
Industry Actions for Racial Equity – Investment Management

Workplace Transformation Guide

May 2023





Increasingly, the W.K. Kellogg Foundation (WKKF) is seeing business leaders bring action-oriented mindsets to advancing racial equity, diversity and inclusion in their organizations.



In 2020, WKKF began working with a network of companies as part of our [Expanding Equity](#) program to advance racial equity, diversity and inclusion in the corporate sector. The program is helping companies become more racially equitable places of opportunity. This means that companies focus on their internal transformation so that they can be corporate leaders for advancing racial equity with their employees and through their actions in communities.



Since the Expanding Equity program started, it has taken nearly 100 companies through its core program on building a robust racial equity strategy for their organizations. Many of those companies are from the Investment Management industry, and they have an outsized potential to influence the direction of racial equity because of their reach internally and externally.



In this Transformation Guide, we review the state of racial equity for the Investment Management industry and curate a set of insights, examples, mini-case studies, and resulting impact from Expanding Equity network members that we hope will help and inspire other companies along their journey of racial equity. **The aim of this Transformation Guide is to break down the walls, share examples and stories among peers and strengthen this industry's community of practitioners.**

JOURNEY TO A RACIALLY INCLUSIVE WORKPLACE

- The key to fostering an inclusive workplace that promotes employee belonging **starts with you**
- From there, it's enhanced by the conversations you have and the **changes you make on your team**
- It's also advanced by **empowering allies and sponsors** in this work
- Finally, it's strengthened by **addressing resentment** from anyone who feels like they are being left behind
- Like “ripples of change,” real and sustainable **cultural change emanates from strong leaders** throughout the organization, like you, to your teammates, colleagues, and others in the organization, and ultimately, your community





Human Resources (HR) and Diversity, Equity & Inclusion (DEI) staff, leaders, and stakeholders within an organization will benefit the most from the information and resources in this guide.

This guide will help leaders:

- **Strengthen racial equity leadership skills, abilities, and practices that can be utilized to transform the culture** of your company
- Raise awareness of **research-based evidence** and company-specific examples of **what's working within each of the four pillars that advance racial equity** to inform and inspire you to implement similar initiatives
- **Learn from and get inspired by industry peers** on what they are doing to tackle DEI strategic topics that are common across organizations

HOW TO USE THIS GUIDE

In this guide, you will find resources and summaries that break down ideas, examples, and tactics to support you in advancing racial equity in your organization. This guide contains:

Page Chapter

- 8 [State of Racial Equity in IM Industry](#)
 - Talent pipeline by racial/ethnic representation, job level and gender for Institutional Investment and Private Markets Managers (two visuals)
 - Trend highlights about: 1.) Promotion rates by racial/ethnic representation, 2.) Hiring rates by racial/ethnic representation, 3.) turnover rates by racial/ethnic representation
 - Why IM firms should do it
- 16 [Overview of the four pillars to advance racial equity](#)
 - What does it mean to attract, belong, promote and influence within IM
- 18 [Attract Pillar: Hiring new professionals of color into the organization](#)
 - Includes a mini-case study from Värde Partners
- 25 [Belong Pillar: Ensuring that all professionals feel respected and are able to be successful](#)
 - Includes a mini-case study from KKR
- 32 [Promote Pillar: Ensuring that professionals of color have the equitable advancement opportunities](#)
 - Includes a mini-case study from BlackRock
- 39 [Influence Pillar: Catalyzing racial equity outside the organization](#)
 - Includes a mini-case study from Vista Equity Partners
- 46 [Additional resources](#)

In the pillar-specific sections, you will find the following page types:

Pillar Overview & Common Pitfalls

Pillar Key Actions and Examples

Example of Actions from Participant Organizations

Additional Resources



This transformation guide synthesizes and summarizes information from a wide variety of publicly available sources as well as highlights stories from companies that have participated in the Expanding Equity program. **The W.K. Kellogg Foundation acknowledges the thought leadership of so many experts and leaders and would like to thank the authors of these resources and the Expanding Equity program participants for their invaluable efforts to advance racial equity in corporate America.**

To facilitate the experience, this guide summarizes key concepts, ideas, examples and tactics to help the reader better devise a racial equity strategy for their organization. We acknowledge that best practices in advancing racial equity are ever-evolving and have attempted to compile some of the best resources for the given moment. Moreover, every attempt has been made to properly credit the authors of the resources that were collected. We also acknowledge that there may be some inconsistencies in the terms and language throughout the guidebook in our attempt to honor the source material.

We recognize this is only a start, and not fully exhaustive and know that there are other great resources out there. **We invite suggestions on what else and who else we should include in the resource sections to enhance the guide.**

And, lastly, implementing initiatives related to racial equity, diversity and inclusion are context-specific to each organization and can raise various legal compliance considerations. The information and examples in this guide are for informational purposes only, and nothing in this toolkit should be construed as legal advice. Users should seek advice from legal counsel in their relevant jurisdictions before implementing any initiatives or otherwise acting based on the information in this guide.

THE CONTENTS OF THE TRANSFORMATION GUIDE

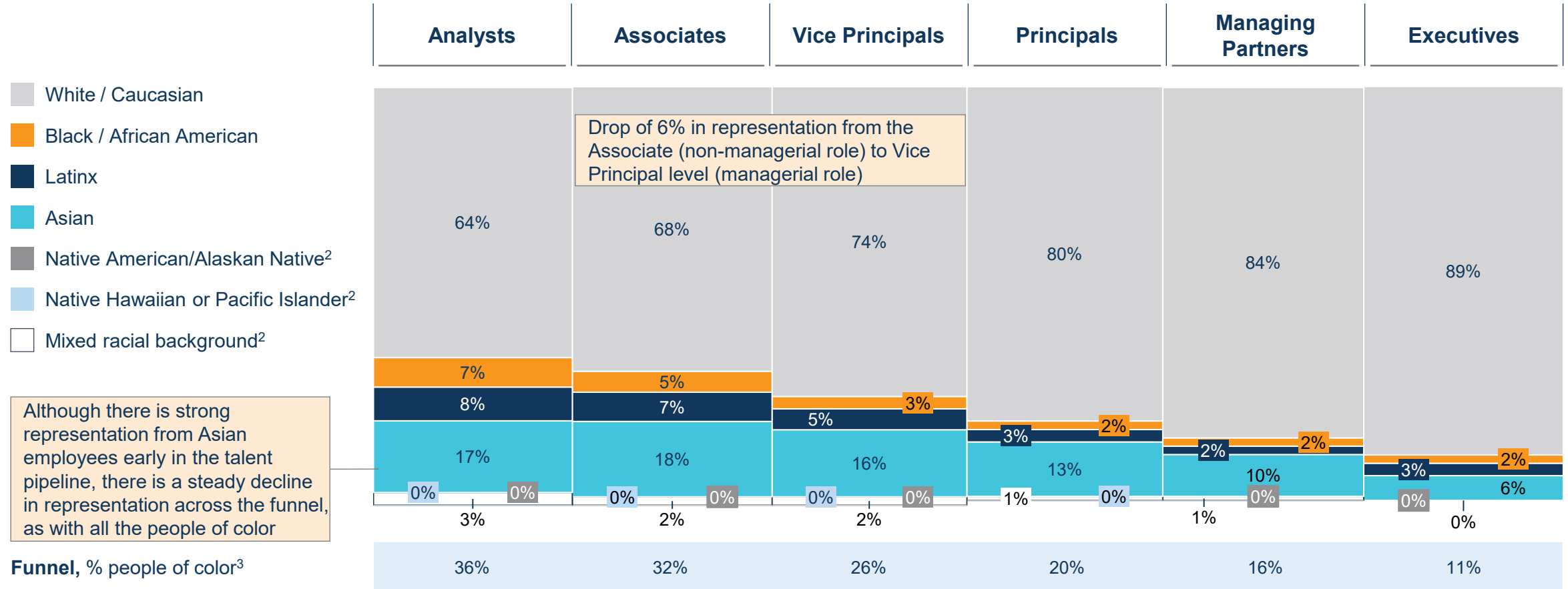
◆ <u>State of Racial Equity in IM Industry</u>	pg. 8
◆ <u>Overview of the four pillars to advance racial equity</u>	pg. 16
◆ <u>Attract Pillar: Hiring new professionals of color into the organization</u>	pg. 18
◆ <u>Belong Pillar: Ensuring that all professionals of color feel respected and are able to be successful</u>	pg. 25
◆ <u>Promote Pillar: Ensuring that professionals of color have the equitable advancement opportunities</u>	pg. 32
◆ <u>Influence Pillar: Catalyzing racial equity outside the organization</u>	pg. 39
◆ <u>Additional Resources</u>	pg. 46



ASSET MANAGEMENT: THERE IS LOW REPRESENTATION OF NATIVE, BLACK AND LATINX EMPLOYEES THROUGHOUT THE TALENT FUNNEL



Representation by race¹



1. Sample includes 31 Institutional Investment managers, as identified by the 2021 Women in the Workplace survey; talent funnel only includes corporate roles, where employees have a clear path for advancement to the Executives (field workers and support staff not included)
2. "Native American" includes Alaska Natives; "Pacific Islander" includes Native Hawaiians; "Multi-racial" includes survey respondents who select "Two or More Races"
3. In this study, people of color include Black, Latinx, Asian, American Indian or Alaskan Native, Native Hawaiian, Pacific Islander, and mixed-race people.

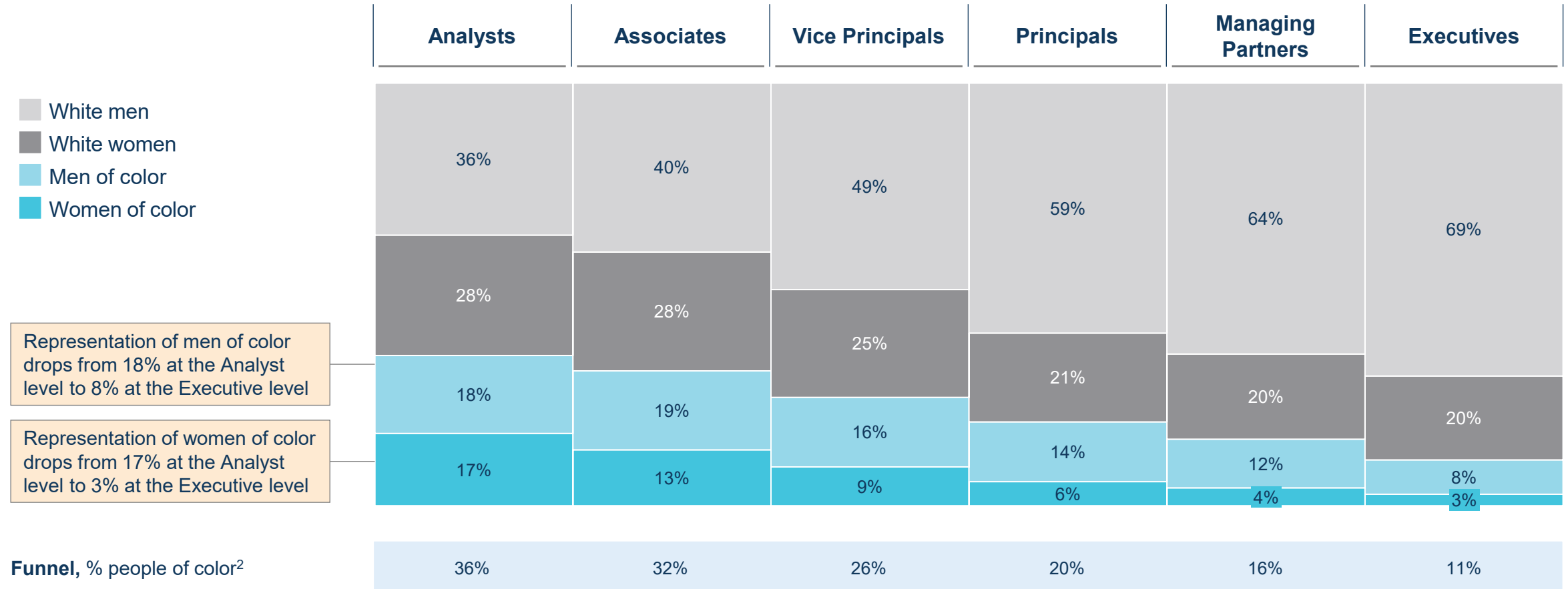
Source: McKinsey & Company and LeanIn.org Women in the Workplace 2021 study talent pipeline data for U.S./Canada (see appendix for methodology)



ASSET MANAGEMENT: THE REPRESENTATION OF PEOPLE OF COLOR DECREASES FROM 36% TO 11% ACROSS THE TALENT PIPELINE



Representation by race and gender¹



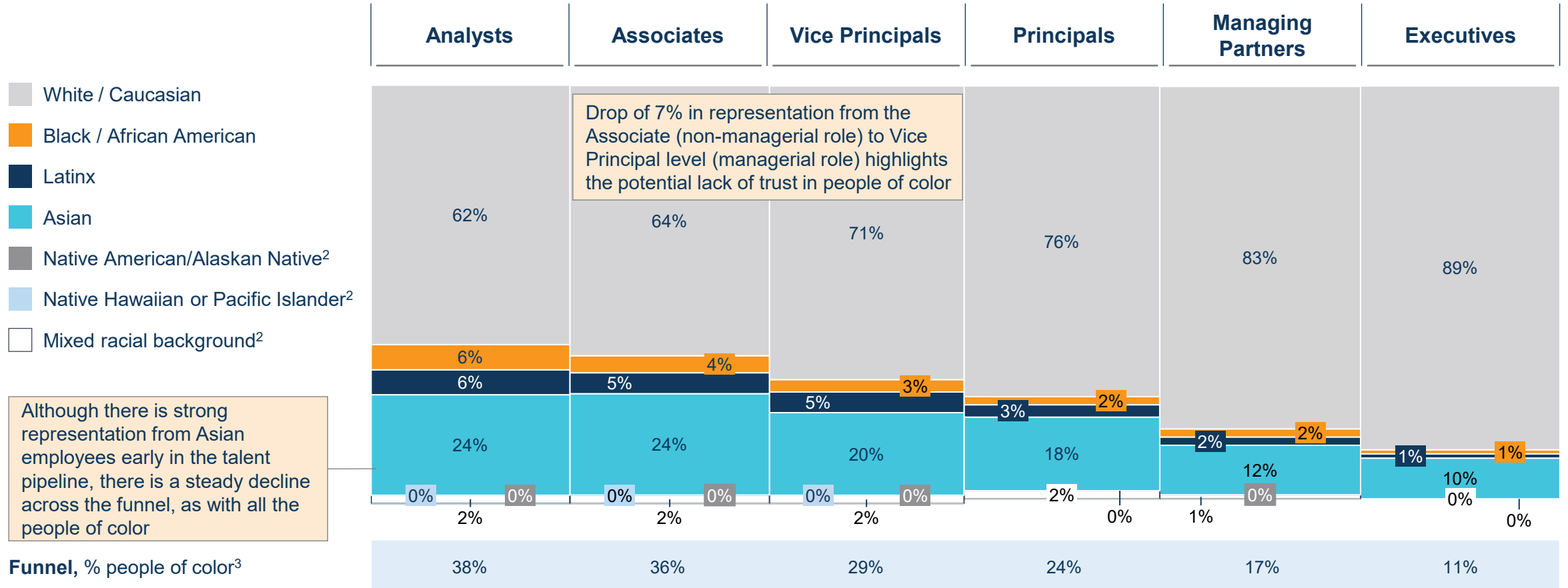
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PRIVATE EQUITY: THERE IS EVEN LOWER REPRESENTATION OF BLACK AND LATINX EMPLOYEES THROUGHOUT THE TALENT FUNNEL



Representation by race¹



1. Sample includes 18 Private Markets managers, as identified by the 2021 Women in the Workplace survey; talent funnel only includes corporate roles, where employees have a clear path for advancement to the Board (field workers and support staff not included)
2. "Native American" includes Alaska Natives; "Pacific Islander" includes Native Hawaiians; "Multi-racial" includes survey respondents who select "Two or More Races"
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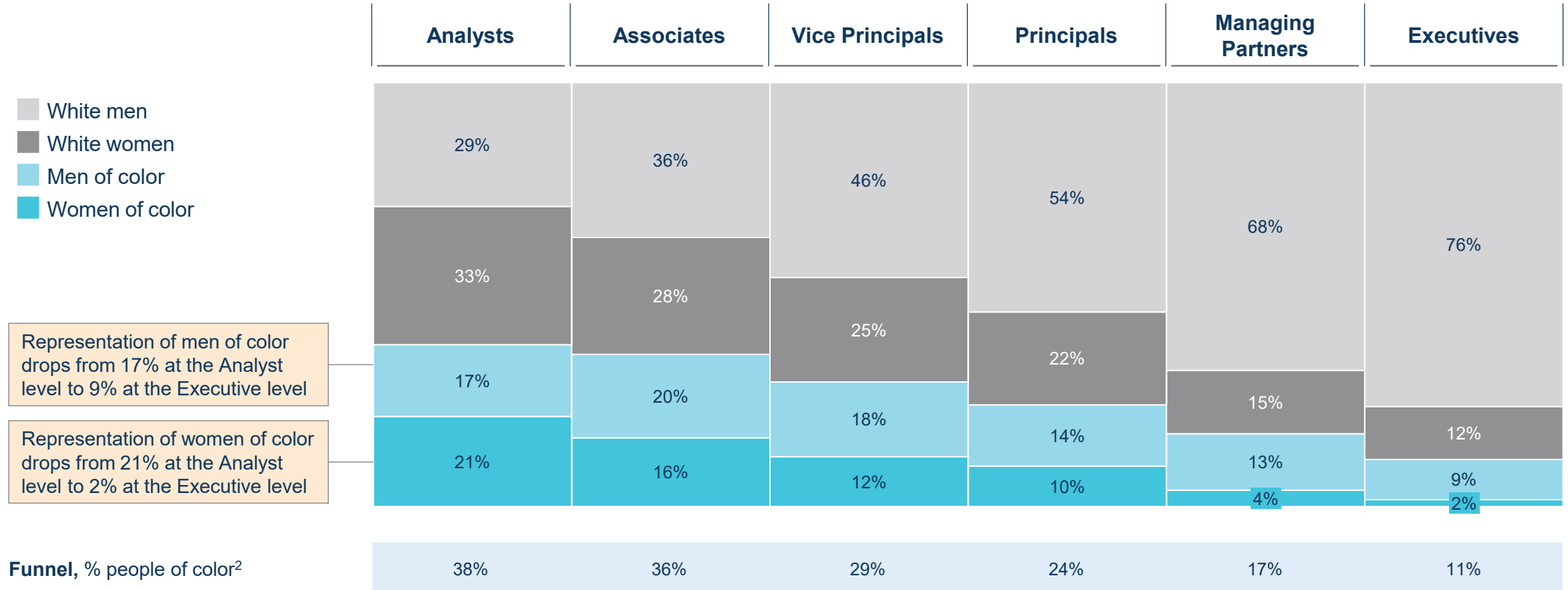
Source: McKinsey & Company and LeanIn.org Women in the Workplace 2021 study talent pipeline data for U.S./Canada (see appendix for methodology)



PRIVATE EQUITY: THE REPRESENTATION OF PEOPLE OF COLOR DECREASES FROM 38% TO 11% ACROSS THE TALENT PIPELINE



Representation by race and gender¹



1. Sample includes 18 Private Markets managers, as identified by the 2021 Women in the Workplace survey; talent funnel only includes corporate roles, where employees have a clear path for advancement to the Board (field workers and support staff not included)

2. In this study, people of color include Black, Latinx, Asian, American Indian or Alaskan Native, Native Hawaiian, Pacific Islander, and mixed-race people.

HIRING, PROMOTION AND TURNOVER TREND HIGHLIGHTS



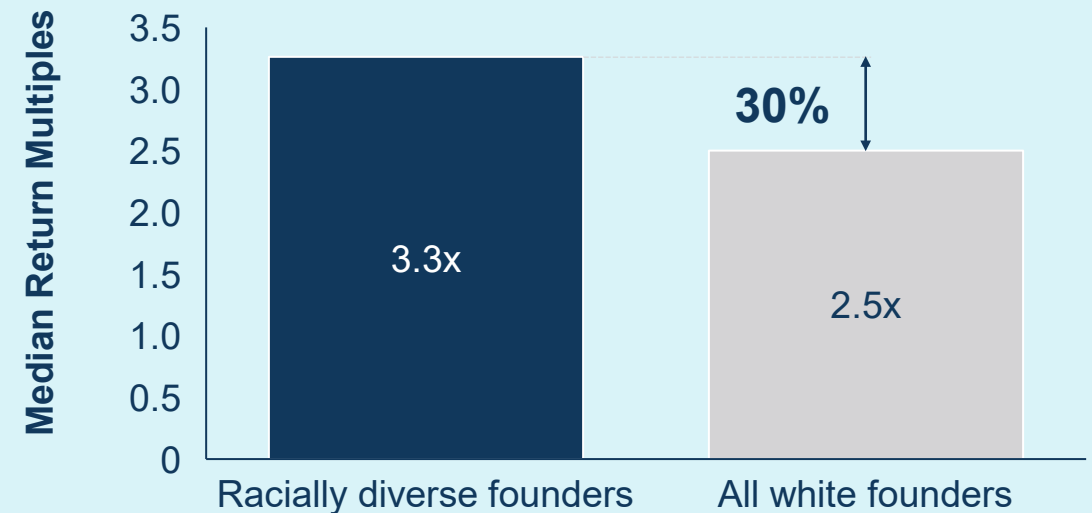
	Asset Management	Private Equity	Implications
Hiring	<ul style="list-style-type: none"> In aggregate, entry-level representation for Black and Latinx populations is 15%, much lower compared to both the U.S. graduate population (20%) and the general U.S. population (35%) 	<ul style="list-style-type: none"> In aggregate, entry-level representation for Black and Latinx populations is lower at 12%, compared to both the U.S. graduate population (20%) and the general U.S. population (35%) 	<ul style="list-style-type: none"> Efforts should be continued in recruiting from diverse sources of talent, including search firms, recruiters, schools, and other organizations that can reach candidates of color Lateral recruitment can also be a critical tool to improve diversity representation across the funnel The experience of being an ‘only’ impacts the experience people of color have in the workplace and making the ‘only’ experience rare is a critical part of advancing racial equity Promotion is a critical unlock to advancement; advancing racial equity requires attention to the development and sponsorship of professionals of color Notably, Black professionals in this data set experience higher promotions in both AM and PE (9% and 21% respectively) compared to white professionals Ensuring that diverse professionals feel supported by and included in the firm’s culture may help decrease turnover
Belonging	<ul style="list-style-type: none"> Across all industries (not just in the investment management industry), Black, Latinx and Asian professionals are more likely to feel that they are an “only,” (53%, 35%, 30% respectively) compared to White professionals (2%) 		
Promotion	<ul style="list-style-type: none"> Latinx and Asian professionals experience fewer promotions to the managing partner level (1% and 3% respectively) compared to White professionals (4%) 	<ul style="list-style-type: none"> Latinx and Asian professionals experience fewer promotions to the managing partner level (10% and 7% respectively) compared to White professionals (12%) 	
Turnover	<ul style="list-style-type: none"> Black employee turnover is higher at the managing partner level (16%) than their White peers (9%) 	<ul style="list-style-type: none"> Latinx and Asian employees have significantly higher turnover (17% and 18% respectively) at the principal level than their White peers (9%) 	

PURSUING RACIAL EQUITY, DIVERSITY AND INCLUSION IS NOT ONLY BENEFICIAL FOR INVESTMENT MANAGEMENT FIRMS...

A 2020 study by the Kauffman Fellows demonstrates financial outperformance across 20,000 diverse start-ups since 2000



Racially diverse founding teams outperform their peers, **returning 30% more capital to investors** when they reach exit by acquisition or IPO



...BUT ALSO GIVES THE INVESTMENT MANAGEMENT INDUSTRY THE ABILITY TO MAKE A STRONG IMPACT ON THEIR SURROUNDING MARKETS & BUSINESSES

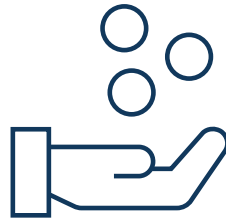


Globally, about **10,000 PE firms** have more than **\$3.9 trillion** in assets under management (AUM).¹ In North America alone, about **4,700 firms** own more than **18,800 companies**. With that kind of influence, if PE firms were to continue to reduce racial inequities across the companies they control, **they could change the face of business...**



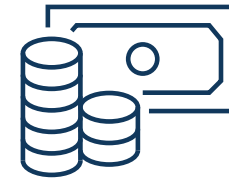
... in representation

Improving access to capital, mentorship, networks, and professional opportunities could help more Black enterprises borrow the capital needed to launch and grow their businesses—and achieving parity² in access would create **615,000 new Black-led workplaces**



... in financial success

Black-owned businesses would generate an additional **\$1.6 trillion in revenue** if the Black share of business ownership matched the Black share of the population and if Black-owned firms matched the average scale of their industry peers



... in closing the wealth gap

Racial gaps exist across the US labor market, especially in occupational representation, ultimately manifesting as a **\$220 billion annual wage disparity across all industries**

1. AUM is defined as dry powder (uncalled investor capital) plus the unrealized value of the investments (e.g., companies, real estate, etc.) within a fund's portfolio

2. Parity is defined as the quality or state of being equal or equivalent

THE CONTENTS OF THE TRANSFORMATION GUIDE

◆	<u>State of Racial Equity in IM Industry</u>	pg. 8
◆	<u>Overview of the four pillars to advance racial equity</u>	pg. 16
◆	<u>Attract Pillar: Hiring new professionals of color into the organization</u>	pg. 18
◆	<u>Belong Pillar: Ensuring that all professionals of color feel respected and are able to be successful</u>	pg. 25
◆	<u>Promote Pillar: Ensuring that professionals of color have the equitable advancement opportunities</u>	pg. 32
◆	<u>Influence Pillar: Catalyzing racial equity outside the organization</u>	pg. 39
◆	<u>Additional Resources</u>	pg. 46



THERE ARE FOUR PILLAR AREAS WHERE THE INVESTMENT MANAGEMENT INDUSTRY CAN ADVANCE RACIAL EQUITY



Attract

Pgs 18-23

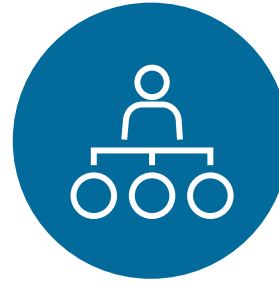
Attracting and hiring new professionals of color into the organization to increase representation at all levels



Belong

Pgs 25-30

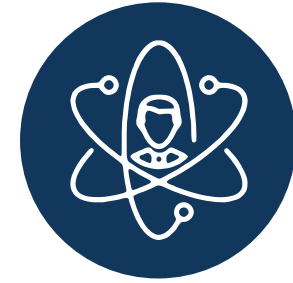
Ensuring that all professionals, regardless of racial/ethnic group identity, feel respected and are able to be successful



Promote

Pgs 32-37

Ensuring that professionals of color feel supported and have the same advancement opportunities as White professionals



Influence

Pgs 39-44

Using an organization's products, services or processes to catalyze racial equity in the industries and communities in which it operates

THE CONTENTS OF THE TRANSFORMATION GUIDE

◆ <u>State of Racial Equity in IM Industry</u>	pg. 8
◆ <u>Overview of the four pillars to advance racial equity</u>	pg. 16
◆ <u>Attract Pillar: Hiring new professionals of color into the organization</u>	pg. 18
◆ <u>Belong Pillar: Ensuring that all professionals of color feel respected and are able to be successful</u>	pg. 25
◆ <u>Promote Pillar: Ensuring that professionals of color have the equitable advancement opportunities</u>	pg. 32
◆ <u>Influence Pillar: Catalyzing racial equity outside the organization</u>	pg. 39
◆ <u>Additional Resources</u>	pg. 46





Attract



Attracting and hiring new professionals of color into the organization to increase representation at all levels

Types of initiatives

Increase the number of candidates of color **applying to roles** in your organization

Ensure that applicants are being **evaluated fairly**

Increase the **acceptance rate of candidates of color**

Common pitfalls

- Continuing to recruit from the same familiar recruitment pools (i.e., Ivy league schools and alumni networks, bulge bracket investment banks)
 - Hiring talent from different recruitment pools does not lower the bar
 - Requiring a specific background or set of credentials (e.g., undergraduate degree in finance, CFA charterholder)
 - Requiring new hires to relocate to a specific geographic location that is unattractive to people of color
-
- Eliminating candidates of color because they “don’t fit into our culture”
 - Having the loudest voices in the interview debrief room dictate who gets the offer
 - Not requiring interview panels to have a diverse set of interviewers
 - Asking subjective questions that lead to bias
-
- Thinking that candidates of color are declining the job because of competitors, not because of what they hear about the firm’s environment and practices

ATTRACT: SELECT KEY ACTIONS



Attract



Belong



Promote



Influence



Goal



Goals take many actions to achieve; we have provided one example action each



Example Action



Rationale for Action

Increase the number of diverse talent applying to roles in your org



1

Do **intentional outreach to diverse communities** with open position postings

When hiring occurs largely based on interpersonal relationships (whether personal, or from previous professional contexts) rather than widely available postings, applicants across racial and ethnic groups may not hear about the opportunity and thus do not have the chance to even apply

Ensure that applicants are being evaluated fairly



2

Revamp and **standardize the hiring process** to de-bias existing hiring practices

Informal hiring processes are more susceptible to bias and often less equitable
Candidates of color often receive less information about hiring processes from their informal networks and thus may be at a disadvantage in the evaluation process

Increase the acceptance rate of candidates of color



3

Highlight and affirm the strengths and **contributions of professionals of color** and **communicate the organization's commitment to racial equity**

Senior management are often an organization's primary storytellers based on their tenure and experience; given that they are often mostly White, it is critical to intentionally demonstrate that people of color are a part of an organization's success – candidates of color are more likely to accept the job offer if they feel like the organization values contributions of professionals of color



1

Do intentional outreach to diverse communities with open position postings

Description and implementation ideas

Create guardrails against the practice of hiring on a “gray market,” where senior or mid-level professionals advance offers to people whom they know from previous contexts by:

- Developing relationships with **search firms, recruiters, schools, and other organizations that can reach candidates of color** who may not have pre-existing relationships
- Developing and implementing protocols requiring that **all applications received are given equitable consideration**
- Conducting **periodic network analyses of teams (e.g., investment team)** to determine whether entire departments/units are from similar paths
- **Broadening the pathways into the organization** by offering internships or other opportunities for students and candidates of color

Common organizations that investment management firms partner with to reach candidates of color include:



[Sponsors for Educational Opportunity](#)



[Black Women in Asset Management](#)



[Management Leadership for Tomorrow](#)



[Robert Toigo Foundation](#)



[Thurgood Marshall College Fund](#)



[Girls Who Invest](#)



[Historically Black Colleges and Universities \(HBCUs\)](#)



Attract



Belong



Promote



Influence



2

Revamp and standardize the hiring process to debias existing hiring practices

Description and implementation ideas

Make the hiring and candidate assessment process transparent, standardized, and free of bias by:

- Creating **standardized criteria** for interviews and hiring decisions – ensure candidates are assessed according to the criteria, and evaluators provide justification for their assessment across each measure
- Considering using an **evidence-based selection process** that evaluates candidates holistically, using data and a compensatory rating system
- **De-biasing resume screening**, (e.g., remove names, use Natural Language Processing/AI)
- Requiring **representation from people of color on hiring committees**, (e.g., at least two people of color on interview panels)
- Making the hiring process **transparent to candidates**, (e.g., eliminating informal processes such as networking events with invitations by word of mouth)
- Requiring a **large well-qualified pool of candidates that is reflective of the community or recruitment area** (e.g., mirror population diversity) before making a selection
- Establishing a system to **track the diversity of candidate slates and hires**, and address any systemic biases

Examples from peers include:

Carlyle Group

Requires that at least two diverse candidates be interviewed for each open role, and in the U.S., **at least one of the candidates must be Black, Latinx, Pacific Islander or Native American**

TowerBrook

Ensures **consistent approach to recruitment across offices** by including the use of scorecards with objective criteria, completion of a feedback form by interviewers and **presentation of summary data on candidates without names or gender- and racially-identifying data**

PIMCO

Leverages tech solutions like [Textio](#), the world's most advanced workplace language guidance, **to ensure balanced and inclusive language in job descriptions**



Attract



Belong



Promote



Influence



3

Highlight and affirm the **strengths and contributions of professionals of color** and **communicate the organization's commitment to racial equity**

Description and implementation ideas

Include professionals of color in **narratives about the organization's history** (where applicable), development, and future and ensure that it reflects the organization's commitment to racial equity through the following channels:

- **Speaking engagements** when there is a large forum (e.g., town halls)
- **Coaching sessions** when a new cohort of professionals is hired
- **Office or organization-wide newsletters or intranet content**
- Ensuring representation of professionals of color in **public recognition programs**
- **Create opportunities to share narratives** of all professionals, including those who are realizing the importance of diversifying and elevating the voices of professionals of color
- **Request feedback** from professionals of color to ensure narratives are not perceived as tokenism

Examples from peers include:

Wellington Management

Promotes internal and external voices through several channels including **leadership blogs, a newsletter called Diverse Voices, and guest speakers on topics of diversity, equity and inclusion.**

The goal is to **promote a learning culture that embraces self-reflection, social and societal awareness, deeper understanding of differences, and actions for inclusion.** There are venues and mediums for each voice to be heard.

All these efforts are hosted and sponsored by the regional DE&I committees, global DE&I team, business networks, platform leaders, heads of offices and Human Resources

ATTRACT PEER EXAMPLE FROM VÄRDE PARTNERS: INTENTIONAL OUTREACH TO DIVERSE COMMUNITIES FOR OPEN POSITION POSTINGS



Action taken



Värde Partners broadened entry level pathways into alternative investment management by **creating a two-year rotational program** and **engaging talent early** through diverse recruitment programs



Attract



Belong



Promote



Influence

Implementation details

- Designed and launched entry level rotational program to bring more diverse talent into the industry after participating in WKKF's Expanding Equity program
- Mission to build and nurture high potential future leaders with broad, cross-functional experience to provide program graduates with the foundation for a successful career in investment management
 - Each analyst rotates through four functions: Business Development & Investor Relations, Finance, Investment and Operations
 - Each six-month rotation provides time to learn and deliver meaningful work while being given feedback and formal reviews at the end of each rotation
 - Each analyst is paired with a formal mentor to provide support for career development
 - Analysts are given the opportunity to train other analysts as they rotate into and out of business units
- Engaged multiple recruiting channels to ensure a diverse pool of applicants
 - Leveraged technology platforms, such as Handshake, a college job board, to expand their reach and LinkedIn for sourcing
 - Partnered with college career centers to work with clubs and other student-led organizations; also leveraged relationship with Management Leaders for Tomorrow (MLT)
- Offered exposure to careers in finance to underserved high school-aged students to “reach further back in the pipeline” and generate interest before college
 - Leveraged philanthropic partnerships to organize work experience programs, volunteer opportunities for Värde professionals to teach financial literacy curriculum and mentor high school students through Rock the Street Wall Street, Oliver Scholars and other nonprofit organizations

Results

- As of fall 2022, Värde Partners has seven analysts across two classes and completed recruiting for its third class to begin in 2023
- 71% of their current analyst classes are racially diverse and 57% are female
- Recruiting resulted in 900+ applicants in the first year demonstrating the appeal of the program

THE CONTENTS OF THE TRANSFORMATION GUIDE

◆ <u>State of Racial Equity in IM Industry</u>	pg. 8
◆ <u>Overview of the four pillars to advance racial equity</u>	pg. 16
◆ <u>Attract Pillar: Hiring new professionals of color into the organization</u>	pg. 18
◆ <u>Belong Pillar: Ensuring that all professionals of color feel respected and are able to be successful</u>	pg. 25
◆ <u>Promote Pillar: Ensuring that professionals of color have the equitable advancement opportunities</u>	pg. 32
◆ <u>Influence Pillar: Catalyzing racial equity outside the organization</u>	pg. 39
◆ <u>Additional Resources</u>	pg. 46





Belong



Ensuring that all professionals, regardless of racial/ethnic group identify, feel respected and are able to be successful

Types of initiatives

Design your **organization and systems** to promote inclusion

Ensure **both senior leaders and middle managers systematically support** inclusion efforts



Empower peers to **promote inclusion and belonging**

Common pitfalls

- Thinking that implementing an unconscious bias training program is a “cure-all” vs. part of a broader solution set – the effectiveness wears off over time unless people are coached on how to specifically modify behaviors
- Not enough analytical rigor behind current understanding and/or goals for inclusion (i.e., designing without collecting data from pulse survey or focus groups first)
- Believing that “all employees know about our DE&I efforts” when having regular communications from senior leaders is crucial
- Not prioritizing racial equity experiential learning opportunities, especially for leaders
- Not having a management/leadership team that is diverse
- Thinking that “controversial topics don’t belong at work” and that candid conversations are too difficult to facilitate
- Not taking the concerns of candidates of color seriously
- Lack of thinking about how the organization can support new employees of color

BELONG: SELECT KEY ACTIONS



 Goal	<p>Goals take many actions to achieve; we have provided an example action</p>	 Example Action	 Rationale for Action
Design your organization and systems to promote inclusion	<p>→</p>	<p>1 Update employee engagement survey to measure inclusion and belonging</p>	<p>Gaining feedback from employees on experience regarding inclusion and belonging allows organizations to make larger systems changes in inclusion and belonging</p>
Ensure leaders systematically support inclusion efforts	<p>→</p>	<p>2 Offer experiential programs that help people leaders shift mindsets and exhibit new behaviors that advance racial equity (e.g., racial healing circles, etc.)</p>	<p>Acknowledging that racial equity is a journey means acknowledging that everyone, including people leaders, have room to grow, learn and develop in the area of inclusion</p> <p>Implementing experiential educational programs for both senior leaders and middle managers show that your organization prioritizes such opportunities for people leaders and helps leaders better support inclusion efforts</p>
Empower peers to promote inclusion and belonging	<p>→</p>	<p>3 Create robust professional Employee Resource Groups (ERGs)</p>	<p>ERGs can connect professionals of color to a network; we've seen this increase the professionals' feeling of inclusion</p> <p>ERGs can also provide opportunities for professionals of color to provide feedback about organizational culture, policies and practices and thus suggest ideas to promote further inclusion and belonging</p>



1

Support employees' learning about the experiences of people of color

Description and implementation ideas

Provide opportunities for employees to learn about the experience of being a person of color, including:

- **Onboarding session that defines the organization's approach to racial equity**, and how to operate in accordance with these values
- **Encouraging managers and senior leaders to attend racial equity experiential trainings and workshops** with vendors approved by the organization (e.g., Groundwater Institute)
- **Recognizing professionals who exhibit desired behaviors** such as identifying a policy that might not be inclusive
- **Implementing relationship-building activities**, such as Conocimiento¹

Examples from peers include:

BlackRock

Hosted “Inclusion Dialogue” sessions, **virtual small group conversations led by external facilitators to help build the skills necessary to cultivate inclusive environments**, including discussing the impact of non-inclusive behaviors and microaggressions and **practicing skill-building on resolving non-inclusive situations**

Vista Equity Partners

Worked with a strategic partner to build a continuous learning journey and data-based approach to conscious inclusion that starts with **three interactive workshops based around open discussion** – DE&I evaluations are then **embedded into employees' performance reviews** to round out the learnings



2

Offer **experiential educational programs that help people leaders shift mindsets and exhibit new behaviors that advance racial equity (e.g., racial healing circles, etc.)**

Description and implementation ideas

Help people leaders continue to learn about racism, racial healing, unconscious biases, and racial equity through educational programming by:

- **Evaluating your organization’s current educational programming for senior leaders and middle managers and identify the gaps your programming should address**
 - If your organization currently has trainings on how to create a culture of inclusion, understand how well-attended they are and what could be done to improve attendance
 - Embed the learnings into day-to-day work and processes using tools (e.g., nudges) and practices
- **Considering partnerships with external experts on racial equity to create educational programs to advance racial equity**
- **Deciding who will be invited to these trainings and programs**
 - Decide whether any programs will be mandated or required, and how your organization can roll this out without too much resistance
 - Clarify which of these trainings and programs will be offered to the people leaders of your portfolio companies and public company investments
- **Ensuring mindset and behaviors change post training**
 - Treat the trainings as a baseline or starting point to build your organization’s racial equity capabilities and publicly commit to further action
 - Ensure that leadership role model behaviors and share their experiences
 - Reinforce and measure inclusion as a leadership competency in performance expectations and reviews

Examples from peers include:

Carlyle Group

Launched a virtual version of Better Decisions, an initiative that focuses on building awareness of unconscious bias and providing **concrete tools (e.g., ‘nudges’, check-lists) and practices to mitigate negative effects of bias**

Made inclusion a core management and leadership competency – **all nominees for promotion to Managing Director take part in a full-360 assessment that includes evaluation of their skills in inclusive leadership and management**



3

Create robust professional Employee Resource Groups (ERGs) for racial and ethnic identities

Description and implementation ideas

Creating Employee Resource Groups (employer recognized and supported groups) for Black, Latinx, Asian and Native people¹ within the organization by:

- **Communicating value of ERGs** from the C-suite level – not just approving but encouraging participation
- **Providing ERGs with the same resources and credibility** as other ‘core’ organization activities and groups
- **Role modeling though C-Suite participation** in key events, and including ERG initiatives in organization communications
- **Incenting middle managers/direct managers** to encourage direct reports to participate in ERGs
- **Encouraging white allies to support racial/ethnic ERGs** and/or create their own group to advance their own work

Successful ERGs include:

- **Opportunities to build relationships with senior leadership** of all racial/ethnic group identities
- **Programming that is tailored to specific roles** within the organization and focused on skill-building and development
- **Opportunities for professionals to connect** around shared experiences and build strong support networks at work
- **Consistent meetings** (i.e., once a quarter)
- **Pathways for professionals of color to offer perspectives and ideas** for creating a more inclusive work environment

Key success factors for ERGs

1. **Clearly articulated business case** that outlines how members and the organization will benefit and aligns with business needs
2. **Long-term strategy and annual business plan** that underscores that the ERG is a business activity
3. **Well-managed communications** that help members and the organization at large understand why the ERG’s work is important
4. **Well-defined mission** that meets member and organization needs
5. **Periodic evaluation** (e.g., conducting membership survey)
6. **Senior executive support**

1. ERGs can expand to other identities that are not based on race

BELONG PEER EXAMPLE FROM KKR: SUPPORT EMPLOYEES' LEARNING ABOUT THE EXPERIENCES OF PEOPLE OF COLOR



Action taken

KKR

KKR launched Inclusion Network and expanded Inclusion & Diversity Council (IDC) to include regional councils in each of the main offices to foster greater inclusion, celebrate diversity and bring employees together across regions and offices – the Network hosts annual events for Black History, Women's History, Pride, and Hispanic Heritage months, in addition to providing programming focused on other diversity dimensions



Attract



Belong



Promote



Influence

Implementation details (high-level)

- Created an Inclusion & Diversity Council (IDC) in 2014, spearheaded by senior co-chairs who work with a regional Advisory Groups of 20+ diverse KKR executives at various levels across the Firm to drive recruiting, promote retention, and maximize external partnerships
- Launched Inclusion Network in 2017, and re-vamped in 2021 to include specific community-based groups composed of seven Employee Resource Groups (i.e., Unity at KKR - Black Employee Network, Pride at KKR, KKR Women, La Casa - Hispanic Employee Network, Working Parent Forum, Veterans' Network, AAPI), all with sponsors and co-heads, and includes both members and allies, with a focus on creating space for representation and allyship across all identities
- Drove initiatives in partnership with the ERGs, including:
 - **KKR Conversations:** A series of discussions, sometimes anchored to cultural celebrations, that bring business leaders (e.g., Indra Nooyi) together to talk about intersectionality and how their core identity has shaped them and informed the work that they've done
 - Events in 2022 centered on the theme of “**Meet the Moment**” to remind employees that we all have the capacity to meet the moment as a Firm, and as individuals, to drive ongoing change that reinforces a global culture of inclusion
- Designed an accountability framework to inspire behavior change, where Inclusion is a clear component and is measured in annual employee engagement survey and performance reviews of MDs and Partners, through an assessment of eight inclusive behaviors that allows for teams to recognize and surface what behaviors are working and where the senior leader can further develop

Results

- Engagement survey question on belonging: KKR tracks year over year progress against baseline measure of industry
- Penetration rates for ERGs: what percent of the KKR population these groups are intended to serve are participating actively and returning participants at events and to what extent the allies are participating
 - Ambition is 80% penetration rate goal and close to half have reached this goal
 - The remaining groups are less mature but are close to achieving the goal
- As a next step, KKR is continuing to find ways to deepen relationships at the team level with mid managers through smaller and more meaningful conversations to increase engagement and improve overall experience

THE CONTENTS OF THE TRANSFORMATION GUIDE

◆	<u>State of Racial Equity in IM Industry</u>	pg. 8
◆	<u>Overview of the four pillars to advance racial equity</u>	pg. 16
◆	<u>Attract Pillar: Hiring new professionals of color into the organization</u>	pg. 18
◆	<u>Belong Pillar: Ensuring that all professionals of color feel respected and are able to be successful</u>	pg. 25
◆	<u>Promote Pillar: Ensuring that professionals of color have the equitable advancement opportunities</u>	pg. 32
◆	<u>Influence Pillar: Catalyzing racial equity outside the organization</u>	pg. 39
◆	<u>Additional Resources</u>	pg. 46





Promote



Ensuring that professionals of color feel supported and have the same advancement opportunities as White professionals

Types of initiatives

Ensure employees of color are in roles that **position them for promotions**

Support employees as they grow in the organization

Make sure all employees are being **evaluated fairly**

Common pitfalls

- Offering the best staffing opportunities (e.g., high profile projects, gateway roles that help workers develop new skills or broaden existing skills, etc.) solely based on existing networks
- Creating programs that lead only to advice-giving (i.e., mentorship) and not also opportunity-creating (i.e., sponsorship)
- Lack of transparency around what excellent looks like for employees at each tenure level and not clearly communicating to employees during performance reviews whether they are meeting the bar for excellence and if not, how to improve

PROMOTE: SELECT KEY ACTIONS



Goal



Goals take many actions to achieve; we have provided an example action



Example Action



Rationale for Action

Ensure employees of color are in roles that position them for promotions



1

Ensure **equitable access** to vast development opportunities

When the best opportunities are only available based on networks, professionals of color are often left out

Distributing good opportunities equitably provides a chance for all professionals to develop at pace and position themselves for promotions

Support employees as they grow in the organization



2

Create a best practice **sponsorship program** for professionals of color

Distinct from mentors, sponsors connect early- and mid-tenure professionals to critical opportunities that will help them grow, which they may not have had access to otherwise

Without sponsorship, such opportunities are often assigned in an opaque way based on personal connections; those without a network are left out

Make sure all employees are being evaluated fairly



3

Institute **clear promotion criteria**

Clear performance expectations and feedback that help people grow and develop are necessary to ensure people of color have the information and guidance they need to succeed and are evaluated fairly

Ensure that employees of color are not disproportionately represented in disciplinary performance improvement plans



1

Ensure equitable access to vast development opportunities

Description and implementation ideas

Monitor assignment of high-profile work to early- and mid-tenure professionals, ensure all professionals are getting desirable opportunities and access to build skills, and design additional programming for “high potential”, from identification to development, to ensure representation from people of color

- **Monitor top opportunities for early- and mid-tenure professionals** (e.g., high profile projects, good development experiences, spots on teams with exposure to excellent leadership)
- **Track and report people of color representation for each senior leader’s teams**; provide resources for how leaders can grow their support
- **Ensure that professionals of color have equitable access** to development and skills building resources
- **Monitor equity in ‘high potential’ designation**, and ensure criteria are objective and transparent
- **Ensure fair division of labor** (i.e., quantity of work assigned to each professional)
- Ensure professionals of color have **access to development skills programs**

Examples from peers include:

TowerBrook

Implemented a formal review of its associate staffing allocations to ensure that work is distributed in a fair and equitable manner that includes enhanced tracking of associate staffing metrics and a formal lookback review over time

PIMCO

Developed transparent business rubrics and performance ratings to provide consistent performance reviews and calibration for all employees, mitigating bias for more equitable access to promotions



Attract



Belong



Promote



Influence



2

Create a best practice sponsorship program for professionals of color

Description and implementation ideas

Ensure that every professional of color has at least a sponsor who is 1-3 levels above in tenure by:

- **Developing a formal sponsorship program, with training for sponsors and sponsorees**
 - Sponsors should focus on connecting sponsorees with opportunities (e.g., high profile projects, important presentations, meetings); they should also help sponsorees navigate the organization, de-code and process feedback, and make plans to fill development gaps
 - Sponsorees communicate with sponsors about the types of opportunities they are interested in
- **“Matching” sponsors and sponsorees** based on interest and location
- **Tracking sponsorship levels, and incorporating sponsorship into the goals and responsibilities** of senior leaders to encourage active engagement with their sponsorees’ development

Key supporting activities include:

- **Formalize sponsorship programs** from the very beginning
- The **sponsor creates and locates opportunities for the sponsoree**
- **Establish regular, open communication** so that sponsor and sponsoree are aligned on which opportunities to look for
- **Feedback is still key**; sponsor should ensure that the sponsoree gets actionable feedback by checking in with the contacts the sponsoree has provided
- **Sponsors should have a sense of where their sponsorees excel**
- Ensure that **sponsorees know that they have an advocate who believes in them** and is seeking opportunities for them
- **Track the program’s progress by measuring** where sponsorees start, where they go, and how they are developing



Attract



Belong



Promote



Influence



3 Institute clear promotion criteria

Description and implementation ideas

Create a learning and development model that clearly describes what success looks like at every tenure level, and explains requirements to be considered for promotion by:

- **Determining the dimensions along which to evaluate professionals** (e.g., problem solving, team leadership) and ensuring that inclusive leadership is among the evaluation dimensions
- **Describing in detail what excellent looks like** for a professional at each tenure level
 - Develop objective and unbiased criteria for excellence, incorporating perspectives from diverse leadership when possible
 - Actively consider what biases may impact definitions of excellence (e.g., cultural norms or behavior that favors White professionals)
- **Using this model to evaluate candidates' performance in feedback conversations and reviews**
 - Ensure that employees of color receive feedback consistent with White employees to help them grow and develop
- **Using this rubric to evaluate candidates for promotion**
 - Ensure that the organization uses a diverse group to evaluate candidates

Examples from peers include:

PIMCO

Streamlined performance evaluations for all employees to be assessed against five performance criteria and **developed transparent business rubrics and performance ratings** to mitigate bias and drive consistency and calibration for all employees

Brookfield

Finalized the performance criteria for virtually all roles; the **criteria clearly defines what good performance entails**, which enables objective and consistent assessment across Brookfield and **clarifies the key indicators required for promotion to the next level**

PROMOTE PEER EXAMPLE FROM BLACKROCK: CREATE A BEST PRACTICE SPONSORSHIP PROGRAM



Action taken

BlackRock

BlackRock implemented a **sponsorship program specifically for Black and Latinx Managing Directors and Directors in 2021** with members of their Global Executive Committee (GEC) to further **deepen their leadership pipeline and accelerate advancement**



Attract



Belong



Promote



Influence

Implementation details

- Recognizing a need for heightened understanding about how race plays out in the workplace, senior leadership and leaders from the Black Professionals & Allies employee network collaborated to design an approach to advance racial equity and inclusion within the firm at all levels – one of the resulting initiatives was this sponsorship program
- Subsequently, a sponsorship program focused specifically on Black and Latinx Managing Directors and Directors was designed which involved:
 - Onboarding all 20+ Global Executive Committee members as sponsors so that sponsorees could get access to firm leadership
 - Having discussions with each key group (i.e., sponsors, sponsorees, and managers of sponsorees) to ensure they understood the objectives of the program, the difference between mentorship and sponsorship and the barriers that Black and Latinx leaders face in the workplace
 - Hosting a session with [Dr. Laura Morgan Roberts from UVA's Darden School of Business](#), who has done extensive research on race in the workplace, to create a safe space for sponsors to ask questions about the systemic barriers that underrepresented leaders face
 - Setting the initial expectation that the program lasts for one year and suggest that sponsors and sponsorees meet every 4 to 6 weeks
 - Conducting check-in calls throughout the program with sponsorees and deploying a survey halfway through the program to gather feedback

Results

- After one year, all the sponsors and sponsorees decided they still wanted to organically continue the relationship
- Sponsorees gave positive qualitative feedback such as “I’ve received introductions to other senior leaders that I would not have met otherwise”
- In the firmwide quarterly pulse-surveys, more employees have reported that they have a senior sponsor/champion in the organization
- While a direct correlation can’t be drawn, several of the sponsorees have taken on broader roles since completing the program

THE CONTENTS OF THE TRANSFORMATION GUIDE

<u>State of Racial Equity in IM Industry</u>	pg. 8
<u>Overview of the four pillars to advance racial equity</u>	pg. 16
<u>Attract Pillar: Hiring new professionals of color into the organization</u>	pg. 18
<u>Belong Pillar: Ensuring that all professionals of color feel respected and are able to be successful</u>	pg. 25
<u>Promote Pillar: Ensuring that professionals of color have the equitable advancement opportunities</u>	pg. 32
<u>Influence Pillar: Catalyzing racial equity outside the organization</u>	pg. 39
<u>Additional Resources</u>	pg. 46





Attract



Belong



Promote



Influence



Influence



Using an organization's products, services or processes to catalyze racial equity in the industries and communities in which it operates

Types of initiatives

Align internal business practices with racial equity vision

Embed diversity into **investor relationships**

Influence portfolio companies and investments to advance racial equity

Common pitfalls

- Making external public commitments to racial equity but **not doing the internal transformation work required to live the commitments**
- **Lack of data on the racial, ethnic and gender make-up of your organization to share with investors** – EEO-1 forms can be requested to understand racial and ethnic breakdowns of organizations that contain well-established categories for employees to voluntarily disclose during their onboarding process
- **Lack of accountability through a governance model** to monitor key DE&I indicators in portfolio companies
- **Forgetting to integrate DE&I into the strategic target setting process** with value creation teams



Goal



Goals take many actions to achieve, we have provided an example action



Example Action



Rationale for Action

Align internal business practices with racial equity vision



1

Launch partner capital fund to **invest in diverse investment opportunities**

Signal to LPs, portfolio companies and investments, as well as employees and recruiting talent that your firm leaders are willing to commit personal capital to invest in racial equity

Embed diversity into investor relationships



2

Disclose **representation data** for professionals of color to investors

Investors are pushing more for data on the representation of professionals of color in the organizations that they work with¹

Influence portfolio companies and investments to advance racial equity



3

Improve executive and **board diversity for your portfolio companies and investments**

Diverse boards set an example for the industry and for inclusion within their organizations
Diverse boards are linked to higher growth, higher returns, and increased risk mitigation since they incorporate different viewpoints and perspectives¹

1. The Bridgespan Group, Beyond Political Correctness: Building a Diverse Board



Attract



Belong



Promote



Influence



1

Launch partner capital fund to **invest in diverse investment opportunities**

Description and implementation ideas

Increase access to capital and facilitate connections for entrepreneurs and investors of color by:

- **Identifying partners interested in allocating capital**, and agree on financial, time, and operational contributions
- Determining the **kinds of investment opportunities** to which your fund will commit capital, and determine and **prioritize the metrics your fund will track** to evaluate feasibility of investments
- Deciding whether your fund will operate as **an independently-managed investment firm**, and what, if any, business or operational capabilities you will leverage from the greater organization
- Selecting investments; **commit to long-term financial and racial equity growth** in the portfolio companies and investments through multi-year support

Examples from peers include:

J.P. Morgan Asset Management

Launched Project Spark, which **provides capital to diverse emerging alternative managers**, including minority- and women-owned venture capital and other private market funds – Project Spark’s mission is to **use J.P. Morgan’s capital, brand and expansive network to close the funding gap for underrepresented managers** and strengthen the diverse ecosystem in the alternatives industry

TPG Capital

Created TPG NEXT to **provide flexible growth capital and operating resources** to seed, support and scale the next generation of **diverse investors** and entrepreneurs



2

Disclose **representation data** for professionals of color to investors

Description and implementation ideas

Disclose the racial, ethnic, and gender makeup of your organization (specifically in deal/investment teams as well as in all other teams) to your LPs/investors

- **Adopt well-established racial and ethnic categories**
 - In the US, the Equal Employment Opportunity Voluntary Self Identification Form (EEO-1) has well-established categories for employees to voluntarily disclose during their onboarding process
 - Leveraging this information eliminates concerns about privacy and increases efficiency in the data collection process; Shareholders and investors are also increasingly asking for EEO-1 Forms as the format to understand racial and ethnic breakdowns of organizations
 - ILPA publishes standards on DE&I to support ESG assessments, roadmaps, and metric templates that advance DE&I in private markets¹
- **Show data on different levels of the organization**
- **Investors want to know how you're developing strategies to embrace DE&I opportunities, so many organizations are exploring commitment beyond disclosure**

Key supporting activities include

Schroders

Published a data-led Workforce Diversity Report that presents their employee make-up by region, function (e.g., Investment, Distribution, Global Technology) and highlights the different challenges faced by their local offices

HG Capital

Created a Portfolio DE&I Council consisting of nine of their portfolio companies led by a representative, typically from the DE&I, ESG or HR departments – the forum creates space for these companies to discuss, exchange and advance the topics for DE&I within their business and **support the development of a DE&I best practice toolkit that can be rolled out across the entire HG portfolio**

1. [ILPA, Diversity, Equity & Inclusion](#)



3

Improve executive and board diversity for your portfolio companies and investments

Description and implementation ideas

Set targets for diverse talent across Boards of all portfolio companies and set clear and public expectations on diversity for public company boards

- **Start with your own diversity** – set an example by increasing board diversity in your board of directors, as well as in your investment and deal teams
- **Source board seats from within your investment organizations**, ensure you are appointing Board members that reflect diversity
- When filling portfolio company board seats with independent board directors, leverage your organization’s resources to help **connect search/nominating committees with diverse talent**, as these seats are often filled through networks or social circles skewing White
 - Consider **partnering with MBA or executive leadership programs** that are preparing professionals of color to sit on board seats (e.g., MIT and CBS have executive programs that prepare professionals to serve on organization boards)
 - Look to **non-traditional sources of talent**, including the local chamber of commerce, members of nonprofit boards, community leaders, prominent clients, professional/trade/fraternal associations, and organizations representing racial or ethnic groups. Leverage third party search firms if funds permit
- In order to avoid tokenism or isolation, ensure that all PortCo Board members receive **training on diversity and inclusion**

Examples from peers include

TPG Capital

Partnered with Spencer Stuart and other outside partnerships to **build a database of over 1,100 female and professionals of color who have been referred to the firm**, and are now **candidates to be added to the boards of current or future investments**

Apollo Management

Launched HBCUNet, a new career platform powered by CareerBuilder that aims to **connect students and alumni from HBCUs with job opportunities at Apollo and across its private equity funds’ reporting companies**

INFLUENCE PEER EXAMPLE FROM VISTA EQUITY PARTNERS: IMPROVE EXECUTIVE AND BOARD DIVERSITY FOR YOUR PORTFOLIO COMPANIES AND INVESTMENTS



Action taken



Vista Equity Partners launched an **External Board Program**, which leverages Vista Equity Partners' network and resources to source qualified board candidates for its portfolio companies, with a specific focus on candidates from underrepresented backgrounds



Attract



Belong



Promote



Influence

Implementation details

- Launched an external board program in 2017 to ensure there is a pool of individuals from underrepresented backgrounds who can be considered when their portfolio companies are searching for board candidates
- Program consists of the following key elements:
 - Engages new CEOs about expanding their board roughly 6 to 12 months after acquisition
 - Works with recruiters but also leverages other resources (e.g., Boule for Boards, Him for Her, Executive Leadership Council), partners (e.g., Diligent Modern Leadership Initiative, Board Diversity Action Alliance, the Board Challenge), and board governance programs at consulting firms to source candidates from underrepresented backgrounds
 - Sets upfront expectations with recruiters regarding inclusion of candidates from unrepresented backgrounds
 - Encourages company leaders to clarify the skillset they are looking for – this helps the company build a funnel based on skills instead of relying on referrals or word of mouth which typically result in similar candidates to existing demographics
 - Facilitates an onboarding plan for new board members during the first 30 days to teach them about the firm and value creation within the company they are joining
 - Establishes key performance indicators for how board members can contribute to their role
 - Encourages DE&I training and mandates consistent compensation across a portfolio company board
 - Recently, Vista Equity Partners also launched a partnership with the National Association of Corporate Directors to provide individuals from underrepresented backgrounds with access to detailed curriculum for board and committee preparation; this program aims to increase diversity among directors serving on the compensation and nomination committees of private and public company boards

Results

- 81% of Vista Equity Partners' majority-controlled companies have at least one woman serving on their board as of 12/31/2022
- 92% of Vista Equity Partners' majority-controlled companies have at least one person of color serving on their board as of 12/31/2022
- Since inception, the program has placed approximately 130 board members across its portfolio companies
- Currently, there are ~70 board members in seat, 33 were appointed last year
- 52% of the ~70 current board members are women and 30% are individuals from underrepresented backgrounds

THE CONTENTS OF THE TRANSFORMATION GUIDE

◆	<u>State of Racial Equity in IM Industry</u>	pg. 8
◆	<u>Overview of the four pillars to advance racial equity</u>	pg. 16
◆	<u>Attract Pillar: Hiring new professionals of color into the organization</u>	pg. 18
◆	<u>Belong Pillar: Ensuring that all professionals of color feel respected and are able to be successful</u>	pg. 25
◆	<u>Promote Pillar: Ensuring that professionals of color have the equitable advancement opportunities</u>	pg. 32
◆	<u>Influence Pillar: Catalyzing racial equity outside the organization</u>	pg. 39
◆	<u>Additional Resources</u>	pg. 46



ADDITIONAL RESOURCES (1/2)



Resource type	Resource name	Description	Source	Date	Link
Podcast	Leading diversity efforts in the asset management industry	Carlos Rangel, Investment Director at the W.K. Kellogg Foundation talks about their efforts to diversity the asset management industry in the Humanergy Leadership podcast series	WKKF	2020	Link
	Impact of diversity, equity, and inclusion and its foundational role in finding success	Reggie Sanders, CFA, CAIA, Managing Director of Investments at W.K. Kellogg Foundation, discusses diversity, equity, and inclusion, investing, pensions, endowments, and career growth.	WKKF	2022	Link
Article	How private equity can catalyze diversity, equity, and inclusion in the workplace	Article discusses how private equity (PE) has the ability and imperative to improve diversity, equity, and inclusion (DE&I) in the workplace; and in doing so, provide additional levers for financial outperformance	McKinsey	2021	Link
	Effective employee resource groups are key to inclusion at work. Here's how to get them right	Article discusses how employee resource groups can help people feel more included in the workplace by aligning their work with corporate and employee expectations	McKinsey	2022	Link
	Racial equity in financial services	Report highlights the changes in three key areas companies can make to improve the lack of representation of people of color in the financial services talent pipeline	McKinsey	2020	Link

ADDITIONAL RESOURCES (2/2)



Resource type	Resource name	Description	Source	Date	Link
Guidebook	I&B Guidebook	Guide that will support leaders and companies on the journey to create a culture that embodies a feeling of inclusion and a sense of belonging for all employees	WKKF	2021	Link
Report	Accelerating Change: Diversity, Equity, and Inclusion in Investment Management	Report summarizes the actions taken by 41 investment organizations, that were members of the CFA Institute Experimental Partners Program, to advance diversity, equity, and inclusion in their organizations from mid-2019 to the end of 2020	CFA Institute	2021	Link
Excel Template	ILPA Diversity Metrics Template	Template that can be used to capture diversity data within General Partner organizations as well as among Boards and senior leadership at portfolio companies	ILPA	2021	Link

Appendix



Survey methodology



- Sample includes 31 Institutional Investment managers (for asset management industry) and 18 Private Markets managers (for private equity industry), as identified by the 2021 Women in the Workplace survey; talent funnel only includes corporate roles, where employees have a clear path for advancement to the Executives (field workers and support staff not included)
- **North America** (U.S. & Canada) data is used for benchmarking

Employee levels definition



A standard set of 7 levels in the data template was used to categorize all employees across participating companies

- **Board (L0):** Official Directors of the Board, responsible for the organization and management
- **Executives (L1):** CEO and direct reports to CEO, with primary responsibility for leadership of the management firm.
- **Managing Directors and Managing Partners (L2):** Senior leaders of the management firm with significant investment or functional oversight. May include investment professionals responsible for final deal decisions, as well as their operations and administrative equivalents.
- **Principals (L3)** Professionals within the organization who serve in a decision-making capacity but are not part of firm leadership. May include investment professionals with a meaningful role in sourcing, recommending and leading investments, and their operations and administrative equivalents.
- **Vice Principals (L4)** Seasoned Associates and contributors, responsible for multiple teams and / or discrete operating units. May include investment professionals responsible for evaluating, executing, and managing deals, and Vice Principals in operations and administrative roles.
- **Associates (L5):** Junior Associates and contributors, responsible for small teams. May include investment associates and their operations and administrative equivalents.
- **Analysts (L6):** Employees, responsible for carrying out discrete tasks and participating on teams. Includes investment analysts and other entry-level equivalents

Other notes



The actions detailed in this guide are based on: 1.) a set of initiatives that were presented as part of W.K. Kellogg Foundation's Expanding Equity program and 2.) initiatives that many of the investment management firms that participated in the Expanding Equity program were interested in and mobilized around