

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>	NEI Investments
<p>Stakeholder Group:</p> <p><i>(Please select the stakeholder group with which you most closely identify.)</i></p>	Investment Manager
<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>	North America
<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>	Canada
<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>	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?

We agree that the investment industry would benefit from industry alignment on the need for action with respect to DEI. Any such approach necessitates clear recommendations and guidance in order to facilitate industry-wide movement. That could be accomplished through a DEI Code. A DEI code could provide some clarity to actors on steps to be taken to progress on these issues.

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

Yes.

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

The key areas have been covered, though as detailed in question 5, there could be greater references to including time bound targets that could assist in fostering momentum and ensuring consistent improvement in process.

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

The draft Code has potential to help provide a principled and shared framework for how investment industry organizations approach DEI. We believe this is helpful in setting expectations for the industry on the need to improve on its approach to DEI, especially given the expectations by investors and other stakeholders for companies to better their DEI policies and practices. It is critical for the investment industry to also look internally to facilitate progress on DEI.

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

The draft code provides helpful guidance by providing steps investment industry organizations should take to foster more diverse, equitable and inclusive workspaces. The recommendations provide tangible examples on how firms can change their policies and processes. However, there is room to include some more helpful instruction on how to use the Implementation Guidance itself. How might actors prioritize acting on the steps noted in the Implementation Guidance? What actions may be more appropriate for the short versus long term? Does leadership in DEI necessitate action on all points or select points as can be meaningfully integrated at the firm?

Additionally, we often speak about time-bound targets in the context of DEI within companies. As companies are required to measure their progress, we would also like to see the code press the concept of time-bound targets that ensure urgent action and consistent progress on DEI issues by investors.

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?

This would help create some minimum and consistent expectations on the types of information that investment firms should be ready to provide in these client DEI-related discussions. This should indeed simplify the process of reporting and collecting this DEI-related information for all parties involved.

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

In the Canadian context, the requirements of the DEI Code would be more comprehensive than current local laws and regulations for both investment firms, and investees. Nonetheless, a shift in DEI-related reporting is underway in Canada, as can be seen by the enhanced disclosure that companies now need to comply with under the *Canada Business Corporations Act*. Investment firms that comply with the DEI Code could then be well positioned to respond to any heightened expectations on DEI-related disclosure that could be a consideration for the industry in the future.

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

Becoming a signatory could provide helpful reassurance about the organization's culture as unlike many initiatives to date that do not have an accountability check or review process, the reporting framework under the proposed DEI Code fosters accountability. It creates an obligation on the part of investors to meaningfully follow through with their commitment to the Code. This is not a common element in many statements and commitments to date, as many do not also include a means by which entities have to account for their progress.

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

An annual review to start would be helpful. As DEI expectations and best practices are evolving, and investment firms will be learning and iterating on practices, for the Implementation

Guidance to maintain its usefulness, it will need to be updated to reflect new lessons, and expectations in relation to DEI policies and processes. Reviews could be conducted less frequently over time.

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

Yes.

DEI CODE AND IMPLEMENTATION GUIDANCE FOR INVESTMENT ORGANIZATIONS

General comments section

11. General comments on the Code and Implementation Guidance:

We generally feel that the Code and Implementation Guidance are strong. They may present as ambitious for the industry, but this ambition is required in order to facilitate meaningful change and a true shift towards inclusion.

We would also note that we see a connection between an investment industry that is guided by consideration of ESG issues, and one that is increasingly more diverse, equitable and inclusive. We consider that individuals from underrepresented person groups may in fact be more attracted to working for firms that show themselves to prioritize ESG issues. More specifically, firms that consider an approach to ESG that elevates the voices of those who have generally been underrepresented but yet remain very much impacted by investment decisions and corporate activity in our society, may ultimately be better positioned to attract a more diverse candidate pool.

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

We are pleased to see recognition in this Principle and related guidance of the need to consider outreach to students, before and during tertiary education. Beyond guidance 'iv', we think it may be necessary to provide smaller organizations with some guidance that is tailored to their resourcing realities. For example, guidance 'i' which notes that "work should include regular outreach to a broad swath of institutions" – could instead direct smaller enterprises to consider opportunities for outreach within their communities, or the feasibility of working with other firms or investor associations to accomplish these goals in a focused but meaningful way.

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

We support Principle #2 but we would also add to guidance 'v' in that beyond educational and professional attainment being reviewed in the context they were achieved, recruiters should also be conscious of how their own biases frame their perception of skillsets presented through different experiences, and how they may in turn impose those perceptions on different candidates. That is to say, that 'alternate' but legitimate contexts of demonstrating skillsets (such as working 2 jobs and having caring responsibilities) should not be viewed as a concessionary way of indicating what is indeed a strong show of skill or aptitude.

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

Promotion

There is immense benefit that comes from access to opportunities in the workplace that allow employees to demonstrate their skills and aptitude, and that can open doors for promotion

opportunities. Ensuring all employees have access to these “step-up opportunities” or “stretch projects”, as they are referred to in the guidance, is critical. As part of an equitable approach, it is important to consider how people managers are trained on identifying biases that may mean certain groups or certain individuals are afforded disproportionately more or less access to these opportunities.

Retention

Guidance ‘xi’ notes that effective early steps in a firm’s DEI journey may include work around ensuring safe spaces to escalate issues around harassment or disrespectful behaviour. It is our view that this is not optional, this has to be foundational. If employees cannot feel safe and heard in the workplaces in these most grave instances, it seems that any likelihood of facilitating a more inclusive workplace will be hampered by these concerns.

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

We support Principle #4 but would seek further clarification in the guidance on board oversight of these issues and the kinds of information the board of organizations in the investment industry receive in relation to DEI at the organization. We recognize that the guidance highlights CEO involvement as necessary on these issues – but there isn’t much other information provided on broader board oversight on these issues. For example, it would also be helpful to recommend that these issues be considered as part of a committee mandate on the board. We’ve also noted that within Principle #6 there is some discussion on how certain information should be reported to the board but more fulsome guidance under principle #4 would be appropriate.

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

We support Principle #5, though we seek clarification on the “anti-slavery affidavit” detailed under Guidance ‘viii’. Would a broader commitment to human rights detailing a commitment against modern-day slavery meet this requirement? If not, what are the specifications of this guidance and what information is to be detailed in this affidavit?

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

We are pleased to see that measurement of progress on DEI is a key consideration under the Code. We do seek some further clarification on how the CFA will be using and seeking to present the information collected through the reporting framework.

Within the Implementation Guidance we believe there should be more focus placed on the need for interim goals in guidance ‘vi’. We believe it is important to set long-term goals that are then broken down into short term, and mid term goals. This will allow a firm to assess gradual progress, learn and pivot as needed in order to better position itself to meet long term goals.

We note that Guidance 'vi. Influence' at 'issue 3' notes that signatories should commit to participating in one industry DEI event per quarter. We think it would be helpful to clarify what would be considered an 'industry DEI event' and what the goal of attendance at these events would be. We presume a goal would include allowing for opportunities to share learnings and insights? If so, are there other ways organizations can accomplish these goals? We ask these questions to ensure that firms are encouraged to consider the ultimate outcomes sought from these activities, to avoid this becoming a 'check box ticking' exercise.