Response Form

for the

Exposure Draft of the

CFA Institute Diversity, Equity and Inclusion Code (USA and Canada)

Diversity, equity, and inclusion (DEI) is critical to the future of the investment industry. We recognize that a diversity of perspectives will lead to better investor outcomes; an inclusive investment industry will better serve our diverse society. Further, we recognize that an organization, with an inclusive culture, awareness and education, and effective working relationships, is a better place to work.

CFA Institute is developing a voluntary, DEI Code (the "Code"), to be launched firstly in the USA and Canada. The purpose of the Code is to drive greater diversity, equity, and inclusion within the investment industry. The Code has been designed for the investment industry, by members of the investment industry. It is intended to meet industry where it is, define the current state, and drive improvement from a realistic foundation. Organizations from across the investment industry are invited to become signatories, including investment managers, asset owners and consultants.

The Code is supported by Implementation Guidance which is based upon tested practice from our industry research. It will be regularly updated to reflect changing DEI practice in the investment industry and elsewhere. We have designed a Reporting Framework to guide signatories in the process of reporting on their progress, which is included here for information only. Individual signatory reports will be kept confidential by CFA Institute, which will in turn report on industry developments.

The goal for this Exposure Draft is to elicit feedback on the proposed principles and recommendations within the Code. Please refer to the "Providing Feedback" guidelines for submitting comments.

All comments must be received by 4 September 2021 in order to be considered.

Providing Feedback

Public commentary on the Exposure Draft will help shape the final version of the Code, which is expected to be issued in November 2021. Comments should be provided in this Response Form, found here on the CFA Institute website, and submitted to deicode@cfainstitute.org. Designated spaces for comments appear in the Response Form in the order in which the Principles appear in the Exposure Draft. Questions directed toward the Codes' intended users are posed in the Response Form, followed by designated spaces for comments related to the Principles and Implementation Guidance. General or summary comments on the Exposure Draft may be provided in the designated section at the end of the Response Form.

When providing feedback on a specific principle, it may be helpful to consider whether the meaning of the principle is clearly stated and whether the principle will add value for users of the Code. You may provide as few or as many comments as you wish.

The deadline for providing feedback is 4 September 2021. **Comments received after 4 September 2021 will not be considered**. Unless otherwise requested, all comments will be posted on the CFA Institute website.

Guidelines for submission

Comments are most useful when they:

- directly address a specific issue or question,
- provide a rationale and support for the opinions expressed, and
- suggest alternative solutions in the event of disagreement.

Positive comments in support of a proposal are equally as helpful as those that provide constructive suggestions for improvement.

Requirements for submission

In order for comments to be considered, please adhere to the following requirements:

- **Insert responses in the designated areas of the response form.**
- **Assign a unique file name to your response form before submitting.**
- **Provide all comments in English.**
- **Submit the response form as a Microsoft Word document.**
- **Submit the response form to** deicode@cfainstitute.org **by 5:00 PM E.T. on 4 September 2021.**

General Information (required)

Respondent: *(Please enter your full name if you are submitting as an individual or the name of the organization if you are submitting on behalf of an organization.)*	Institutional Limited Partners Association (ILPA)
Stakeholder Group: *(Please select the stakeholder group with which you most closely identify.)*	Investor / Asset Owner
Region: *(If you are submitting as an individual, please select the region in which you live. If you are submitting on behalf of an organization and the organization has a significant presence in multiple regions, please select "Global". Otherwise, please select the region in which the organization has its main office.)*	Global
Country: *(If you are submitting as an individual, please enter the country in which you live. If you are submitting on behalf of an organization, please enter the country in which the organization has its main office.)*	United States
Confidentiality Preference: *(Please select your preference for whether or not your response is published on the CFA Institute website.)*	yes, my response may be published

QUESTIONS FOR INTENDED USERS

Questions for Investment Managers, Asset Owners, Consultants, and Investors

1. Do you agree that the investment industry needs a DEI Code to drive change?

   <QUESTION_01>

   Yes. In ILPA's experience, having a single standard of practice to which asset owners and investment managers can refer has been useful in coalescing behaviors and accelerating change over time (ILPA's Reporting Template, the ILPA Principles, the Diversity in Action framework, and the Diversity Metrics Template are notable examples). Additionally, we have observed that the demonstration effect—and in particular the motivational dynamics created through public commitments to take specific actions—has proven catalytic by modeling clear expectations for best practice and identifying clear leaders to emulate. While progress on DEI to this point has been encouraging, there continue to divergent approaches to tracking and reporting organizational diversity metrics, in particular.

   <QUESTION_01>

2. Do you consider the Principles cover the key areas for change?

   <QUESTION_02>

   The principles regarding Leadership and Influence, and the accompanying implementation guidance, could be expanded upon to address key areas such as specific behaviors encouraged among investment managers (GPs), as opposed to asset owners and allocators. Additionally, the Code could offer greater specificity on how signatories' compliance with the principles of Leadership and Influence could be visibly demonstrated. For example, the Influence principle could go a step farther regarding asset owners' and investment managers' monitoring of and reporting on deployment of capital against an organization's diversity goals. Real change will come only when capital follows preferred behaviors.

   <QUESTION_02>

3. Is there a DEI area that you would like to see covered by the Code that is not in the draft Code?

   <QUESTION_03>

Pay equity practices are relatively nascent in the investments industry but a critically important manifestation of inclusion. The Code could elevate within Principle 3, Promotion and Retention, the pay equity element included within the interpretative guidance, by underscoring that inclusion is more than ensuring fair opportunities for advancement but also rewards that equitably recognize individuals' contributions. Further, implementation guidance attached to Principle 3 could expand upon behaviors specific to identifying and addressing bias, by leveraging input from employee engagement surveys that tie self-identifying information to the lived experience of team members and implications for retention and attrition patterns. Policies are a specific area worthy of examination for bias across organizations of all types, including leave policies, healthcare policies and benefits, etc.

Principle 5, Influence, could also go farther by directing signatories to not only collect and report on their own organization's diversity metrics, but to also collect such information from investment partners (managers in the case of asset owners and allocators, and portfolio companies in the case of investment managers). Signatories should be encouraged to collect this data during diligence for all new investments and to make a commitment to monitor progress against this baseline, both qualitatively and quantitatively, on an ongoing basis.

<QUESTION_03>

4. Will the draft Code help establish the changes in processes and practices that investment industry organizations need to drive up DEI internally?

<QUESTION_04>

Real, measurable change could be made more assured by marrying some of the specific substance within the implementation guidance to the high-level principles, or by expanding upon the reporting requirements to the CFA beyond metrics. The balance of the framework leaves room for significant interpretation and application, with varying degrees of implementation anticipated as a result.

Within the implementation guidance, many of the practices indicated would be beyond the reach of smaller organizations or favor public rather that private strategies. For example, within guidance for Principles 2 and 3, Talent Acquisition and Promotion and Retention, many smaller asset owners and managers may find it challenging to implement many of the recommended actions. Among Diversity in Action signatories, 25% of GPs have fewer than 50 staff, and 45% have fewer than 100. Among ILPA's 560 members, two-thirds have investment staffs of 5 or fewer. Within both small GPs and smaller asset owners, including some pension plans and foundations, there is less growth and/or movement within senior levels of those organizations; most growth and promotion happens organically from within. This recruiting pattern holds across private markets, regardless of size; the cadence around hiring and promotion is markedly different between private and public managers.

We encourage consideration of minimum demonstrable behaviors to satisfy each of the Principles, that account for the breadth of organizations in the investments industry by size.

<QUESTION_04>

5. Will the draft Implementation Guidance help enable the changes in process and practice that investment industry organizations need to drive up DEI internally?

<QUESTION_05>

The real power to affect change in the investments industry lies in the allocation of capital with aligned organizations dedicated to similar goals and values with respect to DEI. Ideally the Implementation Guidance should address not only internal behaviors but market-facing behaviors as well.

As noted above, the Implementation Guidance includes a comprehensive set of optional actions but does not indicate a minimum threshold that would be expected of all signatories; clearer direction on what constitutes adherence to the Code would be helpful in encouraging wider adoption across the industry.

<QUESTION_05>

6. To what extent would an investment firm becoming a signatory to the Code help provide the DEI-related information that is typically provided or asked for in Requests for Proposals (RFPs), Due Diligence Questionnaires (DDQs), other types of questionnaires and in client DEI-related discussions?

<QUESTION_06>

As with metrics, standardization in the provision of DEI information is essential to ensuring that minimum standards are being met with regards to transparency and consistency. As such, the proposed questionnaire should be revised to better reflect the sorts of questions typically requested by allocators of investment managers, in the context of an RFP or DDQ, and ideally aligned with existing industry standards, e.g., the

ILPA DDQ, INREV DDQ, AIMA DDQ, etc. ILPA's Diversity Metrics Template and DDQ serve as powerful tools for asset allocators that are already improving the quality of information sought and received from GPs; experience has shown that GPs will calibrate disclosures to LP requests for information. The suggested reporting framework and questionnaire could be better aligned with existing tools in use and patterns of inquiry in place among asset owners across different strategies.

<QUESTION_06>

7. To what extent are the draft Principles supportive of and complementary with local laws and regulations and other DEI codes and standards?

<QUESTION_07>

Given that the reporting framework and the Code appear to be geared specifically to North America, we believe the Principles are in line with local regulations but would likely benefit from further examination for suitability with jurisdictions beyond North America.

<QUESTION_07>

8. Would an investment organization becoming a signatory to the Code help provide investor reassurance about the investment organization's culture?

<QUESTION_08>

As with being a signatory to the ILPA Diversity in Action initiative, we believe that an investment manager's signatory status can send a powerful signal to current and prospective investors and opens the door for a different level of dialogue with LPs. That said, we find that LPs do not rely on signatory status alone but rather take that as the opportunity to probe on a GP's policies, practices, and behaviors in meaningful ways during the diligence conversation.

<QUESTION_08>

9. Would it be helpful if the Implementation Guidance to the Code is reviewed and updated annually or less frequently?

<QUESTION_09>

We propose that an annual review may be most appropriate in the early stages of the Code's adoption, with the potential for longer intervals between reviews once a core foundation of signatories has been established. The cadence of reviews and updates should be carefully considered, as a continuously changing framework may pose a hurdle to potential signatories concerned about “moving goalposts.” Any review should be predicated on ample advance notice and extensive consultation with signatories regarding any anticipated or recommended changes.

<QUESTION_09>

10. Would your firm be prepared to contribute examples of tested DEI practice to update the Implementation Guidance to the Code?

<QUESTION_10>

Yes, we would be pleased to share additional examples of tested practices coming out of our conversations with DIA signatories.

<QUESTION_10>

General comments section

11. General comments on the Code and Implementation Guidance:

<COMMENT_11>

The Institutional Limited Partners Association ("ILPA")[1] applauds the CFA's efforts to facilitate the investment industry's efforts to enhance diversity, equity and inclusion. ILPA is supportive of the principles-based approach taken by the CFA, coupled with metrics and practical implementation guidance. The Code's emphasis on action and leadership by example has the potential to serve as an important vector for broad-based and lasting change.

ILPA believes that diversity within organizations yields better outcomes, by bringing varied viewpoints and perspectives to bear in decision-making. Further, because our LP members serve wider society – charitable institutions, first responders and teachers, savers—reaching towards an industry that better reflects the people served is the right thing to do. ILPA is committed to advancing diversity, equity and inclusion across the private markets and has taken an active role in developing industry resources and leading initiatives for both LPs and GPs to further this goal, including the *Diversity in Action*[2] initiative, DEI Roadmap and Resources[3], reporting templates[4], standardized due diligence questions on DEI[5] and ESG Assessment Framework.[6]

ILPA's *Diversity in Action* initiative is not a pledge but a means of demonstrating the breadth and depth of specific practices undertaken today by industry leaders

[1] ILPA's 560+ member institutions represent over $2 trillion in private assets under management globally and include public and private pension funds, insurance companies, university endowments, charitable foundations, family offices and sovereign wealth funds. For more information on ILPA's members, please visit: http://www.ilpa.org/members.
[2] https://ilpa.org/ilpa_diversityinaction/
[3] https://ilpa.org/ilpa_dei_roadmap/
[4] https://ilpa.org/due-diligence-questionnaire/
[5] *Ibid.*
[6] https://ilpa.org/esg_framework/

to put their commitments to DEI into action, within their own organizations and with their investment partners. Like the CFA, we believe the demonstration effect is a powerful catalyst for change; our aim is that investment organizations of all sizes and stages of maturity will be inspired to follow the example of their peers. DIA is moreover a community of practice; our 180+ signatories gather each quarter to exchange ideas on a specific shared challenge and to probe on collective solutions.[7] ILPA's comments on the Exposure Draft of the Code reflect our learnings across conversations with DIA signatories, our members and industry stakeholders focused on the shared goal of improving information flows related to DEI and better accounting for our progress. Our comments are focused primarily on three recommendations:

1. Calibration of the Code, Reporting Framework and Implementation Guidance to a Broader Range of Institutions
2. Alignment with Existing Industry Reporting Standards on DEI
3. Clarity on Treatment of Data and Utilization of Metrics Reported

Calibration of the Code, Reporting Framework and Implementation Guidance to a Broader Range of Institutions

To achieve broad adoption of the Code across the investments industry, the principles and accompanying guidance should be relevant for a range of constituencies, including private markets, smaller organizations and investment managers (GPs) specifically. For example, within Principle 5, Influence, the wording expressly indicates that this Principle applies only to asset owners, allocators and consultants and not investment managers as well. It is conceivable that one interpretation of Principle 5 in practice, i.e., the manifestation of influence, would extend to Measurement in Principle 6, i.e., the commitment by allocators to collect and monitor DEI metrics and practices among managers across the portfolio. Given one expectation of Code signatories is that they will encourage their managers to comply with the Code

[7] https://ilpa.org/diareport/

as well, the requirements of the Code should be written to apply to this constituency. Within Principle 6, while asset owners should be expected to periodically update their boards, due to a differing governance structure, the Code should require regular reporting of DEI metrics to investors.

Within the implementation guidance, many of the practices indicated would be beyond the reach of smaller organizations or favor public rather that private strategies. For example, within guidance for Principles 2 and 3, Talent Acquisition and Promotion and Retention, many smaller asset owners and managers may find it challenging to implement many of the recommended actions. Among *Diversity in Action* signatories, 25% of GPs have fewer than 50 staff, and 45% have fewer than 100. Among ILPA's 560 members, two-thirds have investment staffs of 5 or fewer. Within both small GPs and smaller asset owners, including some pension plans and foundations, there is less growth and/or movement within senior levels of those organizations; most growth and promotion happens organically from within. This recruiting pattern holds across private markets, regardless of size; the cadence around hiring and promotion is markedly different between private and public managers.

Within the proposed reporting framework, there are opportunities to calibrate to a wider array of reporting by signatory institutions. In some cases, instructions and additional definitions may be needed to guide different types of organizations as to the metrics relevant to them. For example, non-listed private markets investment managers do not have boards.
Within the private markets, limited partners place a premium on metrics tied to influencers, ownership, decision makers and leadership with a view to succession and key person issues and the progression of next generation diverse talent. ILPA encourages the CFA to consider the addition of metrics on ownership for asset management firms, for example, as well as investment committees for all organizations. It would also be helpful to understand within the reporting framework how the indicated functional groups tie to the total workforce

figures, i.e., which metrics are intended to be mutually exclusive. For example, the ILPA Diversity Metrics Template takes a simplified matrixed approach, intended to roll up to total staff figures, that breaks down staff by investment professionals versus non-investment professionals, with an indication as to leadership versus non-leadership positions.
We encourage the CFA to consider how the Code's principles, implementation guidance and proposed reporting framework can be calibrated to apply to a broader range of institutions – asset owners, allocators and investment managers of varying sizes, strategies and maturity.

Alignment with Existing Industry Reporting Standards on DEI

Since 2011, ILPA has dedicated meaningful effort to standardization of information flows in the private markets, essential to enhanced transparency, stronger alignment and improved measurability of outcomes. ILPA recognizes the imperative for more fulsome and consistent reporting on organizational diversity metrics.

The ILPA Diversity Metrics Template was released in 2018 as the private markets industry's first standard for capturing team-level diversity in GP organizations. Recognizing the limitations of reporting practices at that time, the 2018 version included a gender-only version as well as suggested race and ethnicity designations across four jurisdictions (U.S., Canada, U.K. and Australia).

Encouragingly, practices have since evolved to include more dimensionality in diversity metrics, while at the same time inquiries have become more tailored to focus on the metrics that matter most. To reflect the maturation of DEI reporting in the private markets, ILPA recently proposed several revisions to its Diversity Metrics Template.

Suggested changes are intended to bring the template in line with the information deemed most critical by asset owners, by streamlining reporting to a simplified set of roles and functions that align with LPs' emphasis on diversity in leadership and investment decision-making, and the addition of information on the diversity of GP ownership and investment committees.

Revisions also reflect greater depth in the metrics requested and reported, for example the inclusion of a non-binary option on gender and the inclusion of data related to employees who identify as LGBTQ+, veterans and persons with disabilities.

In line with asset owners' interest in drawing conclusions about diversity across the breadth of their portfolios, including but not limited to private markets, the ILPA template now features a globally harmonized set of race and ethnicity designations rather than jurisdiction-specific metrics as well as diversity metrics at the portfolio company level – with a focus on boards of directors, board chairs and senior management.

ILPA has determined that country-specific granularity is less helpful from a total portfolio perspective; harmonization is useful in helping asset owners and allocators to draw conclusions about diversity across the breadth of their portfolios. Recognizing the challenges towards comprehensive reporting on race and ethnicity in many jurisdictions, the revised template allows for reporting on a best-efforts basis with the addition of a "no information available" option in cases where local privacy laws or other restrictions impede data collection.

We recognize that numbers tell only a portion of the story, but they can be an important place to start and provide an important backdrop for essential conversations around steps being taken to advance DEI. To that end, ILPA has also expanded on the questions related to DEI in the ILPA DDQ, currently subject to public comment through September 24.[8]

The ILPA DDQ probes on several areas related to a manager's DEI practices that may be worthy of consideration for inclusion in the questionnaire that accompanies the Code's reporting framework, with amendments made as needed to be equally relevant for asset allocators. Specific examples include:

- Recent (last three years) changes or anticipated changes to the firm's DEI policy, Code of Conduct or family leave policy
- Details on the manager's family leave policy
- Portfolio company data collection practices by managers
- Existence of an organizational Code of Conduct that addresses harassment, discrimination, and workplace violence
- Policies and protocols in place for the reporting and investigation of harassment and/or discrimination
- Existence of any claims of sexual or general harassment, misconduct or discrimination against any current and/or former employees within the last five years
- Practices by managers to encourage portfolio companies to implement a DEI policy, statement or strategy and/or a Code of Conduct
- Details on the diversity of individuals with an economic interest in the firm
- Diversity within the firm's Investment Committee, including individuals with voting power, as well as the breakout of deals led or co-led by diverse staff/underrepresented groups
- Diversity metrics for staff hired, promoted and departed in the last year, including context on how those changes have impacted on the firm's overall diversity metrics
- Any distinctions in recruitment processes related to different job levels and functional roles, e.g., between investment professionals and non-investment professionals.

[8] https://ilpa.org/due-diligence-questionnaire/

- Means of consideration of DEI in evaluation of prospective investment opportunities, e.g., how DEI factors into due diligence and Investment Committee deliberations and development of portfolio company value creation plans
- Description of any commitments or targets tied to the promotion of diversity with boards of directors at portfolio companies.

Provide Additional Clarity on Treatment and Utilization of Metrics Reported

While our industry has made meaningful progress on transparency related to DEI, today many organizations still consider details on workforce diversity to be sensitive information, particularly where data is self-reported by employees under the promise of confidential treatment of that information. ILPA's Diversity in Action initiative does not mandate that signatories provide workforce diversity data to ILPA. While some elect to do so, prospective signatories—and their legal and compliance teams in particular—often raise concerns about sharing information about employee policies, and metrics especially, with any outside organization. The requirement to provide data poses a potential hurdle to adoption without ample clarification as to ownership, the data privacy and integrity measures in place and how any data provided will be managed for the purposes of generating industry-level statistics.

The ability to benchmark progress on diversity within one's own institution against that of a peer cohort can be a powerful motivator. The CFA might consider under what circumstances, e.g., minimal sample size, aggregate comparative analytics by peer cohort could be made available.

Finally, there are a growing number of data platforms serving the investments industry that are undertaking similar efforts to generate both aggregate and benchmarked statistics on diversity.[9] At minimum, the CFA should contemplate

[9] For example, NASDAQ eVestment - https://www.pionline.com/esg/evestment-make-diversity-and-inclusion-data-free-investors.

how the proposed reporting framework will align with these efforts and the management of such information at scale.

The broad embrace of DEI across the investments industry has been encouraging; however, disparate frameworks guiding behavior and reporting may ultimately undermine the goal of greater transparency and consistency. It's critical that the broader industry contemplates opportunities for alignment and convergence, to support asset owners' ability to derive a holistic assessment of diversity and progress across their portfolios and to avoid fragmentation or confusion regarding the information required and how it will be used to inform decision-making.

We hope that more consistent and fulsome disclosures on DEI metrics and specific practices in place will lay the foundation for a more fully informed conversation among investment practitioners that contributes to real change and more sustainable long-term value creation.

<COMMENT_11>

12. Comments on Principle #1 and associated Implementation Guidance:

<COMMENT_12>

ENTER RESPONSE HERE

<COMMENT_12>

13. Comments on Principle #2 and associated Implementation Guidance:

<COMMENT_13>

Within guidance for Principles 2 and 3, Talent Acquisition and Promotion and Retention, many smaller asset owners and managers may find it challenging to implement many of the recommended actions. Among Diversity in Action signatories, 25% of GPs have fewer than 50 staff, and 45% have fewer than 100. Among ILPA's 560 members, two-thirds have investment staffs of 5 or fewer. Within both small GPs and smaller asset owners, including some pension plans and foundations, there is less growth and/or movement within senior levels of those organizations; most growth and promotion happens organically from within. This recruiting pattern holds across private markets, regardless of size; the cadence around hiring and promotion is markedly different between private and public managers.

<COMMENT_13>

14. Comments on Principle #3 and associated Implementation Guidance:

<COMMENT_14>

ENTER RESPONSE HERE

<COMMENT_14>

15. Comments on Principle #4 and associated Implementation Guidance:

<COMMENT_15>

ENTER RESPONSE HERE

<COMMENT_15>

16. Comments on Principle #5 and associated Implementation Guidance:

<COMMENT_16>

Within Principle 5, Influence, the wording expressly indicates that this Principle applies only to asset owners, allocators, and consultants and not investment managers as well. It is conceivable that one interpretation of Principle 5 in practice, i.e., the manifestation of influence, would extend to Measurement in

Principle 6, i.e., the commitment by allocators to collect and monitor DEI metrics and practices among managers across the portfolio.

<COMMENT_16>

17. Comments on Principle #6 and associated Implementation Guidance:

<COMMENT_17>

Given one expectation of Code signatories is that they will encourage their managers to comply with the Code as well, the requirements of the Code should be written to apply to this constituency. Within Principle 6, while asset owners should be expected to periodically update their boards, due to a differing governance structure among GPs, the Code should require investment manager signatories to regularly report DEI metrics to investors.

<COMMENT_17>