

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)

<p>Respondent:</p> <p><i>(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.)</i></p>	<p>Click or tap here to enter text.</p>
<p>Stakeholder Group:</p> <p><i>(Please select the stakeholder group with which you most closely identify.)</i></p>	<p>Consultant or Advisor</p>
<p>Region:</p> <p><i>(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.)</i></p>	<p>North America</p>
<p>Country:</p> <p><i>(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.)</i></p>	<p>Canada</p>
<p>Confidentiality Preference:</p> <p><i>(Please select your preference for whether or not your response is published on the CFA Institute website.)</i></p>	<p>yes, my response may be published</p>

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, especially that the investment industry is responsible for the drive and growth in ESG investing, it is only appropriate that the industry practice what it preaches. It also allows us access to the first-person experience in developing best practices that other industries could adopt and improve their social impact, contributing to the whole sustainable finance framework.

<QUESTION_01>

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

<QUESTION_02>

The six Principles serve as good foundational standards for promoting an inclusive culture. I would imagine that over time the principles would expand as social factors under the DEI framework evolve.

The current Principles emphasize a commitment to people and individuals without consideration for other elements for a successful cultural transformation such as process, technology and the environment, including the workplace, and the relationship amongst these elements. However, although the third principle under Promotion and Retention speaks to practices to reduce barriers to progress, separate principles underscore the importance of having processes, technologies and safe working environments integrated into an organization's operations. The distinct principles will govern these other elements conducive to employees doing their jobs to their best abilities.

For example, applying the Universal Design Principle to the organization's systems will include assistive technologies, which are critical to several key segments of the working population. Such principles appeal to disenchanting employees who may not leave the organization but potentially impact its culture. They are frustrated due to barriers that the organization can

alleviate by recognizing the need to evolve their systems to meet their employees' needs. It is the consideration of creating the processes, providing the technologies and supporting a healthy environment that attracts talent and allows employees to bring their authentic selves to work.

Perhaps this is covered under the fourth principle, point vii, "Systems can be designed to create change or perpetuate and support the status quo. Reviewing organizational systems, people processes, and decision making through this lens can help identify obstacles to DEI." However, because an organization today is a complex system, more guidance to cover all the primary elements of an organizational system would be helpful.

<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>

The importance of continuous outreach and developing relationships beyond the needs of creating the Pipeline is another aspect of DEI worth consideration. There is a perception that the investment management business is equivalent to extractive industries, where talent is commoditized and used in exchange for monetary payment, a one-sided relationship. However, will the DEI code go beyond the exchange of money for services provided and support social policy reforms for marginalized communities to improve social outcomes? The DEI code promotes hiring diverse individuals for cultural "add" and not "fit". As a result, organizations need to engage with the systemic issues to understand all dimensions of such communities and employees beyond "organizations should undertake measures to support such organizations financially" (first principle, point v).

Although the practice guidance under the first principle indicates that this work can form part of a CSR policy and can be linked to developing ESG factors for initiatives, it is essential to differentiate community outreach and CSR-type activities from outreach to attract diverse talent, they are different. However, for any DEI initiatives to be true to their cause, they cannot distance themselves from other related outreach; organizations need to have a unified voice and approach to any social agenda and avoid conflicting messages and interests. Organizations not doing so can undermine and attack the credibility of the initiative.

<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>

It is a starting point. However, it appears that the nature of this initiative is of continuous improvement and evolving as is with human behaviour and the environment where we live and work.

DEI factors are the main drivers in Identity Economics, which provides a different perspective to understanding human behaviour in how our identities influence our decisions and how we interact with others in society. It is a relatively new social science that bridges a critical gap within the broader discipline and gives economics a sense of identity and standards where people's ideas about what is socially acceptable and what is not, as well as for whom, are essential to the quality of life they live.

For historical context from a finance perspective on Identity Economics see

<https://www.worldfinance.com/wealth-management/identity-economics-how-financial-decisions-are-driven-by-our-sense-of-self>

<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 draft Implementation Guidance is helpful. However, certain parts require clarification, in addition to sharing case scenarios within the guide can help users understand some of the social dynamics at play. Understanding social issues can be complicated, and not everyone has lived experiences to relate to others. Therefore, using the art of storytelling to showcase different scenarios can hopefully help the audience, especially the "normative" group, understand these issues better.

<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>

Becoming a signatory to the Code would help provide a standard reporting framework that allows users to improved data quality, frequency, and comparability. It could also serve as a criterion for investors and consultants to create a list of potential candidates governed by DEI principles.

Signatories of the Code would essentially represent a network and, as a result, all the benefits of belonging to a network; best practices, collaboration, education, improving the DEI presence within the industry, to name a few.

<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>

In Canada, the draft Principles are very supportive of and complementary with local laws and regulations and other DEI codes and standards, they are as follow:

- Under the **Canada Business Corporations Act (CBCA)**, incorporated public companies must disclose their diversity policies and the composition of their boards and senior management as of **January 1, 2020**.
- The Canadian Securities Administrators amendments to **National Instrument 58-101 - Disclosure of Corporate Governance Practices** - TSX-listed companies/issuers are required to provide disclosures about the representation of women on boards and in executive officer positions as of **January 2015**. They also launched consultations on "broader diversity" disclosures among corporate directors and executive officers.
- The Ontario Securities Commission (OSC) Capital Markets Modernization Taskforce Final Report, January 2021, recommended that Ontario securities legislation be amended to require publicly listed issuers in Canada to set board and executive management diversity targets and implementation timelines. The OSC acknowledged this recommendation in their **Notice Statement of Priorities for Financial Year to end March 31, 2022**. Under "GOAL 4 – Strengthen Our

Organizational Foundation; People, Technology, and Information," they intend to "foster inclusion, equity and diversity" in Ontario's Capital Markets.

- In **October 2020**, the Responsible Investment Association (RIA) launched the **Canadian Investor Statement on Diversity & Inclusion**, its DI/DEI pledge to promote diversity and inclusion in their portfolios and institutions where more than \$2.3 trillion in assets became signatories.
- **The Reconciliation and Responsible Investment Initiative (RRII)**, formed in 2016, works with Indigenous and non-Indigenous investors to build a financial system inclusive of Indigenous perspectives and rights. The Government of Canada's introduction of **Bill C-15** is critical to raising the minimum standards of Indigenous rights in Canada. RRII works with Canadian institutional investors to integrate Indigenous rights and reconciliation commitments throughout capital markets and the Canada's corporate sector.

<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>

An organization becoming a signatory to the Code would not necessarily help provide investor reassurance about the investment organization's culture. One can reference other principle-driven initiatives that have been around over a decade to see the challenges they have experienced due to the lack of transparency and accountability not being built into the process from the onset of the mission.

However, the DEI Code's sixth principle is the commitment to measuring and reporting progress in driving better DEI results. Therefore, once organizations commit to the Measurement Principle and are held accountable to all six principles, it would more likely reassure investors about the investment organization's culture.

<QUESTION_08>

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

<QUESTION_09>

As a starting point, it would be helpful to review and update the Implementation Guidance to the Code annually. The DEI space is growing and continuously improving, especially from the last few years, and in tandem with ESG investing. Once DEI practices remain more policy-driven than mandated by law, updating the document would depend on the market trends, which is more frequent than if it were driven by regulation.

<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>

Not applicable.

<QUESTION_10>

DEI CODE AND IMPLEMENTATION GUIDANCE FOR INVESTMENT ORGANIZATIONS

General comments section

11. General comments on the Code and Implementation Guidance:

<COMMENT_11>

In conjunction with the other participants listed in the Exposure Draft, the CFA's work on the development of the Code and the Implementation Guidance is commendable. It is a much-needed initiative in a complex business that can offer structure and guidance in a fluid space to achieve improved outcomes. The general comments for this section have two themes; logistics and resources.

Logistics

The comment is related to responses #13 and #16; more details around who or what organization will coordinate the promotion and implementation of the Code are needed. This initiative would work more effectively among domestic participants when leading domestically in implementing some of the Code principles. For example, in Canada, asset owners would be represented primarily by our federal and provincial pension investment boards, foundations and churches, which typically work with local organizations on social issues. How would the CFA Institute DEI Code be promoted and coordinated amount this distinct group of participants to ensure active engagement?

Resources

The list of resources provided covers mainly BIPOC and Gender agencies. Representation for other marginalized communities such as those that represent Sexual Orientation, Neurodiversity, Disability and Mental Health, to name a few, are also needed.

<COMMENT_11>

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

<COMMENT_12>

Under point vii, *“Showcasing diverse employees as role models on public websites helps to give potential candidates the message that the firm values those from historically underrepresented groups.”* A display of this sort could be viewed as “socialwashing” if the organization does not accurately represent a diverse workforce. It would be helpful if such firms also showcase the diversity of their board membership.

<COMMENT_12>

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

<COMMENT_13>

“We also commit to collaborating with other organizations to identify and drive better DEI practices in external recruitment, including hiring for cultural add rather than cultural fit and modifying practices to consider a wider range of education level, degree type, and experience.”

This is an excellent commitment. However, how are organizations expected to collaborate and through which entity or platform? This commitment requires clarification.

Under point ii, *“Organizations must pay attention to creating and implementing a fair and consistent experience for candidates. Interviewing should use standardized, competency-based questions appropriate to the role and score candidate responses’ numerically.”* Interviewing “standards” do not work for some candidates. For example, neurodiverse candidates such as those with autism may fail to interpret social cues and overlook nonverbal communication through a standardized interviewing procedure.

<COMMENT_13>

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

<COMMENT_14>

“Reverse mentorship programs,” under point vi and *“Coaching and support to enable apparently under-performing individuals to improve”* under point xiv are helpful approaches. As this

initiative is grassroots in nature, leadership driving bottom-up approaches will complement the top-down methods that are more commonly known, where together, both can improve chances for better outcomes.

<COMMENT_14>

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

<COMMENT_15>

Under point xviii, "DEI is also relevant in downsizing/layoff procedures. These policies are less likely to adversely affect workforce diversity if they use previous performance ratings rather than last-hired/first-fired or job-category rules (everyone in particular support roles, for instance)." Downsizing or layoff on performance could be an issue for vulnerable employees who never had the needed workplace accommodations to perform at their best. There is no acknowledgment for that individual's possible lack of equity when basing it on pure performance.

<COMMENT_15>

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

<COMMENT_16>

Similar to the response provided for Comment 13 on Principle #2, how are "asset owners, allocators, and consultants" expected to collaborate to use their role, position, and voice to promote and increase measurable DEI results in the investment industry? As this is a distinct and separate group to investment managers, but they are also partners in the overall DEI process, through which entity or platform will they be able to coordinate their efforts? This commitment requires clarification.

<COMMENT_16>

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

<COMMENT_17>

Under the sub-section Suggestions on What to Measure, point b, *"We recommend use of the EEO-1 categories, with Hispanic broken down by race."* The form "Reporting Framework for public consultation" does not appear to collect the individual race under Hispanic. Currently, it only contains the number and % of Hispanic or Latino Americans.

Under the section General Guidelines, point viii, *"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."* Is there a standard criterion that can be used to determine when a firm is too small or when a firm is too early to complete the whole Reporting Framework? Perhaps use a grace period for their reporting to allow them the time to build out their requirements and that they do not continuously rely on limitations from participation. What were best practices used by the UN Principles of Responsible Investing (UN PRI) when they worked with signatories of this type for their reporting requirements?

Under the section General Guidelines, point xi, *"Signatories should consider signing additional DEI pledges."* There should be some discretion on which DEI pledges to sign. Organizations do not want to build a perception of "socialwashing" by signing "empty" DEI pledges.

Under the section Specific Guidelines by Principle, Influence, point 3, *"Committing as signatories to participate in one industry DEI event per quarter. Participants will be executives or senior-level staff."* Why limit it to senior roles? This idea goes against the very spirit of the mission.

<COMMENT_17>