity-inclusion/>
- d. eVestment and the Institutional Investing Diversity Cooperative (IIDC): <https://www.evestment.com/diversity/>
- e. Institutional Allocators for Diversity, Equity, and Inclusion (IADEI): <https://iadei.org/#:~:text=IADEI%20is%20a%20consortium%20of,capital%20toward%20diverse%20fund%20managers>
- f. The Midwest Investors Diversity Initiative: https://www.illinoistreasurer.gov/Financial_Institutions/Equity_Diversity_Inclusion/Midwest_Investors_Diversity_Initiative

- g.** The Northeast Investors' Diversity Initiative: <https://portal.ct.gov/OTT/About-the-Treasury/NIDI>
- h.** The Diversity Project—Asset Owner Diversity Charter: <https://diversityproject.com/assetownerdiversitycharter>
- i.** US House Financial Services Committee, Subcommittee on Diversity & Inclusion Request to Institutional Investors for Diversity and Inclusion Data: <https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=407477>
- j.** The Diverse Asset Managers Initiative: <https://www.diverseassetmanagers.org/>
- k.** Institutional Limited Partners Association (ILPA) Diversity in Action: https://ilpa.org/ilpa_diversityinaction/

Employee Demographic Data Collection

This is provided as a template for you to modify as your needs demand. There are varying compliance requirements for collecting, processing, and storing this information, and we encourage you to seek guidance on the proper method for the use of this template from your regulatory or employment counsel. If using this template, you agree to hold CFA Institute harmless for its use, as CFA Institute makes no claim or warrantee about its lawful use in your region.

Please note that CFA Institute is working with a number of industry trade bodies, membership organizations, and other entities to explore closer alignment with other reporting templates. We will share this work with signatories as part of our support and guidance for them and consult their views on any significant future changes.

A. If in the United States:

The terms used are based on the US Equal Employment Opportunity Commission (EEOC) explanation, as follows:

The minimum combined format for the racial/ethnic categories are: White; Black or African American; Hispanic or Latino; American Indian or Alaska Native; Asian; and Native Hawaiian or Other Pacific Islander. Since the revisions to the standards for race and ethnicity were published, an additional category of ‘Balance’ has been widely used rather than [the] previous ‘Other’ category. The prior racial/ethnic categories were: White not of Hispanic origin; Black not of Hispanic origin; Hispanic; Asian or Pacific Islander; American Indian or Alaskan Native; and Other.

Please note we have retained the term “other” here because we find it is still more widely understood, as long as it is combined with the opportunity for employees to self-identify. We have also suggested employers offer employees the option to self-identify as North African American and Middle Eastern American, which the EEOC groups under White.

- i. What best describes your race? Check all that apply.
 - a. Black or African American
 - b. Native Hawaiian or other Pacific Islander
 - c. Asian
 - d. Native American or Alaska Native
 - e. North African American
 - f. Middle Eastern American
 - g. Two or more races
 - h. White

- i. Other—please describe:
- j. Decline to state/Prefer not to say
- ii. What best describes your ethnicity? Note that surveys suggest that in answering this question, most people prefer to be identified by the country of their ancestors (e.g., Cuban-American, Mexican-American).
 - a. Hispanic (you or your family are from a country whose primary language is Spanish)
 - b. Latino (you or your family are from Latin America—those American countries geographically south of the United States, including the Caribbean)
 - c. Non-Hispanic/non-Latino
 - d. Other—please describe:
 - e. Decline to state/Prefer not to say

B. If in Canada:

The following terms are based on the groups designated by the Employment Equity Act 2019.

“An **Aboriginal** person is a North American Indian or a member of a First Nation, Métis, or Inuit. North American Indians or members of a First Nation include treaty, status, or registered Indians, as well as non-status and non-registered Indians.

“Effective 1 April 2012, all departments and agencies under the Public Service Employment Act are required to use an Affirmation of Aboriginal Affiliation Form (AAAF) for advertised and non-advertised internal and external appointment processes, when the persons proposed for appointment or appointed have self-declared as Aboriginal and the appointment process:

- has an area of selection limited to Aboriginal peoples or to members of designated employment equity groups that include Aboriginal peoples; or
- has applied as a merit criterion the organizational need of increasing the representation of Aboriginal peoples, or increasing the representation of members of designated groups, including Aboriginal peoples; or
- involves selection from an Aboriginal inventory, or Student Employment Programs in the Federal Government used to increase the representation of Aboriginal peoples, or of designated groups, including Aboriginal peoples.

A person in a **visible minority** group is someone (other than an Aboriginal person as defined above) who is non-white in colour/race, regardless of place of birth. The visible minority group includes: Black, Chinese, Filipino, Japanese, Korean, South Asian–East Indian (including Indian from India; Bangladeshi; Pakistani; East Indian from Guyana, Trinidad, East Africa; etc.), Southeast Asian (including Burmese; Cambodian; Laotian; Thai; Vietnamese; etc.), non-white West Asian, North African or Arab (including Egyptian; Libyan; Lebanese; etc.), non-white Latin American

(including indigenous persons from Central and South America, etc.), person of mixed origin (with one parent in one of the visible minority groups listed above), [and] other visible minority group.”

- i. Which best describes your race/background (select all that apply)?
 - a. Black
 - b. Latin American
 - c. Southeast Asian (e.g., Vietnamese, Cambodian, Laotian, Thai)
 - d. South Asian (person of origin from India, Sri Lanka, Pakistan, Bangladesh, Nepal, Bhutan, or Maldives)
 - e. West Asian (e.g., Iranian, Afghan)
 - f. Chinese
 - g. Korean
 - h. Japanese
 - i. Filipino
 - j. North African or Arab
 - k. Indigenous (First Nations, Métis, Inuit)
 - l. Two or more races
 - m. White
 - n. Other—please describe:
 - o. Decline to state/Prefer not to say

C. If in Any Other Country: (For use by organizations headquartered in the USA or Canada with office[s] in other locations)

- i. Are you part of a historically underrepresented racial or ethnic group in the country/region where you currently reside?
 - a. Yes
 - b. No
 - c. Prefer not to say
- ii. If yes, which best describes your race or ethnicity? (Select all that apply.)
 - a. Black
 - b. Arab
 - c. Latin American



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