



Implementation Guidance

CFA Institute Diversity, Equity, and Inclusion Code (UK)

2023



CFA Institute is a global community of nearly 200,000 investment professionals working to build an investment industry where investors' interests come first, financial markets function at their best, and economies grow. In the mainland of China, CFA Institute accepts CFA® charterholders only.

© 2023 CFA Institute. All rights reserved.

Unless expressly stated otherwise, the opinions, recommendations, findings, interpretations, and conclusions expressed in this report are those of the various contributors to the report and do not necessarily represent the views of CFA Institute.

No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording, or any information storage and retrieval system, without permission of the copyright holder. Requests for permission to make copies of any part of the work should be mailed to: Copyright Permissions, CFA Institute, 915 East High Street, Charlottesville, Virginia 22902. CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute. To view a list of CFA Institute trademarks and the Guide for the Use of CFA Institute Marks, please visit our website at www.cfainstitute.org.

CFA Institute does not provide investment, financial, tax, legal, or other advice. This report was prepared for informational purposes only and is not intended to provide, and should not be relied on for, investment, financial, tax, legal, or other advice. CFA Institute is not responsible for the content of websites and information resources that may be referenced in the report. Reference to these sites or resources does not constitute an endorsement by CFA Institute of the information contained therein. The inclusion of company examples does not in any way constitute an endorsement of these organizations by CFA Institute. Although we have endeavored to ensure that the information contained in this report has been obtained from reliable and up-to-date sources, the changing nature of statistics, laws, rules, and regulations may result in delays, omissions, or inaccuracies in information contained in this report.

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 operationalising 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 longer 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, but 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, local societies globally, institutions, policymakers, 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 United States and Canada as the starting point since investment organisations 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 the rights of Indigenous Peoples in Canada. However, since demand is also rapidly increasing in many other regions, CFA Institute worked with CFA UK and a working group of investment professionals and regional DEI advisers to adapt the first version of the DEI Code to create one specific to the United Kingdom. We are working with local partners to adapt the DEI Code for other markets in 2023 and 2024.

We hope signatories to the DEI Code (USA and Canada) with offices in the United Kingdom, as well as UK-headquartered firms, will become signatories to the UK version. The approach is complementary, sets out guidance specifically designed for the United Kingdom, and has an employee identity reporting requirement using local demographic terms. Feedback will also be specific to signatories' DEI progress in the UK market.

CONTENTS

Introduction	1
The Principles—Definitions and Practice Guidance	3
Principle 1: Pipeline	3
Principle 2: Talent Acquisition	8
Principle 3: Promotion and Retention	15
Principle 4: Leadership	24
Principle 5: Influence	28
Principle 6: Measurement	30
Metrics	32
Resources	35

INTRODUCTION

This document provides supportive guidance for signatories to the DEI Code and should be read in conjunction with the DEI Code and the Reporting Framework.

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. It also summarises for each principle certain benefits that firms may realise from effective implementation of DEI strategies; these include access to the best talent and a potential reduction in expenses from lower employee turnover costs.

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 signatories will cover every aspect at once; rather, we expect that a selection of actions will be chosen according to organisations' strategic priorities and capacity.

Where the Implementation Guidance indicates actions signatories "should" take, we believe that the outlined actions are achievable for all signatories to the Code. Where it suggests actions we "encourage" or "recommend" signatories to take, we recognise that the ability to take such actions depends on each organisation's specific circumstances and that the actions may not be achievable for all.

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 progress 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 organisations, the lessons 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 designates not only legally protected groups but also a range of groups to which organisations 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
- Ethnicity
- Generation (e.g., Gen Z, millennials, Gen X, seniors)
- Socioeconomic status
- Mental well-being
- Disability (e.g., vision, hearing, speech, mobility, learning differences)
- Religion
- Neurodiversity
- Other, such as citizenship status and non-native-language speakers
- Intersectionality of two or more groups

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 organisation, 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**. 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. 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.

THE PRINCIPLES—DEFINITIONS AND PRACTICE GUIDANCE

This guidance is intended to provide a range of activities for signatories to consider, adopting those that best align to the specific DEI challenges and opportunities within their organisation. The Reporting Framework that accompanies the Code provides more detail on what constitutes good practice. Implicit in this guidance is the need to ensure sufficient budget and communications resources are allocated to the recommended activities.

Principle 1: Pipeline—We commit to expanding the diverse talent pipeline through continued outreach to attract capable individuals from underrepresented groups.

1.1. Definition

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

1.2. Signatories' Commitment

1.2.1. We recognise the difficulty in sourcing diverse talent, driven at times by a lack of visibility and awareness of the opportunities in the investment management industry. Therefore, we commit to continued outreach to attract capable but often overlooked individuals from groups that remain underrepresented in the investment industry. We will raise awareness across all groups of prospective employees, students of all ages, and those considering a change of career. We will look to tackle stereotypes and perceptions that certain qualifications are needed and make prospective employees aware that there is a diverse range of careers available within our industry for everyone. We also commit to collaborative outreach with other organisations, such as external diversity partners¹ that attract early talent, because we recognise that only through sustained, systematic effort to build capacity, industry understanding, and awareness across populations can the lack of diversity in our industry be addressed.

1.3. Practice Guidance

We have provided this guidance in two parts to separate activities that aim to raise visibility and awareness of the investment industry from those that more actively contribute to building a pipeline of prospective candidates.

¹ See suggestions in the Resources section.

1.3.1. Raising Visibility and Awareness of the Investment Industry

Ref.	Guidance	Rationale/Additional Information
1.3.1.a	Signatories should identify outreach opportunities to raise visibility and awareness of the industry wherever possible. Larger organisations may create a clear programme of outreach.	Work should include regular outreach to a broad swath of institutions—including all levels of education, private and public schools, universities, colleges, and institutions of further education—as well as raising awareness of apprenticeship pathways through information sessions.
1.3.1.b	When conducting outreach in communities, signatories should consider what kind of employee education is needed in advance.	This endeavour will involve some skills-based training or briefing with key watch points in intercultural competency, conflict resolution, human rights, and anti-racism.
1.3.1.c	Signatories should target outreach activity for young people to those who are least familiar with and have the least exposure to the investment sector.	<p>We know that the investment sector is a niche area of the financial services industry and largely unknown to young people and those who do not have prior connections in the sector. Organisations could consider delivering outreach to overlooked, underfunded schools in their local communities. This may be in the form of career fairs or similar presentations intended to help equip students with the knowledge, connections, and aspiration to enter the investment industry.</p> <p>Outreach should also target younger students, as we have learned that decisions that influence the talent pipeline are made as early as school years 9 and 10.</p> <p>Given the concentration of investment firms in London, outreach to other areas of the United Kingdom should be considered, possibly by providing informational materials or visits where employees may have local connections.</p>
1.3.1.d	We encourage signatories to seek outreach opportunities jointly with other aligned organisations.	<p>Smaller organisations, in particular, may benefit from partnering with other organisations to deliver outreach to school-age children, whether that be with other firms or in partnership with external outreach and diversity organisations.</p> <p>Working with a wide range of groups, such as existing affinity organisations, charities, and other organisations focused on diversity, equity, and inclusion, can magnify the impact of the available resources. See the Resources pages for suggestions on potential partners.</p> <p>This approach will also maximise the impact and use of resources and not overburden schools.</p>
1.3.1.e	We encourage smaller organisations (which may lack wide name recognition) to develop a clear employer brand to augment the impact of their outreach.	Working with national organisations (including, for example, SEO London, Career Ready UK, and the Diversity Project's Catalyst Education Programme) to introduce students to the organisation may help lesser-known organisations reach a broader outreach audience.

Ref.	Guidance	Rationale/Additional Information
1.3.1.f	We encourage signatories to offer themselves as a source of information and inspiration.	Examples include classroom visits by employees from underrepresented groups, informal meetings for parents/carers, research competitions, and mock interviews to help students, teachers, and parents/carers understand the investment industry. It is important that individuals with characteristics within DEI, including minority and/or female role models, participate when engaging with schools to help mitigate biases of students, parents/carers, and teachers. ⁹ Organisations can also attend career fairs, provide virtual conference speakers, or set up mentoring programmes in conjunction with other entities. Business clubs, especially investment clubs, at higher-education institutions can be effective partners, offering scope for sponsorship and deeper engagement.

⁹Lori Beaman, Esther Duflo, Rohini Pande, and Petia Topalova, "Female Leadership Raises Aspirations and Educational Attainment for Girls: A Policy Experiment in India," *Science* 335 (12 January 2012): 582–86; Renée B. Adams, Brad M. Barber, and Terrance Odean, "STEM Parents and Women in Finance," *Financial Analysts Journal* 74 (2018): 84–97. Both papers document the positive effect of role models on beliefs and attitudes.

Exhibit 1A. Clarity on the Nature of Outreach Activities

We advise signatories to appreciate the difference between general community outreach (or corporate social responsibility) and outreach to attract diverse talent and to explore synergies between them.

General community outreach (or corporate social responsibility) and outreach to attract diverse talent are different but can be complementary and should be coordinated to avoid conflicting messages and interests. Typically, industry organisations 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, utilising their professional knowledge but not promoting potential roles at their firm.

In order to engage with a wider audience, changing the perception of the financial services industry can be emphasised more with an industry goal of "contributing to lasting, sustainable change." The CFA Institute University Relations team has found that this kind of intentional, service-based framing helps emphasise the bigger picture and the immense impact that early talent can have when entering the industry.

1.3.2. Building a Pipeline of Prospective Candidates

Ref.	Guidance	Rationale/Additional Information
1.3.2.a	Signatories should amplify the message of equity by celebrating role models from underrepresented groups.	Showcasing a diverse group of employees as role models and "success stories" on public websites helps 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." ^a
1.3.2.b	Signatories should clearly articulate the benefits for potential candidates of working in the investment sector and in their organisation.	While promoting the employer brand helps attract potential candidates, the employer should showcase what it has to offer them in exchange for their skills and experience (the "Employee Value Proposition," or "EVP"), including examples to support health, well-being, and career development.
1.3.2.c	Signatories should demonstrate the alternative routes to a career in their firms, such as paid apprenticeships.	There is still a perception that the investment sector recruits from a single source—namely, university students studying a limited range of degree subjects, including math, economics, and finance. By advertising alternative routes clearly on the Careers page of public websites, signatories will open new pathways into the sector.
1.3.2.d	Signatories should seek to use everyday language on their Careers websites.	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. Explaining specific terminology will also help candidates to apply for roles (see Principle 2).

Ref.	Guidance	Rationale/Additional Information
1.3.2.e	Signatories should maintain channels to facilitate two-way feedback between the organisation and potential candidates.	Two-way feedback is a valuable resource in improving outreach. Organisations can survey internship candidates and outreach audiences to improve their understanding of the issues that deter candidates from underrepresented groups from applying to the industry. At the same time, organisations 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 so are unavailable, the organisation should manage applicants' expectations clearly at the outset.
1.3.2.f	Signatories should take steps to maintain sustained contact beyond a single outreach activity, subject to receiving the students' consent to do so.	<p>Sustained contact over time can reach more-engaged students and nurture them. Even if students do not pursue an investment career following the initial outreach, they will be more likely to see the industry positively and more likely to consider it later.</p> <p>Similarly, even if outreach recipients do not choose a career in investment, they may well become future clients and will have been equipped with some understanding of investment choices.</p>
1.3.2.g	We encourage signatories to run summer internship and industrial placement programmes.	<p>Many potential candidates from universities welcome an opportunity to get work experience over a 10- to 12-week period during the long summer break. A number of degree courses also offer a one-year industrial placement in the third year. These provide students with valuable real-world experience in the sector. Organisations that offer these programmes must take steps to open up applications to students from a wide range of degree subjects.</p> <p>When signatories run internship and industrial programmes, they should clearly advertise the salary and assessment/recruitment process for internship programmes. Internships should be paid in line with living wage principles and have an open and transparent recruitment process available to any student to apply that is not, for example, biased in favour of selecting candidates who were introduced by a senior executive.</p>

*Social washing or diversity washing, which is akin to greenwashing, occurs when an organisation takes part in performative marketing activities but does not effect real DEI change.

Exhibit 1B. Building New Routes into the Investment Management Industry

Signatories may decide to offer scholarships to support students from less advantaged socioeconomic backgrounds to complete their higher education. Internships that offer scholarships designed to support the advancement of talent from different socioeconomic backgrounds by providing financial support, mentoring, and advice to help interns complete their degree courses are also a valuable resource.

We encourage signatories to also consider the talent pipeline beyond the early-career stages—for example, returnships for those who have taken an extended career break. 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 after having left for a career break or due to previous work-life balance challenges).

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

2.1. Definition

2.1.1. Talent Acquisition: Code signatories should ensure that all aspects of hiring practice are equitable and inclusive, from intern, apprenticeship, and graduate recruitment to experienced hires and senior roles, as this is critical to improving diversity. Such activity will benefit signatory firms by ensuring they continue to attract and recruit the best talent. It will also support firms to meet their fiduciary responsibilities to clients by ensuring the best and brightest of all identities and backgrounds are informing their investment decision making.

2.2. Signatories' Commitment

2.2.1. 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 equitable process timelines, recognising that some candidates may take longer to apply to roles than others. We are looking to drive positive progress in the diversity of the industry's workforce.

2.2.2. We commit to systematic outreach to attract talented but often overlooked individuals from under-represented groups into our organisation (as outlined in Principle 1) and to offer existing employees opportunities to move functional area within our organisation. Some firms perceive difficulty in finding diverse pools of candidates via traditional routes, so in addition to exploring other sources, we will reduce the systemic and institutional barriers for talented, qualified underrepresented individuals from these traditional sources.

2.2.3. We also commit 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 educational backgrounds, subjects of study, and experience. We will be transparent in job descriptions on expected benefits, the possibility of flexibility within the role, the cultural environment we currently have, and the culture we are striving toward. We will proactively ask whether people need adjustments, either physical or within the process, to encourage a diverse group of applicants. We also commit to ensuring that our onboarding policies feel inclusive and equitable to all reasonable parties.

2.3. Practice Guidance

We have provided this guidance in two parts to separate activities that address talent acquisition activities from targeted outreach activities aiming to attract talent from underrepresented groups.

2.3.1. Talent Acquisition Processes and Policies

Some of the points in Principle 1 may also be useful here.

Ref.	Guidance	Rationale/Additional Information
2.3.1.a	Signatories should take steps to ensure the talent acquisition process and the recruiting environment are inclusive at each stage.	Inclusive thinking should be embedded at all stages of the talent acquisition process. Methodically reviewing each step against the criterion of inclusivity is a good start. Considering candidates in terms of cultural add rather than 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 organisation gives these DEI-focused changes credibility and increases their employee buy-in.
2.3.1.b	Signatories should commit to creating and implementing a fair and consistent experience for candidates.	<p>Incorporating an objective, competency-based analysis—for instance, using a skills rubric given to those involved in the interview and hiring process or third-party testing—can help 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.</p> <p>Signatories should note that interviewing "standards" do not work for some candidates. For example, some neurodiverse candidates may fail to interpret social cues and overlook nonverbal communication through a standardised 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.</p> <p>See Exhibit 2A for further advice on ensuring fairness and consistency for candidates.</p>

Ref.	Guidance	Rationale/Additional Information
2.3.1.c	Signatories should ensure job adverts and job descriptions are clear, concise, and written in plain language. They should also ensure that characteristics described as role requirements include only criteria that are essential for the role.	<p>The first experience a potential candidate has of an organisation's commitment to DEI is the job advert and job description. Signatories should take care to explain any terminology in the advert, limit the use of technical jargon, and scrutinise whether minimum qualifications are critical for the role or a "nice-to-have." Job adverts should also clearly list any flexibility offered in the role.</p> <p>We recommend signatories seek to use gender-neutral language in job descriptions. Job adverts should be reviewed to remove any gendered language. Online tools such as Textio can be used to find alternative suggestions.</p>
2.3.1.d	We encourage signatories to commit to ensuring interview panels are diverse wherever possible.	Although research on the effect of demographically homogeneous panels on the rating of diverse candidates is mixed, using heterogeneous panels may decrease bias. ^a Further, including members of employee resource groups or employee-led diversity networks on interview panels can help identify cultural add and inform candidates about organisational culture.

^aLynn A. McFarland, Ann Marie Ryan, Joshua M. Sacco, and S. David Kriska, "Examination of Structured Interview Ratings across Time: The Effects of Applicant Race, Rater Race, and Panel Composition," *Journal of Management* 30 (August 2004): 435–52. Individual biases will balance out across panel members given that members of different races will have different biases.

Exhibit 2A. Measures to Ensure Fairness and Consistency

We recommend that signatories invest in continuous training of recruiters to maintain anti-bias practices. Inclusive talent acquisition requires dedicated training specific to the task of recruitment. Such training helps recruiters and hiring managers improve their ability to recognise 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.

Training for all involved in recruitment should ideally include at least some of the following:

- Awareness of implicit biases, the costs of stereotyping, and the behavioural benefits of challenging our own assumptions
- Building an understanding of these Principles, the skills involved for managers, and the commitment to cultural change, including cultural competency
- Actions needed to change previous practice

- Identifying gaps in cultural intelligence, as well as in skills, on an existing team
- How to frame a broad search to produce a larger pool of candidates
- How to mitigate bias to create inclusive and effective job descriptions
- Interview practice for hiring managers, including communicating for understanding and listening skills

In line with pay transparency recommendations, we recommend that signatories clearly disclose the salary range for the role and refrain from asking the candidate about their salary history. There is evidence that women are less likely to apply for jobs with employment contracts characterised by competition and uncertainty. Therefore, signatories could initially rely to a larger extent on fixed-wage compensation at the job advertising stage. Further, avoid such terms as "fresh graduate," and add a diversity statement that refers to an age-inclusive workplace.

When scheduling interviews and assessments, we recommend that signatories provide as much information as possible to candidates on the entire recruitment process. Hiring managers should make it clear to candidates what the recruitment process is—for example, whether there may be an assessment stage (often used for early-career recruitment) and the various interview stages. This should include an expected time frame for completion of the recruitment process.

Team managers and recruiters at signatory organisations should consider accessibility requirements for candidates and new staff 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 necessary arrangements. 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") and neurodivergent candidates.

2.3.2. Targeted Outreach to Attract Talent from Underrepresented Groups

Ref.	Guidance	Rationale/Additional Information
2.3.2.a	Signatories 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.	<p>It is incumbent not only 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.</p> <p>Accountability can take the form of a "comply or explain" approach. Many firms are introducing incentive-based compensation and/or management performance metrics that result in adjusted remuneration.</p>

Ref.	Guidance	Rationale/Additional Information
2.3.2.b	We encourage signatories to work directly with universities by arranging visits by staff of diverse backgrounds to deliver invited guest lectures as part of undergraduate investment courses.	<p>Organisations may fail to attract talented students from diverse backgrounds because the lack of diversity and perceived culture can make the investment industry appear unattractive to underrepresented groups, creating a vicious circle.</p> <p>Larger organisations may support industry-based dissertation/capstone projects (these are dissertations cosupervised by academics and practitioners) where the practitioner is a staff member of diverse background.</p>
2.3.2.c	We encourage signatories to offer more flexible working practices to create a greater range of potential employees.	Recent research shows that the perception of the financial industry's working conditions may be unattractive to women. ^a Introducing flexibility in working hours and practices will make posts in the investment industry more attractive to a greater range of people, ^b in particular women and others with caring responsibilities and disabilities. By increasing the size of the potential applicant pool, there would be at least a proportionate increase in ethnic minority applicants.
2.3.2.d	Where signatories offer degree apprenticeships, we encourage signatories to expand their reach and promote them in schools and further education colleges in areas where there are historically lower numbers of university entrants.	Besides employing fresh graduates from universities, other routes to recruit talent include companies using degree apprenticeship programmes. Recent research ^c shows that the composition of apprenticeships has changed over the years, and young people from deprived areas are no longer the main beneficiaries of them. Further, women apprentices and apprentices from ethnic minorities are below the percentages of those groups in the UK population; young people have not been the main beneficiaries of the increased availability of degree apprenticeships, and the overall dropout rates are higher than those observed for undergraduate degrees. However, degree apprentices from ethnic minorities in the United Kingdom overwhelmingly choose business administration degree subjects (although they are underrepresented relative to the relevant wider population), and therefore, this is a pipeline of diverse people to develop, especially if the degree apprenticeships are aimed at school leavers who would not otherwise go to university.

Ref.	Guidance	Rationale/Additional Information
2.3.2.e	We encourage signatories to revise their talent acquisition processes to accommodate the concept that educational and professional attainment should be reviewed in the context in which they were achieved.	<p>Although many universities use contextualised applications (for example, applying lower entrance grades for people of disadvantaged backgrounds) when offering places at undergraduate programmes, candidates may still face adversity whilst studying. For example, a candidate may have been studying while working two jobs or coping with family caring responsibilities. Such candidates may have a less impressive education record than others, but they can still bring valuable determination, grit, and commitment, as well as ability, to a role.</p> <p>That being said, research shows that although the group of students composed by Black, Asian, Mixed, and Other ethnic minorities in the United Kingdom used to be underrepresented in higher education (HE), since 2019, the percentage of this group in HE is higher than the percentage of this group in the UK population of 18- to 19-year-olds. Further, although attainment rates are the highest for White students, a majority of students in each ethnic group achieve a 1st or 2:1 degree classification. These patterns are observed for the entire HE sector, including the most selective group of universities in terms of admission requirements.^d</p>

^aSpyridon Lagaras, Maria-Teresa Marchica, Elena Simintzi, and Margarita Tsoutsoura, "Women in the Financial Sector" (27 December 2022). Available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4098229.

^bMaria Boutchkova and Angelica Gonzalez, "Understanding the Lack of Ethnic and Gender Diversity in the UK Investment Sector" (23 June 2023). Available at <https://dx.doi.org/10.2139/ssrn.4503424>.

^cChiara Cavaglia, Sandra McNally, and Guglielmo Ventura, "The Recent Evolution of Apprenticeships: Participation and Pathways," CVER Discussion Paper Series, Research Discussion Paper 039 (December 2022). Available at <https://cver.lse.ac.uk/textonly/cver/pubs/cverdp039.pdf>.

^dSee Maria Boutchkova and Angelica Gonzalez, "The Supply of Diverse Talent in the United Kingdom: Higher-Education Evidence," CFA Institute (forthcoming 2023).

Exhibit 2B. The Role of ERGs and BRGs

We encourage signatories to provide incentives and training for additional activities expected from employees from underrepresented groups. 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 organisation involves ERGs in recruitment, cultural taxation (the overreliance on underrepresented employees for the work of diversity) can be a real issue, so organisations should give thought to incentivising 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.

We also encourage signatories to continually grow diverse talent networks to cultivate broader pools of talent, even when a job vacancy is not immediately available. Leveraging ERG networks through an understanding that the organisation 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 organisation has no open roles. ERGs are more likely to have diverse networks and so can be effective ambassadors for the organisation. 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. When involved in recruiting through their networks, employees need to be comfortable with articulating and living the organisation's values and understand how to communicate them in a way that best presents the organisation's culture. They may need some training along these lines, similar to that for an organisation's 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.

Exhibit 2C. Returners and Mid-Career Talent

We encourage signatories to provide support and training for workforce returners. Mid-career recruitment can include sourcing candidates through returners, especially women rejoining the work force. They will have industry experience but may need support updating their skill sets before being able to accelerate their progress.

We also encourage signatories to analyse the potential among existing mid-career diverse employees working in non-investment-related positions. 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 funnelled from potential investment roles to marketing and client service, and people of colour are sometimes directed into operations roles. Supporting employees in pursuing professional credentials can enable this transition and benefit both employer and employee.

Exhibit 2D. Extended Search Times and Broader Criteria

We recommend that signatories extend search times and broaden their criteria for roles that have very specific qualification requirements. In the case that only a few individuals have the very specific qualifications required—for example, the Certified Financial Planner (CFP) designation—particularly outside the main financial areas, greater flexibility may be needed. If a pool is too small, employers could broaden their criteria by looking out for nontraditional candidates or by reaching candidates outside the geographical area and offering relocation assistance. (See also 2.3.1.c above.)

Exhibit 2E. The Role of Industry Workshops and Events

Industry conferences, workshops, and other events play a key role in extending awareness of careers in investment management among underrepresented groups. The increased prevalence of hybrid and virtual conferences since 2020 has also helped make these events more accessible to those who may be distant from major financial centres. We encourage signatories to consider maintaining a presence at such events to amplify their efforts to attract underrepresented talent.

Principle 3: Promotion and Retention—We commit to designing, implementing, and maintaining inclusive and equitable promotion and retention practices to reduce barriers that may adversely impact progression of underrepresented groups.

3.1. Definition

3.1.1. Promotion: Given its importance to supporting employee progression and readying individuals for promotion, Code signatories should ensure 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 forms of bias. Promotion covers mid-career-level step opportunities, such as the allocation of "stretch" assignments and high-profile projects, as well as individual recognition through moves into roles with broader scope and greater responsibility. Equitable promotion can be crucial in building employee visibility and experience, enabling recruitment and retention of talent, and supporting the development of a strong pipeline that contributes to the long-term success of the organisation.

3.1.2. Retention: Code signatories should design and maintain inclusive retention and support systems, such as mentorship, sponsorship, and work-life accommodations. They should also make efforts to eliminate harassment, which can frequently be a principal cause of departure. To further advance equity, this work should identify barriers to historically underrepresented employees' progress, as well as valuing their contribution. Inclusive retention and support systems can minimise employee turnover and other (e.g., legal) costs to organisations and enable all talent to fully contribute.

3.2. Signatories' Commitment

3.2.1. We commit to creating and implementing robust promotion and retention processes that are subject to a cycle of regular review and improvement. This work will be supported by regular manager, senior leader, and wider organisational cultural competency training to embed inclusive and equitable practices.

3.3. Practice Guidance

We have provided this guidance in two parts to separate promotion-related activities from retention-related activities.

3.3.1. Promotion

Ref.	Guidance	Rationale/Additional Information
3.3.1.a	Signatories should assess talent review, work allocation, and promotion processes for bias, as applicable to the circumstances of their organisation.	<p>Where organisations do not have sufficient in-house expertise, it is often beneficial if bias reviews are informed by DEI training and/or consultant advice. The relative independence provided by the latter can also be helpful in supporting acceptance of and willingness to act on results.</p> <p>On a business-as-usual basis, those managing teams and allocating work should be mindful that this is done in a fair and equitable manner, with all employees being given opportunities to enhance their skills and gain experience in stretch projects and roles. Provision of DEI training can assist managers in understanding and implementing equitable allocation of work.</p> <p>The guidance for Principle 2 is also relevant here.</p>
3.3.1.b	Signatories should provide transparency with respect to opportunities available and promotion processes to encourage all candidates to apply for internal opportunities.	<p>If all promotions and opportunities are open to all potential applicants, it may encourage applications from a broader pool of talent, increasing the selection pool and supporting equitable practices.</p> <p>In addition, managers and leaders should allocate time to hold career conversations with their team members. Being aware of individual career aspirations (both near- and medium-term) will enable managers and leaders to actively encourage a broad range of their employees and colleagues to pursue opportunities and promotions that are relevant to them. They may also wish to provide additional support and coaching to those who are qualified but less confident.</p>

Ref.	Guidance	Rationale/Additional Information
3.3.1.c	Signatories should identify potential leaders as part of a succession planning programme and set clear ambitions for inclusive representation in the programme.	<p>Where organisations choose to construct an accelerated programme 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 organisation?" Reviews should be undertaken to understand whether there are as many opportunities as possible for diverse talent to obtain such roles or whether diverse groups are being concentrated in support roles/nonprimary functions.</p> <p>Ambitions for inclusive representation may be in the form of DEI goals and targets linked to the overall business strategy.</p> <p>At larger organisations, typically the line through the business to the C-suite role flows through sales teams, for example, rather than service teams, such as human resources (HR) or back-office operating roles. Some organisations could rotate individuals among teams once they reach the level of managing director (or equivalent) in order to increase their exposure to different business functions, widening experience. They should also consider doing this at mid-levels of the organisation to support development of a robust diverse pipeline across all areas of the business, including profit and loss statement-generating roles. Smaller organisations could consider using a shadowing system to allow broader experience as part of succession planning for mid-level roles up, not just the most senior roles.</p> <p>Where possible, ERGs and BRGs can identify individuals with previously unnoticed leadership capacity, which can help identify future business leaders.</p>
3.3.1.d	In identifying barriers to diverse employee progress and valuing underrepresented employees' contributions, signatories should consider and understand specific factors that typically do not present challenges for members of majority groups.	<p>For instance, employees from certain socioeconomic groups may not have had the same shared cultural and social experiences as those who grew up more affluent, impacting their confidence, perceived gravitas, and ability to fit in. They may also lack the networks of family and friends to provide informal guidance, support, and introductions. 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 programmes have an important role to play in career development for talent, especially for diverse talent. Reassessing the impacts of these programmes regularly (recommended annually) can help keep them on track and encourage leaders to make revisions where necessary. See Exhibit 3A.</p>

Ref.	Guidance	Rationale/Additional Information
3.3.1.e	Where applicable, leaders at signatories should monitor how high-visibility opportunities and stretch assignments are awarded and adjust processes where necessary to be inclusive.	<p>Underrepresented groups are often not notified about temporary projects, business rotations, or other growth opportunities in the same (both formal and informal) way normative or majority groups are. Over time, repeated knowledge of and access to such opportunities can give a significant cumulative advantage in building experience and visibility to one group and not to another, likely underrepresented, group.</p> <p>On a business-as-usual basis, those managing teams and allocating work should be mindful that this is done in a fair and equitable manner, with all employees being given opportunities to enhance their skills and gain experience in stretch projects and roles. Provision of DEI training can assist managers in understanding and implementing equitable allocation of work.</p>
3.3.1.f	Managers at signatories should recognise that perception and experience of risk can be very different for diverse groups and adjust their approach accordingly. Organisations can also benefit from the insights of colleagues with greater sensitivity to risk in a range of investment and business decisions.	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 of, experience of, and preferences for risk can be very different for diverse groups. ^a Therefore, individuals from underrepresented groups may need more support, such as sponsorship or coaching, to take on the challenge of the next level and be fully supported in an equitable manner relative to those in majority groups.
3.3.1.g	We encourage signatories, to the extent possible, to publicly report on demographic data at a senior level, in alignment with public commitments. This can help drive internal recognition for the importance of inclusive promotion.	<p>Such organisations as the Diversity Project, the 30% Club, SEO London, Progress Together, and Women on Boards provide good examples of public commitments to DEI. Some of these organisations produce surveys that offer anonymous reporting to the public, whilst others offer full public reporting. Further, in addition to voluntary organisations, UK regulatory bodies, such as the Financial Conduct Authority, are increasingly focused on establishing requirements with respect to DEI, given its importance to sound culture.</p> <p>Where such reporting would be unduly onerous (e.g., due to firm size and resources available), firms can at a minimum implement self-identification programmes and actively encourage participation, with demographic breakdowns of promotion data subject to periodic review by senior management.</p>

^aMaria De Paola, Michela Ponzio, and Vincenzo Scoppa, "Gender Differences in the Propensity to Apply for Promotion: Evidence from the Italian Scientific Qualification," *Oxford Economic Papers* 69 (October 2017): 986–1009. This paper explains gender differences in the propensity to apply for promotion with gender differences in risk-aversion, self-confidence, and fear of discrimination.

Exhibit 3A. DEI and the Employee Value Proposition

We encourage signatories to focus on ensuring that the value proposition for high-potential employees from underrepresented groups is as relevant as that for those from majority groups. Enhancing the employee value proposition is as relevant for employees readying for promotion as for external candidates. Further, as high-achieving individuals are more likely to be exploring external opportunities, organisations may benefit from reminding such talent why they should stay. Those firms that provide the most inclusive value propositions across employee groups will have a competitive advantage in the recruitment and retention of minority groups.

Exhibit 3B. Mentoring, Sponsorship, and Executive Coaching

We encourage signatories to prioritise mentoring, sponsorship, and executive coaching as core elements of their approach to DEI in promotion and retention.

Mentoring: Mentoring is the sharing of knowledge, skills, and experience with another person or group of people to help them progress. Mentoring programmes can be varied (see below) but should be clearly linked to the organisation's business goals. Participants may be informal volunteers or may be invited by leaders and HR according to inclusive criteria. Mentoring programmes can last a year or more, or they may follow a speed mentoring model, all depending on the needs and capacity of both the organisation and the targeted employees, both of which should be assessed and communicated at the outset. Reverse mentorship programmes can refresh senior leaders' management skills and build their knowledge of junior talent entering the pipeline and senior leaders' understanding of their colleagues' lived experiences.

Organisations can consider formal programmes to ensure that at the start of employment (and at the point of a material change in role within the company), every employee is offered a mentor—or more informally, a buddy—to avoid unintentionally leaving valuable support to chance. Typically, organisations need a formal matching programme for this approach to work.

Sponsorship: A programme for potential leaders, with clear linkage to long-term organisational strategy and succession planning, can help accelerate improvement in DEI. Sponsorship is the active and considered use of personal influence, professional standing, connections, and networks to enhance career opportunities and help clear pathways for others—in particular, more junior colleagues.

It is essential, however, that the selection criteria and recruitment process for candidates for sponsorship programmes are created with care to mitigate bias. Sponsorship programmes can be based on the sponsor and the sponsored employee being in the same line of business, with the sponsor having visibility into the sponsored employee's work. That way, sponsors can offer stretch projects and rotations to increase sponsored individuals' experience and visibility and advocate for them when they are unable to speak for themselves, such as when senior management considers candidates for promotion.

However, an approach with sponsors and sponsored individuals in different business segments can also be highly effective. This approach may be the most practical in small and medium-sized organisations.

Executive coaching: 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 appropriately equipped to succeed.

3.3.2. Retention

Ref.	Guidance	Rationale/Additional Information
3.3.2.a	Signatories should develop and deploy DEI training programmes for all employees.	This raises awareness of and addresses mindsets, habits, and behaviours that undermine an inclusive culture and reduce retention.
3.3.2.b	Signatories should develop and maintain a DEI communications roadmap to explain the purpose of the organisation's DEI efforts at each career stage.	<p>Tested practices include sharing organisational and leadership perspectives on the importance of DEI for business success and identifying periodic focus topics to engage all employees.</p> <p>Celebrate underrepresented employees' successes, showcase them as role models, and offer them opportunities to represent the organisation by speaking at external events, writing case studies, and sharing personal stories.</p> <p>Bring in speakers from outside the organisation to showcase diverse talent success stories if internal examples are limited.</p>

Ref.	Guidance	Rationale/Additional Information
3.3.2.c	<p>Signatories should ensure that HR policies and practices include robust complaint procedures, creating safe spaces to escalate issues around harassment or disrespectful behaviour, and that leaders and HR are trained to effectively address such concerns.</p>	<p>Confidential third-party software solutions can help employees anonymously report harassment and bias and also offer resources and action plans.</p> <p>Training in addressing actions that are called "micro-aggressions," or subtle acts of exclusion, is foundational to this work and can enable employees to call out or support colleagues appropriately or confront and change their own behaviour.</p> <p>Senior leaders should model the idea that an inclusive culture values everyone and that all benefit. Emphasising and affirming desired behaviours can be more effective than instruction in what people should not do and can help address any majority group resentment or resistance.</p>
3.3.2.d	<p>Signatories should implement policies that support flexible work options and leaves of absence (e.g., parental or other family dependent carer leave, dual-career support, wellness, and other policies), making flexible working the norm for all, even where employees are required to work a certain number of days in office. Leaders should practice what they preach and also show their own flexible work habits.</p>	<p>Research suggests that the gender gap in pay would be reduced if firms did not have an incentive to disproportionately reward individuals who worked long hours and worked particular hours.^a</p> <p>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. Developing a flexible working policy, consistent with business goals, is an opportunity to work in consultation with ERGs to capture a wide range of experiences and needs.</p> <p>Firms should ensure they enable career development and equal access to opportunities for those who need to work flexibly (part time, remotely, etc.).</p> <p>Evidence^b shows that the demand for part-time working is often associated with childcare and other caring responsibilities. Firms should carefully consider their approach to part-time working separately from their approach to other types of flexible or hybrid working to ensure they are able to accommodate the needs of those employees who request to work reduced hours.</p>

Ref.	Guidance	Rationale/Additional Information
3.3.2.e	Signatories should award remuneration using an established assessment process, on an equitable basis, that is subject to senior leadership review.	<p>Variable remuneration, both in terms of absolute amounts and perceived fairness, is important in improving retention. We encourage organisations to make a commitment to equitable remuneration 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. Pension contributions should be included in this review.</p> <p>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 remuneration 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.</p> <p>More broadly, as part of their recruitment efforts (including internal), firms can consider including salary transparency in job advertisements. Organisations should also consider other forms of recognition beyond remuneration to improve retention.</p> <p>See the Reporting Framework for options to monitor and report.</p>
3.3.2.f	Signatories should incorporate DEI considerations when conducting organisational downsizing.	<p>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 (for example, everyone in particular support roles).</p> <p>In line with the recommendations for hiring, managers making these assessments should also have completed the DEI training suggested in the guidance for Principle 2.</p>
3.3.2.g	We encourage signatories to implement cultural competency training to help build inclusion within the organisation as employees develop their understanding of their colleagues' communities, lived experience, and heritage.	<p>Such training 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.</p> <p>People can be encouraged to educate themselves; there are many resources available. The goal is better understanding, more effective communication, and improved collegiality.</p> <p>Some organisations offer certification for managers completing DEI training and education programmes that incentivise participation.</p>

Ref.	Guidance	Rationale/Additional Information
3.3.2.h	<p>We encourage signatories to use tools, such as segmented engagement surveys, academic research, focus groups, and personal catch-up conversations, to guide management in taking actions that will help keep their talent engaged and committed to the organisation.</p>	<p>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 organisational strategic business goals.</p> <p>Note that the process of identifying high-potential talent should also be reviewed to mitigate bias; such concepts 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.</p> <p>Coaching and support to enable apparently underperforming individuals to improve can be even more additive to overall organisational performance than solely focusing on the obvious high performers.</p>
3.3.2.i	<p>We encourage signatories to conduct <i>stay interviews</i> with as many employees as possible to understand why employees stay with the organisation. Screen the results of all meetings through an employee demographic database, paying special attention to members of underrepresented groups.</p>	<p>For this purpose, demographic data can include all employee life cycle data, such as engagement surveys, salary, bonus, portion of carried interest, and level of potential, needed to understand similarities and differences in experience and treatment.</p> <p>For employees who might leave, the organisation may need to re-evaluate what it can provide to meet their needs and help them achieve their goals. For example, offer to provide one-on-one mentoring—through employee resource groups or business resource groups, 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.</p> <p>To be effective, retention practices need to be sustained through both downturns and growth periods, build a strong employee value proposition, 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.</p>
3.3.2.j	<p>We encourage signatories to conduct exit interviews to understand why employees leave.</p>	<p>Research suggests that employees are more likely to leave due to an ineffective manager than because of the job or organisation, per se.^c These 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.</p>

Ref.	Guidance	Rationale/Additional Information
3.3.2.k	We encourage signatories to develop a clear strategy for addressing employee mental health and well-being to support retention.	<p>Possible practices can involve supporting managers to help their teams thrive and to manage such issues as workplace stress and presenteeism.</p> <p>Some employers have boosted retention rates by offering enhanced wellness packages, including (during COVID-19 lockdowns) virtual yoga, mindfulness, and Pilates classes.</p> <p>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 organisations make stress checking a normal part of health checks, it can help reduce any stigma around anxiety and periods of mental illness. Further, organisations should make sure that employees have realistic workloads and the ability to raise concerns where these are becoming unrealistic, noting that without this, other efforts will have limited impact. (See also Principle 4.)</p> <p>For example, one firm's CEO^d recently shared his experience of depression and the support he needed to recover. Note, however, 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.</p>

^aClaudia Goldin, "A Grand Gender Convergence: Its Last Chapter," *American Economic Review* 104 (April 2014): 1091–119.

^bTimewise, "Flexible Working: A Talent Imperative" (19 September 2017). <https://timewise.co.uk/article/flexible-working-talent-imperative/>.

^cChristopher S. Reina, Kristie M. Rogers, Suzanne J. Peterson, Kris Byron, and Peter W. Hom, "Quitting the Boss? The Role of Manager Influence Tactics and Employee Emotional Engagement in Voluntary Turnover," *Journal of Leadership & Organizational Studies* 25 (February 2018): 5–18.

^dIn 2020, Lloyds Banking Group's CEO António Horta-Osório spoke about his experiences.

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.

4.1. Definition

4.1.1. Leadership: Leaders set the standards and expectations for inclusive behaviour, model the behaviour, and help define their organisations' culture by example, both internally and externally. To drive progress, leadership at all levels of signatory organisations should be diverse, inclusive, accountable to stakeholders, and trained to manage and lead diverse teams. Establishing a strong tone from the top

underpins all other DEI-related efforts and, where done successfully, supports recruitment, retention, and promotion of top talent, thereby creating a competitive advantage and minimising costs of employee turnover, legal proceedings, and the suboptimal productivity that may occur where individuals do not feel able to fully contribute.

4.2. Signatories' Commitment

4.2.1. We commit to empowering our leaders, both executive and nonexecutive, to create robust leadership development processes. These processes will focus specifically on building understanding, increasing awareness of the root causes of inequities, improving general people management skills, and changing behaviour around DEI within the workforce for the better. They are implemented on an ongoing, sustainable basis and are subject to regular review by our senior leaders.

4.3. Practice Guidance

4.3.1. Embedding DEI in Leadership Activities and Objectives

Ref.	Guidance	Rationale/Additional Information
4.3.1.a	Signatories should ensure that DEI-related topics are captured and covered as standing agenda items in regular executive-level meetings.	DEI should be embedded in business as usual, including as part of executive-level governance. There should be a feedback loop whereby DEI-related items emanating from this governance are communicated top down, whilst DEI-related items should also be fed "bottom up" from lower-level governance bodies within the organisation. Agenda items could include results of staff surveys or takeaways from focus groups, results of any work done to identify and remove systemic biases, and progress on levels of representation.
4.3.1.b	Signatories are encouraged to establish a leadership-level position focused solely on DEI integration, implementation, and measurement. Where this is not possible, firms should at a minimum allocate responsibility to a C-suite-level leader of a key business function.	Although DEI goals are everyone's responsibilities, where possible, we recommend a leadership-level (C-suite or C-suite-1) position that is focused solely on these matters. Namely, the person in this role should have enough responsibility and influence within the organisation to embed DEI in both strategy and practice.
4.3.1.c	Senior leaders at signatory organisations should establish an approach to identify and address systemic biases and other obstacles to DEI.	Systems can be designed to create change or perpetuate and support the status quo. Interrogating and reviewing organisational systems, people processes, and decision making through this lens can help identify obstacles to DEI.

Ref.	Guidance	Rationale/Additional Information
4.3.1.d	Senior leaders and HR at signatory organisations should focus on ensuring an inclusive definition of leadership and a communication strategy that supports understanding of this definition throughout the organisation.	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, <i>words matter</i> . When discussing processes and procedures, recognise 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 organisation 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.
4.3.1.e	Senior leaders at signatory organisations should be held accountable for progress on DEI and model the behaviours expected across the organisation.	<p>Leaders should be able to demonstrate organisational culture and set expectations. One aspect is defining the organisation's nonnegotiables. For instance, the attitude toward risk can be seen as a key indicator of underlying culture by regulators.</p> <p>Clearly articulated goals and objectives should be established for all C-suite executives and, where appropriate for the size of the organisation, for those in the corporate hierarchy immediately below C-suite. Establishing objective performance measures with a link to compensation helps embed accountability for delivering on those objectives. Achievement of these objectives should be considered in the broader context of an executive's overall performance and development. The CEO needs to take ownership of the results of employee data to achieve change.</p>
4.3.1.f	Leaders at signatory organisations should focus on inclusive communication, including listening to diverse groups and ensuring visibility of a diverse range of employees.	Leaders should devote time to activities that promote DEI. Examples can include small group conversations, informal virtual <i>open door</i> video calls, and 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.

Ref.	Guidance	Rationale/Additional Information
4.3.1.g	Leaders at signatory organisations should ensure that decision-making processes are clear, well documented, and effectively communicated within the organisation.	<p>Is decision making distributed or centred? 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. Recognise your leaders' expertise; good leaders can give credibility to others.</p> <p>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.</p>
4.3.1.h	Leaders at signatory organisations should ensure the tone from the top promotes an inclusive culture that allows all employees to fully realise their talents and creativity.	<p>Fostering innovation and creativity can require leaders to recognise 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 organisation 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.</p> <p>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 the manager's team can undermine DEI and create the risk of hubris.</p>
4.3.1.i	Signatories should embed DEI training within general leadership training and provide it to employees at all levels of the organisation on a regular basis.	<p>The ability to adapt is seen as a key inclusive leadership skill and can be particularly challenging for new and inexperienced managers. Leadership may take many forms, depending on an individual's personal style, the present needs of the organisation, 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 behaviour, leaders can define the nature of the leadership that meets the business needs of their organisation at a given time. Supporting all employees in understanding positive leadership behaviours and expectations can help create a more inclusive and welcoming environment for all, supporting employee retention and development.</p>

Ref.	Guidance	Rationale/Additional Information
4.3.1.j	Signatories should provide counselling, support, training, external coaching, professional opportunities, and development for promising diverse leaders and the next tier of potential leaders.	In addition to the training outlined in 4.3.1.a, firms should provide high-visibility additional opportunities and support to high-performing diverse leaders and high-potential diverse future leaders. This additional support can help counteract any systemic barriers they may face.
4.3.1.k	Signatories should provide additional targeted DEI training, including coaching, to senior leadership and other relevant groups on a regular basis.	In addition to the training outlined in 4.3.1.a, additional targeted training should be provided to key personnel (C-suite, department heads) to support their understanding of evolving best practice with respect to DEI-enhancing behaviours, awareness of systemic bias, and knowledge on topical issues that may be impacting their employees.

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

5.1. Definition

5.1.1. Influence: As organisations, members, and clients of the investment industry, we can lead by example and encourage and motivate both internally and externally across the investment management industry, including our employees, clients, the wider investment sector, and providers of industry services, to adopt the Principles of this Code and adopt activities that promote DEI best practice within the investment industry for the ultimate benefit of society.

5.2. Signatories' Commitment

5.2.1. To our employees: We commit to being open and transparent about our DEI practices, taking proactive steps to show and communicate inclusion and recognising our commitment at all levels.

5.2.2. To our clients: We commit to managing client expectations for the advancement of DEI within the industry, providing clear evidence, communicating proactively, demonstrating our progress against the success measures available, and finding out where we align with their own DEI expectations.

5.2.3. To the investment management sector: We commit to working through collaboration and external partnerships by being visible and accountable—using our senior leaders' profiles to raise DEI issues and actively participate in initiatives that support DEI.

5.2.4. To our supply chain providers: We commit to the creation of robust, regular review processes for service providers, subadvisers, and vendors with respect to DEI practices proportionate to our firm's size, and we commit to actively advocating for these internally and externally.

5.3. Practice Guidance

We have provided this guidance in two parts to separate activities for all signatory firms from those specifically for asset owners and allocators.

5.3.1. Recommendations for All Signatory Firms

The following table contains recommendations for DEI practices at an organisational level.

Ref.	Recommendation
5.3.1.a	Encourage your firm to become a signatory to the DEI Code.
5.3.1.b	Encourage diverse talent acquisition.
5.3.1.c	Encourage and promote diverse talent retention, growth, and promotion with stakeholders and the wider industry.
5.3.1.d	Survey appropriate representatives throughout the business annually on progress on DEI metrics, including hiring, training, mentoring, and retention.
5.3.1.e	Demonstrate progress against DEI success measures, identify areas where progress on DEI metrics is not being made, formulate action plans, and follow up on the results.
5.3.1.f	Encourage the use of diverse vendors in the supply chain (broker/dealers, software, audit, and other functions).
5.3.1.g	Encourage the review of companies that raise DEI concerns in their impact investing/ environmental, social, and governance strategies, and analyse DEI impacts for all relevant investments.
5.3.1.h	Collaborate with other investors to advance DEI in all sectors of finance and investing. Use investment stewardship activities to advance DEI issues.
5.3.1.i	Ask investee companies to commit to engaging in meaningful consultation and building respectful relationships with everyone.
5.3.1.j	Encourage regular feedback and communication with employees—collecting data and information respectfully whilst being aware of a multigenerational workforce.
5.3.1.k	Develop robust DEI policies (and enforce them when necessary) so that employees can see the firm's commitment to upholding a strong antidiscrimination culture.
5.3.1.l	Deliver internal education on DEI practices for all employees, including such topics as unconscious bias.
5.3.1.m	Use investment stewardship activities to advance DEI issues.

5.3.2. Recommendations for Asset Owners and Allocators

The following table contains self-directed DEI practice recommendations for asset owners and allocators.

Ref.	Recommendation
5.3.2.a	Incorporate DEI goals in the investment policy statement (IPS). If the firm does not have an IPS, investment staff can make a distinct effort for DEI outside of an IPS.
5.3.2.b	Embed DEI information requests in the manager research process, including the following: <ul style="list-style-type: none"> a. Ownership b. Organisational 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
5.3.2.c	Publicise status as a signatory to the DEI Code, and encourage other stakeholders to consider becoming signatories.
5.3.2.d	Add diverse investment committee members who can further idea generation and familiarity with more inclusive investment processes.
5.3.2.e	Target an increase in diverse talent on asset owner and capital allocator teams to expand the funnel of potential investment ideas.
5.3.2.f	Look to connect appropriate managers with relevant diversity networks to help demonstrate support and awareness.
5.3.2.g	Actively engage diverse networks through conferences to increase visibility of the capital allocator role, to publicise 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.

6.1. Definition

6.1.1. Measurement: Measurement is key to success in improving DEI: What gets measured gets evaluated and managed, particularly in such a data-driven industry as investment. Given the importance of measurement, a systematic framework is essential, one that focuses on measurement and tracking for the first five DEI Code Principles, wherever appropriate. 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.

6.2. Signatories' Commitment

6.2.1. 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 organisation 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 HR systems or through reporting. We also commit to collaborating with other organisations to bring about and drive better measurement practices. There is no finish line but, rather, an iterative, continuous improvement process that requires commitment from every individual.

6.3. Practice Guidance

6.3.1. 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 prioritised. The following section provides guidance for assigning metrics that incorporate all six Principles. 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.

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 can be anchored in storytelling about employees' experience and should be 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, recognising that even within organisational 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 organisation's management committee or equivalent leading DEI initiatives. Our research in *Accelerating Change: Diversity, Equity and Inclusion in Investment Management*² shows that organisations 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.

Suggestions on What to Measure—Voluntary Reporting

- a. Gender and gender identity. A binary definition of gender (i.e., female and male only) is already captured in most cases for employees when joining the organisation. Extending this to include a supplementary question on gender identity provides an opportunity for a wider spectrum of gender to be considered—for example, number and percentage of male, female, non-binary, and non-declaring (prefer not to say) UK-based 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.* A further question can be asked to include transgender employees: 'Is gender the same as assigned at birth?' *This data collection can only be voluntary and must offer a 'prefer not to say' option response.*
- b. Race and/or ethnicity. Number and percentage of UK employees overall (and broken down by groups) by race and/or ethnicity and also categorised by applicants, external hires, internal hires, managers, senior leaders, and departures. Many organisations opt to reference the

² See CFA Institute, *Accelerating Change: Diversity, Equity, and Inclusion in Investment Management* (2021). <https://rpc.cfainstitute.org/-/media/documents/article/industry-research/accelerating-change.pdf>.

UK government's 2021 census definitions of ethnicity³ when categorising within their own organisations. *This data collection can only be voluntary and must offer a 'prefer not to say' option response.*

- c. Disability. Number and percentage of UK employees who have identified as and/or have reported a disability (e.g., vision, hearing, speech, mobility, and learning differences). *This data collection can only be voluntary and must offer a 'prefer not to say' option response.*
- d. Neurodiversity. Includes autism spectrum condition (ASC), attention deficit hyperactivity disorder (ADHD), dyslexia, dyspraxia, dyscalculia, and hyperlexia. *This data collection can only be voluntary and must offer a 'prefer not to say' option response.*
- e. Sexual orientation. *This data collection can only be optional.* Number and percentage of UK employees who have self-designated as follows:
 - i. Straight or heterosexual
 - ii. Gay or lesbian
 - iii. Bisexual
 - iv. Other sexual orientation
 - v. Prefer not to say
- f. Socioeconomic background. Number and percentage of UK employees overall (and broken down by groups) by socioeconomic background and also categorised by applicants, external hires, internal hires, managers, senior leaders, and departures. Many organisations opt to use questions connected to parental occupation at age 14 years, eligibility for free school meals, and first-time university students, as recommended by the UK government's Social Mobility Commission.⁴ *This data collection can only be voluntary and must offer a 'prefer not to say' option response.* The index of multiple deprivation (IMD) classifies small, fixed geographic areas in England into five groups based on relative disadvantage.⁵ If the employer knows the home postcode, it is straightforward to determine socioeconomic background.⁶ There are also indices based on parental qualifications and occupations as well as indices based on the level of youth participation in higher education in a postcode. Any of these sources should help employers determine socioeconomic status.
- g. Additional voluntary reporting measures. As organisations become more sophisticated at requesting, analysing, and reporting on diversity data, firms may want to consider asking employees to share additional information. This information could include asking employees about their parenting and/or caring status, their religion, and so on.
- vii. Having clear, long-term goals is important but may be difficult depending on the maturity of each organisation'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, organisations could, for example, measure the diversity of applicant and interview pools during the year of signing the Code and endeavour to improve that statistic. They could then develop to recording and analysing 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 categorised in multiple ways.

³Office for National Statistics, "Ethnic Group Classifications: Census 2021." www.ons.gov.uk/census/census2021dictionary/variablesbytopic/ethnicgroupnationalidentitylanguageandreligionvariables/census2021/ethnicgroup.

⁴<https://socialmobilityworks.org/>.

⁵There are separate IMD measures for Wales, Scotland, and Northern Ireland; no UK-wide IMD measure exists.

⁶In England, for example, employers can use the English Indices of Deprivation 2019: Postcode Lookup (<https://imd-by-postcode.opendatacommunities.org/imd/2019>).

- viii.** It is open to signatories to consider adding inclusion metrics (e.g., diversity and ethnicity pay gaps, parental leave policy and utilisation, 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 organisational shifts that develop equity and inclusion.
- ix.** 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.
- x.** 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.
- xi.** 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 exercise.
- xii.** 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.
- xiii.** Signatories are encouraged to triangulate their employee data to identify departments or teams where results suggest that inclusive practices are not embedded and where 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.
- xiv.** 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.
- xv.** 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 behavioural and organisational 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.

RESOURCES

The following **affinity organisations 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.

30% Club (<https://30percentclub.org/chapters/uk/>)

10,000 Interns Foundation (<https://10000internsfoundation.com/>)

100 Women in Finance (<https://100women.org/>)

Autistica (<https://www.autistica.org.uk/>)

Black Employees in the U.K. Financial Services? (<https://barringtonhibbert.com/>)

Black Women in Asset Management (<https://bwam.network/>)

Career Ready UK (<https://careerready.org.uk/>)

Centre for Ageing Better (<https://ageing-better.org.uk>)

The CFA UK Diversity, Equity & Inclusion Network (<https://cfauk.org/inclusion-and-diversity-network>)

CFA UK's Diversity Project: Catalyst Education Programme (<https://diversityproject.com/catalyst-education-programme/>)

CFA UK's Response to HM Treasury's Call for Evidence on Sexism in the City (<https://www.cfauk.org/-/media/files/pdf/pdf/5-professionalism/2-advocacy/responses/cfa-uk-response-to-treasury-call-for-evidence-sexism-in-the-city-final.pdf>)

Diversity Project: Asset Owner Diversity Charter (<https://diversityproject.com/asset-owner-diversity-charter/>)

Ethnicity Pay Gap Reporting: A Guide for Parliamentarians (<https://shareaction.org/policies/ethnicity-pay-gap-reporting-a-guide-for-parliamentarians>)

Learning from Portfolio Management Principles in Approaching DE&I (<https://www.cfauk.org/-/media/files/pdf/dei-portfolio-report.pdf>)

LGBT Great (www.lgbtgreat.com/)

Progress Together (<https://www.progresstogether.co.uk/>)

SEO London (www.seo-london.org/)

STEM Women (www.stemwomen.com/)

WIBF (Women in Banking and Finance; www.wibf.org.uk/)

Women on Boards (<https://wbdirectors.co.uk/>)

Women Societies Alliance (www.womensocietiesalliance.com/)

About the Research and Policy Center

CFA Institute Research and Policy Center brings together CFA Institute expertise along with a diverse, cross-disciplinary community of subject matter experts working collaboratively to address complex problems. It is informed by the perspective of practitioners and the convening power, impartiality, and credibility of CFA Institute, whose mission is to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. For more information, visit <https://rpc.cfainstitute.org/en/>.