



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

2023



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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.

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PREAMBLE

In March 2020, the CFA Institute Diversity, Equity, & Inclusion Steering Committee tasked the Diversity, Equity, and Inclusion (DEI) Code Working Group, now the DEI Code Subcommittee, with developing a set of principles to drive greater diversity, equity, and inclusion within the investment industry. The resulting set of principles formed the basis for a DEI Code. The UK version is the next stage in its global development, created by another specially constituted working group of investment professionals and DEI experts.

Given the reputation of CFA Institute for rigor and high standards, as well as its focus on comprehensive strategies for effecting change, the DEI Code authors took an immersive approach. We shared a common belief that progress requires commitment from the senior leaders at investment organisations who would have to both lead by example and hold their organisations accountable. It takes everyone to make a difference with accountability, starting at the top.

We settled on six core principles that would require the support of the leadership: Pipeline, Talent Acquisition, Promotion and Retention, Leadership, Influence, and Measurement. Each organisation must commit to working on these core principles while collaborating with others in the field, working purposefully toward the goals, and promoting the ideals throughout the industry.

The DEI Code Subcommittee is aware that the industry comprises a diverse set of institutions of different sizes, each with different starting points and tool kits. As a result, the Group wanted to focus on principles that were appropriate for all signatories but accommodative of many different implementation strategies. Considerable time was invested in developing a variety of recommended implementation strategies for each principle so that every signatory could choose the mix appropriate for their institution. These strategies appear in the Implementation Guidance, which supports the DEI Code. **The Group understands that not all organisations have the same capacity or start from the same place, but the expectation is that all signatories to the DEI Code will commit to real change, to having stimulating conversations, and to making the necessary investment of resources. Moreover, all signatories will commit to continuous improvement through learning and adapting.**

Looking critically at your organisation and committing to making sustained change is never easy, and the investment industry has made attempts before without lasting impact. However, CFA Institute and those charged with designing the DEI Code know that this commitment will lead to greater inclusion of wider viewpoints from the best talent, which will result in better investment outcomes, help create better working environments, and generate a cycle of positive change for future generations.

–The DEI Code Subcommittee

PREFACE

DEI are crucial elements in the future of the investment industry and the success of investment firms. CFA Institute recognises that when a diversity of perspectives is nurtured in an organisation with an inclusive culture, awareness and education, and effective working relationships, these will lead to better investor outcomes. An inclusive investment industry will better serve our diverse society. The DEI Code aims to

- **meet the industry where it is**, accurately defining the current state of DEI in investment management;
- **define key principles for firms to implement**, to drive improvement from a realistic foundation; and
- **provide a metrics-based reporting framework**, to produce meaningful results.

We trust signatories will be able to demonstrate innovation in their approach to these principles. The Principles are intended to be additive to existing commitments because they are specifically designed for the investment industry. They are all equally significant: Their position does not indicate a hierarchy of importance. However, we understand that signatories may have more work to do in one area than in another. Assessing their priorities is part of the work of integration over time. We understand that not all organisations have the same capacity, but the expectation is that all signatories to the DEI Code will commit to real change and to making the necessary investment of resources. Moreover, all signatories are expected to commit to continuous improvement through learning and adapting.

In creating this voluntary Code, we consulted extensively with a wide range of industry trade bodies, other stakeholders, and regulators, and we reviewed existing pledges and frameworks with a view to collaboration wherever possible. CFA Institute is also working with a number of entities to explore closer alignment between our Reporting Framework and other reporting templates. We will share this work with signatories as part of our support and guidance for them, and we will consult with the industry on any significant changes in our Reporting Framework in the future.

We ask at the outset that signatories commit to reporting on their DEI metrics and discussing their progress with us. We designed the Reporting Framework to guide signatories in this process, which can be used by any size of organisation. CFA Institute is a professional organisation, neither a governmental or regulatory agency nor a trade body—hence our emphasis on the voluntary nature of this Code. Our 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.

Although this is a voluntary code, we are keen to ensure that signatories demonstrate accountability for their commitment. Following public commitment to the Principles, signatories will provide a confidential, annual progress report to CFA Institute External DEI and Code & Standards teams using the Reporting Framework within the annual reporting window from January to June. In turn, CFA Institute will report on industry-level statistics once a critical mass of signatories has been reached and individual organisations cannot be identified. However, we also encourage signatories to report their DEI metrics publicly.

Individual consultations with signatories are part of the reporting process. In these meetings, each signatory will have an opportunity to explain what their DEI goals are and what their processes for and progress toward integrating DEI are. Overall, we will ask them to show how their culture is shifting. The Reporting Framework also contains qualitative sections for this information.

Individual company details will be kept confidential, although with their agreement, firms' progress may be showcased, with appropriate measures to protect employee confidentiality, on the Code's webpages, at our conferences and webinars, and in CFA Institute publications to keep the industry and partners

knowledgeable and accountable. CFA Institute will take the lead in convening annual roundtables for signatories to share their practices, report positive business impact from their DEI initiatives, including their cycle of positive change, and explore new ideas, which may well be different from those in the Implementation Guidance. We will also work to integrate these lessons into our resources for our members. Therefore, accountability for impact is a critical factor for all entities involved.

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

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

- An established senior leader ownership and oversight governance process
- Formal, written, publicly available communications outlining the organisation's DEI strategy, policy, commitments, and high-level objectives
- An implementation plan to integrate DEI within the signatory organisation's people, processes, and policies

However, it must be emphasised that CFA Institute is recommending, and the DEI Code is designed to enable, accelerated change in investment organisations of any size—hence the illustrative Commitment explaining possible actions for each Principle. In response to feedback from the industry, we have set out this version of the Code in a manner that takes account of the variety in size, structure, and resources of signatory organisations and seeks to be scalable and flexible, as well as rigorous. The Implementation Guidance, a core component of this Code, has ideas and strategies from foundational and simple to more complex for signatories with mature DEI practice, with flexibility for small firms. Therefore, while the Code constitutes a voluntary and aspirational set of baseline principles for firms to work toward, we look for more than a minimal mindset.

We considered but decided against setting the minimum action required to adhere to each Principle since each organisation will be at a different stage with its own strategic priorities and set of available resources. Overall, we expect signatories to focus on the most impactful initiatives for their own circumstances, which they can determine by conducting a DEI self-assessment and aligning it to their strategic plan.

The Implementation Guidance is not an exhaustive list of all the available actions. It will be revised and updated annually by CFA Institute to reflect effective, tested DEI practice, including that of signatories. The guidance is intended to provide a wide range of resources to match to the needs each signatory assesses they require to make progress; some will be more appropriate for the short versus the long term. It is not envisaged that every aspect be covered at once; rather, organisations choose a selection of actions according to their strategic priorities and capacity.

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

–CFA Institute DEI Code (UK) Working Group

EXECUTIVE SUMMARY

Our Purpose

We recognise that a diversity of perspectives will lead to better investor outcomes; an inclusive and equitable investment industry will better serve our diverse society. Further, we recognise that an organisation with an inclusive culture, awareness and education, and effective working relationships is a better place to work. We also understand the importance of improving equity while acknowledging the magnitude of the task. Therefore, our scope is within the workplace where we have direct agency and where we have influence as investors. Our commitment to this Code is a long-term commitment to cultural change at all levels in our organisation.

An Introduction to the Six Principles

Principle 1: Pipeline—We commit to expanding the diverse talent pipeline.

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

Principle 3: Promotion and Retention—We commit to designing, implementing, and maintaining inclusive and equitable promotion and retention practices to reduce barriers to progress.

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.

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

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.

Our Commitment

In addition to the Principles, we undertake to accelerate and amplify their impact by making the economic, business, and moral case for DEI as follows:

- COLLABORATE with other firms to publicise careers in the investment industry and provide informational materials, combined with concerted outreach to extend economic opportunities.
- SHARE tried and tested DEI practices with other signatories, working and learning together to develop new, aspirational strategies and to build awareness that integrating DEI can improve investment outcomes and enhance business success.
- PROMOTE acceptance and implementation of the Principles within the investment industry by speaking about our progress and socialising the DEI Code and the Principles with our global workforce and colleagues to improve understanding of the wider society we serve.

THE DIVERSITY, EQUITY, AND INCLUSION CODE (UK)

We first define key terms in the Code, and then we provide the definition and commitment for each Principle.

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

Definition of Inclusion

A dynamic state of operating in which any employee can be and feel respected, valued, safe, and fully engaged.

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

The Principles

We as signatories of the CFA Institute DEI Code commit to the following principles:

Principle 1: Pipeline—We commit to expanding the diverse talent pipeline.

Definition:

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

Commitment:

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 See the suggestions in the Resources section of the Implementation Guidance.

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

Definition:

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.

Commitment:

We commit to creating, implementing, and regularly reviewing robust talent acquisition processes and policies, such as anti-bias, cultural competency, and other educational training for hiring managers, interviewers, and recruiters, as well as 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.

We commit to systematic outreach to attract talented but often overlooked individuals from underrepresented 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.

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.

Principle 3: Promotion and Retention—We commit to designing, implementing, and maintaining inclusive and equitable promotion and retention practices to reduce barriers to progress.

Definition:

Promotion. 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.

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.

Commitment:

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.

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

Definition:

Leaders set the standards and expectations for inclusive 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.

Commitment:

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.

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

Definition:

As organisations, members, and clients of the investment industry, we can lead by example and motivate others, both internally and externally. We can encourage 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.

Commitment:

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.

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.

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

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.

Principle 6: Measurement—We commit to measuring and reporting on our progress in driving better DEI results within our firm. We will provide regular reporting on our firm's DEI metrics to our senior management, our board, and CFA Institute.

Definition:

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.

Commitment:

We commit to an annual completion of the Reporting Framework and to the regular review of the returns by senior management, including updates for our board, to ensure our 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 human resources (HR) systems or through reporting. We also commit to collaborate 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.

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