

Creating a more inclusive economy:

Practical insights from global institutional investors



**INVESTOR
LEADERSHIP
NETWORK**



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ABOUT US

Launched in 2018 under the Canadian Presidency of the G7, the Investor Leadership Network (ILN) champions initiatives and addresses challenges that no organization or jurisdiction can tackle on its own. The ILN is comprised of 14 global institutional investors representative of six countries, with over US\$8 trillion in assets under management. Through the ILN platform, members collaborate and pool resources and expertise to develop, promote and deliver concrete and scalable initiatives on climate change, equity, diversity and inclusion (EDI) and sustainable infrastructure.

Our alliance of 14 world-leading investors is tackling major global issues in a manner that benefits society and the bottom line. A strategic differentiator of our network is our clear focus on EDI. Additionally, we enjoy strong support from public and private partners while remaining fully autonomous. This is what makes the ILN unique.





FOREWORD

This report showcases our approaches to EDI integration, as both employers and investors, with a view to help illuminate the pathway to inclusive finance.

Our focus on EDI

EDI is high on the regulatory and investor agenda. However, we recognize there is still more to be done to reach an equal and equitable society. Following Canada's 2018 presidency of the G7, we launched our 'Diversity in Investment' initiative with a goal of enabling business performance by unleashing talent in global capital markets through diversity. While our initial focus was on gender, we have rapidly expanded our consideration to wider diversity and inclusion.

The aim of this report is to address the following questions:

1. What are our motivations, both as employers and as institutional investors in seeking to improve EDI outcomes?

- 2. What are our strategic approaches and leading practices for integrating EDI into the workforce and investment strategies, as well as engagement with external managers and portfolio companies?
- 3. What are our key common challenges faced and how are we addressing them?
- 4. How are we approaching diversity beyond gender?
- 5. What are our future ambitions and priorities?

Growing societal and regulatory expectations have recently brought EDI into sharper focus. The COVID-19 pandemic and the Black Lives Matter (BLM) movement are evolving the conversation about the nature of a sustainable, long-term business beyond gender to consider wider diversity. Like all industries, whilst we are making progress, we recognize the need to accelerate our work.

We believe investors are uniquely positioned to drive social change. As the world accelerates towards sustainable finance, ILN is in a unique position to share best practices, drive consistent and comparable metrics to measure EDI, and develop an EDI toolkit for investors to engage with portfolio companies and external managers. Our guiding principles include a strong bias for action, leveraging partnerships, avoiding duplication within the ecosystem, as well as catalysing new ideas.

To support our goal of driving change towards global inclusive finance, we are developing an "Inclusive Finance Platform". This tool will help our members integrate EDI into their operations, both as employers and investors. Our aim is to enable their portfolio companies and the external managers they work with, across geographies and industries, to progress on EDI.

ILN's current EDI leadership

In 2019, we set up the following working groups to reflect together on our experiences, collaborate on actions and hold each other accountable for progress:

- Our CEO Council convenes all our CEOs twice a year to advance and review progress made on EDI with reinforced commitments.¹
- Our CIO roundtable seeks to accelerate our collective understanding of how best to integrate EDI into our investment strategies (see CEOs commit to change under the section '[Setting the scene](#)').

¹See press releases in [June 2020](#) and [June 2019](#) for details of our EDI progress and commitments made following CEO Council meetings.

Our EDI initiative is structured around four pillars:

1. Attracting and retaining talent:
Evolve perceptions by demonstrating that women and minorities can be successful in the investment management industry.

2. Influencing decision makers:
Engaging on the importance of a diverse talent pool and factor in diversity throughout investment processes, both internally and with our partners.

3. Rethinking the workplace: Ensure that organizations are gender-neutral and more inclusive in order to drive the fulfilment of top talent as well as innovation and business performance.

4. Building accountability:
Report metrics to increase transparency on diversity and effect change through measurable and observable commitments.

Figure 1: Our EDI framework: a virtuous circle structured around four pillars



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Catalyst’s mission is to accelerate progress for women through workplace inclusion. We believe this because progress for women is progress for everyone. We were involved with ILN right from the beginning, helping to facilitate its first CIO roundtable and developing the five principles (see [Appendix](#)), which all ILN members agreed to. We believe corporate leaders must hold themselves and their teams accountable to accelerate EDI.

Catalyst

EXECUTIVE SUMMARY

EDI remains on top of our agenda, although our priorities and approaches vary between the ILN membership.

1. There are a variety of reasons we believe our focus and investment in EDI is critically important. For example, the continued attraction and retention of top talent as well as instilling trust in society as being the right thing to do. There are growing expectations for EDI from our clients and beneficiaries. We also share the belief that diverse teams working in inclusive environments make better decisions that are typically associated with lower risks. Some of us have started to test these correlations in our own organizations to further strengthen the rationale.

2. We recognize the importance of being able to ‘walk the talk’ as employers before we can have high expectations of others and, as a result, are increasing efforts on our own EDI programs. For example, many of us are developing effective approaches for culture change, using advanced data analysis to identify disproportionality in talent processes and aligning leadership incentives to EDI improvements.

3. In respect of our investment processes, many of us view EDI as an investment opportunity and are increasing the number of women in our investment teams. EDI criteria are increasingly included within investment mandates and requests for proposals (RFPs). Shareholder engagement activity is focused on board diversity, with some beginning to extend their discussions deeper into the wider workforce.

4. While efforts to date have largely focused on achieving gender balance, internally and externally, we are beginning to explore intersectionality and commit to inclusion of other strands of diversity, e.g. ethnicity, age, disability, sexual orientation and cognitive diversity.
5. The biggest challenges we face on EDI integration, as employers and as investors, are data and skills. Data is our biggest shared challenge – particularly on diversity beyond gender – given legal and cultural nuances across jurisdictions, the lack of standardization in reporting, and limited access to high quality data. In respect of skills, for instance, many of us are not always sure what ‘good’ portfolio engagement looks like and what we should be asking for to drive the right outcomes.

6. We recognize there is still a lot to be done to advance EDI. Among others, our future ambitions include:

 - Supporting efforts to enhance and harmonize corporate reporting standards for EDI.
 - Promoting the voluntary adoption of existing, widely accepted frameworks pending the standardization of reporting standards.
 - Creating an investor engagement platform to enable a coordinated effort to influence EDI at General Partners (GPs) and corporates, with a focused approach, similar to Climate Action 100+.
 - Considering the adoption of a global benchmark for assessing EDI holistically.
 - Exploring ‘Say on EDI’ concept, an annual non-binding shareholder vote on a company’s EDI strategy.
 - Capitalizing on the rise of ESG to develop and promote a new range of sustainability-related career opportunities to attract a more diverse talent pool.



SETTING THE SCENE

The momentum for sustainable and inclusive economic growth is at an all-time high and included in this momentum has been an unprecedented acceleration on EDI.

Investors lead the change

- Under the [Embankment Project for Inclusive Capitalism](#) (EPIC), asset owners and asset managers with \$28 trillion of assets under management joined forces with asset creators to release a long-term value creation (LTV) framework and related metrics.
- In light of the impact of COVID-19 and recent socio-political movements such as BLM, the focus on human capital is sharply on the rise, with the “S” gaining momentum with investors moving toward more rigorous ESG evaluation.²

- The push for a just transition³ by investors such as Climate Action 100+ is expected to intensify the spotlight on social inclusion and diversity.
- ESG investing is on the rise – 2020 came in at double the 2019 level of ESG inflow into ESG-branded mutual funds.⁴

Regulators and not-for-profit organizations accelerate the change

- UK and Japan stewardship codes adopted in 2020 have redefined stewardship for asset owners: “Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.”⁵
- The Sustainable Finance taskforce of the International Organization of Securities Commissions (IOSCO) joined forces with the World Economic Forum (WEF) to help develop an [International Sustainability Standards Board](#) (ISSB) under the IFRS foundation.
- The Sustainable Accounting Standards Board (SASB) released its [preliminary framework](#) on human capital to address issues in existing standards, as well as evolving and emerging human capital issues.
- Five main framework and standard-setting institutions (SASB, the Global Reporting Initiative (GRI), the Climate Disclosure Standards Board

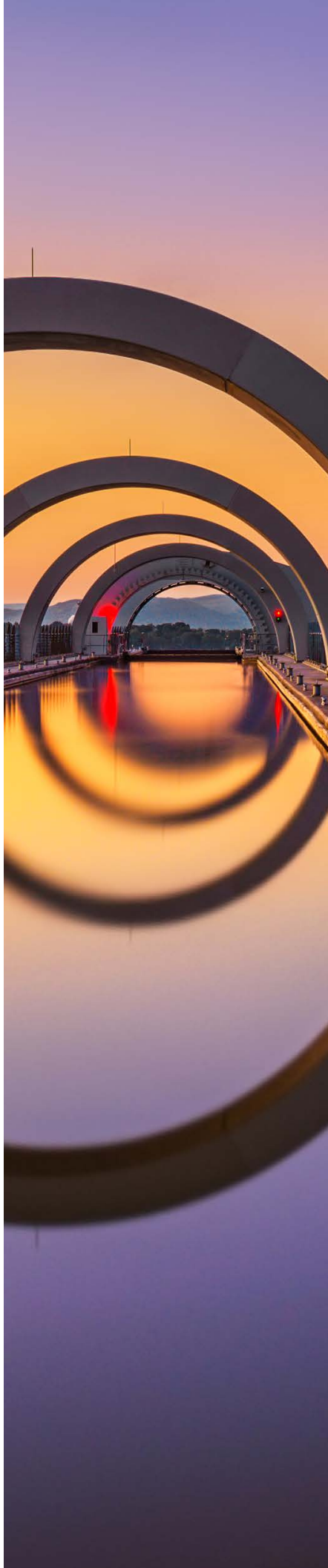
(CDSB), the International Integrated Reporting Council (IIRC) and CDP) [committed](#) to working on a global comprehensive reporting system.⁶

- The World Economic Forum’s (WEF) Annual Meeting Davos 2020 was focused on climate, whereas Davos 2021 was focused on inequalities and a just recovery⁷.

CEOs commit to change

- In June 2020, ILN CEOs co-signed a principle-based engagement letter in favour of gender equity in the investment industry, as a result of the ongoing work of the ILN CIO Roundtable (see the [Appendix](#)). Together, we [agreed](#) to address five areas of focus in the coming years, through our work with external managers, as well as our influence over public and private investments.
- [WEF-The International Business Council](#) (IBC) initiative, supported by over 60 business leaders including **Allianz**, committed to catalyse widespread adoption of common metrics for sustainable business and to drive global standards convergence. Metrics such as diversity and Inclusion (%), pay equality (%), wage level (%), training provided (#, \$) are included in the WEF-IBC core metrics.

We believe EDI is a natural extension of the focus on stakeholder capitalism, which broadens the focus on shareholders to all stakeholders and where capital will be allocated less on the potential for short-term results and more on the ability to create sustainable long-term value.



MOTIVATION FOR CONTINUOUS INVESTMENT IN EDI

We believe that EDI is a concept synonymous with minimising risk and reaching better conclusions however perspectives on whether or not a business case for EDI is still required are mixed. As the evidence relating to the business case for EDI continues to strengthen, some of us believe this will help

drive increased EDI integration, particularly in the investment process. Nevertheless, we all recognize that EDI contributes positively to business performance in one or more of the following ways:

1. Attracting, engaging and retaining talent

The ability to attract and retain the best talent requires an organization to demonstrate an enduring commitment to EDI with visible diversity at all levels as meaningful proof of concept. Recent social justice movements such as #MeToo and Stop Asian Hate have catalysed the need for all employers to increase advocacy for equality with studies revealing the growing importance of EDI to job seekers and employees.⁸

²EY, [Climate Change and Sustainability Services Institutional Investor Survey](#), July 2020.

³A just transition considers positive and negative impacts on employees and communities in relation to the energy and ecological transition. Assessment indicators on just transition will be part of [Climate Action 100+ Net-Zero Company 2022 Benchmark](#).

⁴EY, [The rise of ESG investing - Insights from Canadian asset managers into the ESG strategies in the investment management industry](#), March 2021.

⁵Financial Reporting Council, [UK Stewardship Code 2020](#).

⁶See also SASB and IRRS merger to form Value Reporting Foundation with the aim of simplifying sustainability disclosure.

⁷WEF, [Davos Agenda: What you need to know about the global economy](#), January 2021.

⁸Glassdoor, Diversity & Inclusion Workplace Survey, October 2020.

2. Improving business performance

Positive correlations between EDI and better business performance have been highlighted in studies for many years. Several of us have started exploring approaches for our own internal studies to prove the ROI of EDI, as both employers and investors. For example, in respect of its fund for EDI launched in October 2020, **CDPQ** aims to find a correlation between diversity and performance over the coming years. On the other hand, **PSP** will seek to measure the impact of its employee experience on the company's financial performance. **OMERS** hopes to determine whether there is a correlation between its inclusive leadership 360° feedback at the executive level and business performance metrics.

3. Strengthening risk management

We all agree that diverse teams in inclusive cultures help us to avoid groupthink and complacency. We believe that a lack of EDI can be considered symptomatic of a wider governance issue facing the organization, such as a lack of board succession planning or an unhealthy culture which may pose a risk to performance. People are stretched more than ever under the COVID-19 and climate crises, but EDI could help improve the collective intelligence of teams⁹ and cross-collaboration between multiple specialisms to future-proof a business.

4. Satisfying client and/or beneficiary expectations

There is an increasing need to demonstrate strong EDI credentials in the context of fundraising, with Request for Proposals (RFPs) increasingly probing beyond the existence of EDI policies and focusing more on outcomes (e.g. number of female CEOs in the portfolio). In addition, several of us believe that it is essential to align to both the diversity and the values of beneficiaries, especially if they serve professions with high female representation, such as health and education.

5. Driving social impact

Several of us share the view that the motivation for EDI is the creation of positive impact on society, as expressed in some of our corporate purpose and mission statements. For example, "We invest to shape a better future" (**OTPP**) and "A solid value in health and welfare" (**PGGM**)¹⁰.

Specifically, as investors, we believe in the importance of **walking the talk** on EDI to enhance our credibility as inclusive employers, and to set an example to external managers and portfolio companies.

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Our viewpoints

"Workers, especially the younger ones, are restless and would like to see change in EDI. They want to see people who look like them as role models in the organization to have more confidence that they will be able to progress in their careers."

Natixis

"Unless someone produces a smoking gun study showing that an all-male, all white board always outperforms a more diverse one, I think we are in the right place with our theory that diverse boards promote resilience and better risk adjusted performance."

AIMCo

"EDI is linked to our business strategy to become a lifetime partner to our customers. In order to achieve that, we need to ensure our workforce reflects the diversity of our customers."

Generali

"The world is getting complex – we need teams that reflect the society that we live in so we can better understand changes and anticipate the future evolution of the economic environment."

Ardian

"Incorporating ESG factors in our investing, including responsible stewardship of human capital, is core to fulfilling our mission of paying pensions today, preserving pensions for tomorrow. We know that bringing diverse backgrounds and viewpoints to the table results in better decision-making, strengthening risk management and enhancing long-term value."

OPTrust

⁹In their research published in Harvard Business Review (HBR), professors Alison Reynolds and Davis Lewis noted a "significant correlation between high cognitive diversity and high [team] performance". See HBR, [Teams Solve Problems Faster When They're More Cognitively Diverse](#), March 20167.

¹⁰PGGM aspires to achieve a substantial and measurable contribution to SDG 10 (equality) and SDG 3 (health).

STRATEGIC APPROACHES TO EDI

Below we highlight some of our strategic approaches to effectively integrate EDI as employers and investors.

As employers

While we have a shared mission to improve EDI, we are all at different stages of the journey. Across our network, we are implementing a variety of approaches to effectively change culture, use data analysis to drive decision making, and align leadership incentive schemes to ensure continuous EDI improvement.

1) Leader-led EDI strategy

As reflected by our CEO and CIO roundtables' focus on EDI, we believe EDI should not solely be a HR challenge, but be elevated to the highest levels of organizations, including C-suite. Organizations in which the CEO is personally involved in setting and delivering the EDI strategy appear to demonstrate more advanced initiatives and approaches on EDI. There must be support from the CEO and the rest of senior leadership to scale an EDI strategy effectively. The abundance of external EDI pledges and forums to engage CEOs on EDI is rising and while these are important to demonstrate intent, real progress is made when the CEO is personally engaged in driving outcomes. **Generali** and **OMERS**, for instance are two

companies with CEO-led EDI Councils; at **CPP Investments**, aspiring Managing Directors are invited to represent their departments on the EDI advisory council to demonstrate their ability to lead on the agenda.

Several of us have established executive accountability for EDI by linking executive performance evaluation and/or remuneration to EDI metrics, which range from specific diversity targets (for instance, to drive greater representation of women leadership) to softer goals linked to culture and people. While leadership accountability is a feature of leading practice, much of our current focus is on collective responsibility for improvement (e.g., improving group EDI index), so there is an opportunity to increase individual accountability for outcomes (e.g. Heads of Departments responsible for improvements in their own teams).

While it is not easy to align EDI targets to executive pay, some of us have begun to address this challenge or plan to do so. For example, **Generali** links its group EDI index score to executive pay. While we encourage linking EDI metrics to pay, we acknowledge, though, the potential for unintended consequences and, hence, the need to carefully consider the specific EDI metrics and targets considered. For instance, a narrow focus on gender diversity that is linked to executive remuneration may come at the expense of the development of a diverse talent pipeline that also considers broader diversity in addition to gender.

2) Cultivating an inclusive culture

We recognize the need to double down on investment in culture change to ensure a sense of belonging and meaningful career experiences for an

increasingly diverse set of employees. Diversity and inclusion must go hand-in-hand. Bringing minority employees into the room but not having inclusive behaviours within the workplace to embed them can create a disengaged population.

Many of us are building individual and collective inclusion capabilities through training. For example, **AIMCo's** EDI strategy includes a 'People Strategy' pillar with 'Learning' as a key category. Through workshops on unconscious bias, cultural awareness training, inclusive leadership behaviour training, etc. **AIMCo** aims to educate leaders and employees so they have a high level of EDI competence.

We are increasingly evaluating existing initiatives and policies with an inclusion lens to identify areas for enhancement. For example, **Generali** extends its consideration of "caregivers" and their relevant needs to employees who may have elders to look after, rather than just children. This led to **Generali's** development of a program supporting caregivers.

Many elements of diversity are measurable, e.g., a firm's number of women, however many elements of culture are more qualitative by nature and hence not consistently measured. Despite this, several of us are beginning to measure inclusivity. For example, **CDPQ** created two new questions in its employee engagement survey to measure inclusion with a focus on culture, practices and a sense of belonging. **APG** included questions in its employee engagement survey to assess whether employees feel respected and how comfortable they are being themselves at work.

Spotlight on the focus on inclusion

CPP Investments

In 2019, **CPP Investments** embarked on a global listening tour engaging 300+ employees representing every department with the aim of gathering candid feedback on EDI progress made and understanding employees views on the work required to continue advancing EDI at **CPP Investments**. Insights from these employee consultations led to the crafting of a firm-wide definition of inclusion to guide work on culture and employee experiences. Specific 'inclusion-related' questions in the firm's pulse survey were aligned to key elements of the definition and demographic analysis of responses measuring employees' sense of inclusion.

With the objective of further cultivating an inclusive, global culture at **CPP Investments** (an explicit objective in their 2025 Strategy), **I-CUBED** (Inclusion Interaction Initiative) was launched with senior leadership sponsorship to provide a one-hour, one-time meet-up for employees at different career stages to practice the firm's five essential inclusive behaviours: humility, authentic curiosity, empathy, leadership, and being in the moment. Last year, more than 500 employees from across **CPP Investments** came together to discuss their unique experiences.

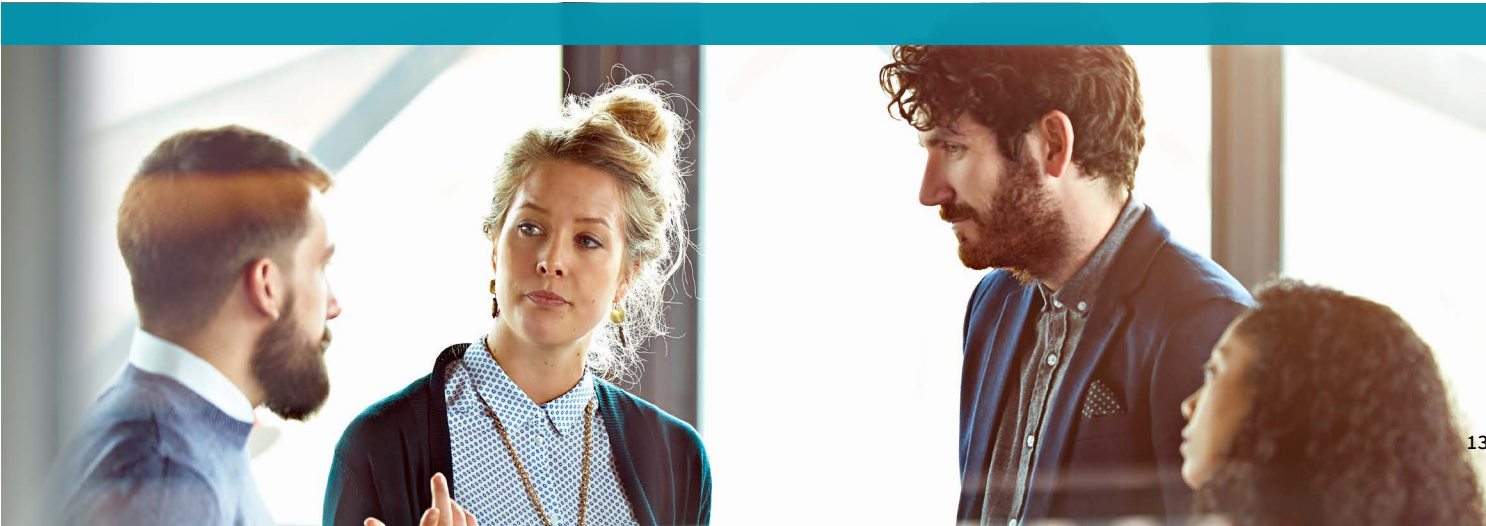
PSP Investments

In FY18, **PSP** replaced its longstanding Diversity Committee—which was focused on ensuring compliance with the Employment Equity Act in Canada—with a new **Ei&D Council**. The **Ei&D Council's** mandate was to globally evolve its inclusion culture and create a positive environment for diversity.

In May 2020, **PSP** launched a voluntary self-identification survey and a structural inclusion audit. One of the main insights gained was the need to increase the focus on equity to reach true inclusion. In response to this, **PSP** embarked on a pilot project, asking several senior leaders to take a step back to better assess their barriers to advancement and become more consciously inclusive. The program involves a personal inclusion assessment which is followed by a one-on-one briefing discussion. Once all participants have gone through the individual portion, the group is brought together in a debrief workshop to address common themes. If the pilot is successful, **PSP** will evaluate which roles and levels of leadership should go through this process.

OMERS

An integral part of **OMERS'** work ensures that inclusive leadership behaviours are embedded throughout employees' growth process and are top-of-mind considerations in leadership roles – especially in the areas of collaboration, listening to diverse perspectives, and building trust among teams. This is reinforced through leadership development offerings such as **Conscious Inclusion** training, development progress aligned to 360 degree survey feedback at the executive level, and its enhanced performance management system, which highlights how the impact you make in your role is considered alongside what gets delivered. These tools enable leaders to be more effective as it focuses beyond simply what priorities they are trying to achieve, but also how to achieve them.



3) Engaging all employees

Employee networks have long been an effective way of building diverse communities and associated “ally” initiatives to provide opportunities for majority groups to learn and advocate. Typically, networks are established by underrepresented groups with executive sponsorship. Many of us have established groups for women and increased efforts to launch and/or build groups for other underrepresented groups such as BIPOC, LGBTQ+ and persons with disabilities.

Beyond these employee-led groups, a few of us, such as **CDPQ** and **AIMCo**, have established networks of EDI ambassadors and change makers involving employees across all grades, geographies and departments, to help promote intersectionality. For example, **AIMCo** hosts both an EDI Management Committee with a strategy and management focus and a EDI Council whose focus is on the employee experience and supporting employee resource groups.

While progress has been made to effectively engage both grass-roots and executive levels, meaningful engagement with middle management can remain a challenge due to their heavy focus on operations and shorter term targets. Despite that, they play a key role in bringing to life senior management’s vision, facilitating talent management and stewarding the day-to-day culture. It is important to engage with employees throughout an organization to avoid having a ‘frozen middle’ or ‘broken rung on the ladder’, keeping minority groups from rising through the ranks in their careers.

4) Inclusive talent processes

We believe the continuing lack of diversity looks less like a lack of talent in minority groups and far more a reflection of the limitations of traditional recruitment and selection processes. We recognize the opportunity to explore new approaches and proactive interventions in talent processes that are needed to bring change.

Many of us are addressing the risk of unconscious bias at critical points in talent processes, in order to help hire, develop and retain diverse talent. **AIMCo** has process “interrupters” to de-bias talent management. As part of this, they have created “inclusion lenses” to prompt debate and mitigate bias at critical points such as hiring. Such interrupters include providing Hire-Potential Training to recruiters and hiring managers, using gender-neutral language in job postings, ensuring diverse recruitment and interview panels and standardizing interview guides per role to ensure the neutral tone and consistency with candidate interviews. **CPP Investments** has appointed “challenge champions” in its workforce to sit in talent review meetings to combat implicit bias. **APG** revised its job descriptions to be more inclusive by ensuring terms used were gender-neutral, and provided unconscious bias training to its communications and recruitment teams.

We acknowledge there is a significant opportunity to fundamentally reimagine the ways in which talent is assessed and consequently attracted, acquired, engaged and developed.

Many of us are thinking about how to effectively assess strengths, mindset and potential, as opposed to high performance (including qualifications and experience). For example, **OTPP** has partnered with a psychometric firm to develop assessments to be deployed on all existing employees and recruitment candidates. The initiative is at an early stage, so it is still too early to assess its impact, but the anticipated benefits are both enhanced talent quality and access to more diverse talent pools.

5) Data and benchmarking

We are broadening the scope of our data collection and analysis on diversity beyond gender. Many of us recognize the critical importance of making the most out of currently available data to better inform talent decision-making. Without data, we risk making huge, sweeping assumptions. There is also little point in collecting data if no analysis and action are provided afterwards, which may increase employee distrust and the emotional tax¹¹ on minority employees.

All of us collect data on biological sex and age as part of the hiring/ onboarding process. However, the purpose and scope of analysis of the data collected varies, ranging from reporting to comply with legislation and/or broader group reporting requirements to more sophisticated approaches using insights to drive interventions, decisions and program design. **CPP Investments** and **CDPQ** are examples of companies already routinely analyzing data to look beyond headline representation of women or simple joiners/leavers snapshots, to

examine critical points in the talent lifecycle (hire-to-retire). Both pension funds have a focus on women in senior investment roles and scrutinise data in the context of hiring, performance ratings, and promotions and succession planning. Since 2018, all of us track and share with each other and/or publicly the evolution of women representation across executive and senior leadership, as well as risk-taking investment roles.

Several of us including **OMERS** and **CPP Investments** have recently established global self-identification campaigns to encourage employees to disclose personal data related to ethnicity, disability and LGBT (including “prefer not to say” options, as required). Data is being gathered to establish a baseline from which progress can be tracked against societal and labour

market benchmarks. In line with leading practice, a few of us had began analyzing intersectionality, e.g. women of colour in management, to help reveal any potential bias against women with overlapping identities.

Many of us set targets for diversity at the board and/or executive level. For instance, as part of signing up to France Invest’s gender diversity charter, 25% of **Ardian**’s Investment Committee must be female by 2030, rising to 30% by 2030, with women comprising 40% of investment teams by 2035. Though the setting of diversity targets raises some questions about tokenism, for many of us, the effect it has had so far is a move in the right direction.

Many of us are increasing our use of assessment and benchmarking frameworks, to better track our progress on EDI, as well as identifying areas for improvement. For example, six of us (**Ardian**, **CDPQ**, **OTPP**, **CPP Investments**, **AIMCo** and **OPTrust**) have completed some level of the EDGE certification, which helped support our progress on gender diversity. The EDGE certification is a global certification system that can be applied across industries and regions for assessing and tracking progress in closing the corporate gender gap. Several of us felt that a similar global certification/benchmark which covers other diversity strands, in addition to gender, will help to develop a more holistic approach to managing diversity.

Spotlight on diversity targets

CPP Investments

CPP Investments sets a number across a broad range of diversity dimensions: 5% black student representation; 3% indigenous student representation; 30% senior female investors; 28% senior minorities (globally defined); 5% LGBTQ+ representation; and 4% persons with disabilities.

Spotlight on tracking progress



Generali has developed an EDI index to measure progress against internal objectives for gender, generations, culture and inclusion through eight indicators: including female managers; talent under the age of 35; training offered; and local action plans on disability. The EDI index score and more specific data on gender (e.g., gender pay gap, accessibility gap to variable remuneration between females and males, etc.) is reported in the company’s [annual integrated report](#) and [website](#).

Our approaches to engaging all employees

Awareness	Engagement	Accountability
<ul style="list-style-type: none">Inclusion and unconscious bias trainingsEDI content integrated into manager development programs	<ul style="list-style-type: none">EDI councilsEmployee networks and ally programs	<ul style="list-style-type: none">EDI objectives embedded in all employee appraisals and, if/when appropriate, to incentives

¹¹Emotional tax – which is first described by [Catalyst](#) in 2016 – is the combination of feeling different from peers at work because of gender, race, and/or ethnicity, being on guard to experiences of bias, and the associated effects on health, well-being, and ability to thrive at work.



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WCM has helped the ILN to select the appropriate metrics to track progress on gender diversity i.e. number of women in executive, senior leadership and investment roles. EDI believe that there is a great opportunity by the ILN and the rest of the industry to drive EEDI and inclusive economic growth through their role as global influential investors.

Women in Capital Markets (WCM)

EDGE is a pioneer in the area of transforming workforces by measuring, accelerating and certifying gender and intersectional equality. The ILN is a pioneer in encouraging its member organizations to take concrete steps in tracking equity and inclusion, in addition to diversity. We are proud to count six ILN members as EDGE Certified organizations driving meaningful and sustainable change.

EDGE Certified Foundation

KEY TAKEAWAYS AS EMPLOYERS

- 1. EDI should be enabled by HR and D&I professionals, but led by C-suite, with incentives aligned to EDI outcomes.
- 2. Create a strategy that focuses on inclusion, not just diversity. Redesign policies and processes with this focus at the centre.
- 3. Build a movement to engage employees at all levels in culture change. The role of middle management must not be neglected, given their influence over the early stages of talent pipelines in which women and minorities are more greatly represented.
- 4. Find talent in non-traditional backgrounds and remove barriers to improve diversity in recruitment, retention and advancement. Build awareness of unconscious bias, actively listen to employees, and translate learnings into action.
- 5. Individual experiences and data should work hand-in-hand, but not one without the other. Diversity beyond gender and intersectionality should be baked into strategy and reporting.
- 6. Representation targets can be a game changer for EDI. Set high aspirations and create a roadmap for reaching short, medium and long-term goals.

EDI as a key element of COVID-19 recovery strategies

There are EDI implications as a result of COVID-19. The disproportionate impacts of COVID-19 on women and minorities have been well-documented by studies, including by Catalyst.¹³ Looking ahead, there is growing concern about an unintended consequence of hybrid work – what happens if fewer women return to the workplace than men?

Nevertheless, we recognize the disruption caused by the pandemic offers a chance to reset the future of work, to reduce inequities rather than exacerbate and/or perpetuate them. In the wake of COVID-19, many of us are considering how the workplace can be more inclusive and are engaging with employees to gain a holistic understanding of their concerns.

Examples of the EDI opportunities we see as a result of COVID-19 include:

- 1. Adjusting the approach to performance evaluation. For instance, **CPP Investments** reviews senior female investment professionals’ performance over previous years, in addition to the relevant cycle in the financial year. This is to recognize the potential detrimental impact

of COVID-19 on performance as a result of balancing work and domestic or caregiving responsibilities. **CPP Investments** also offers guidance to employees, including managers, for adjusting performance evaluation during the pandemic.

- 2. Redesigning goal setting and performance management to avoid transferring presenteeism to the online world. When considering hybrid working as we return to the office, many of us are acknowledging and mitigating the risk to homeworkers being left out of decision-making, which could negatively impact their careers.
- 3. Revising leadership behavioural frameworks to include more compassionate and inclusive traits.
- 4. Widening talent pools beyond candidates which we have traditionally found locally.
- 5. Removing barriers for those who previously might have been or felt excluded from the workplace. For example, while working from home might not be ideal for everyone all the time, it can enable those with a long-term illness or disability to participate.

As investors

Most of us believe that EDI should be considered as part of the investment decision-making process, however, the degree to which EDI is integrated in our investment processes varies. Most of us appear to be an ‘Informed Investor’, viewing the role of EDI from a risk or ‘doing the right thing’ lens. For example, in respect of a due diligence (DD) for a private company or the scoring process for an external manager, the lack of EDI can be a deal-breaker if it is perceived to be counter-culture. Meanwhile, a few of us are moving towards a different mindset of viewing EDI as a competitive edge, engaging EDI on a deeper basis, throughout a deal’s lifecycle. For instance, providing a roster of female executives for board nominations and partnering with other Limited Partners (LPs) to maximise influence in driving positive EDI outcomes.

Summary of different levels of EDI integration in the investment process from consultations with ILN members

	Informed Investor	Competitive Edge
Strategic Intent	Do the right thing	Seeks a better rate of return profile
Internal Investment Process – Private companies	Can be a deal breaker in DD if perceived as counter-culture	Light support to investee to achieve EDI targets (e.g. roster of female executives); Partners with other LPs to maximise influence
Internal Investment Process – Public companies	Voting guidance has EDI targets and votes are uniformly casted across organization	Forms coalition to maximise influence and leverage Name and Shame
Exposure Management	EDI is evaluated at onset and data captured	Maps portfolio EDI exposure to inform actions
Client Understanding	As voiced through formal client relationship channel (Trustees)	Annual structured sentiment analysis (Trustees)
Diversity Definition	Representation % at board and executive levels	Diversity and Inclusion (%), pay equality (%), wage level (%), training provided (#, \$)
External Managers	Part of formal scoring process, can be a deal breaker if perceived as counter-culture	Engages with manager on proactive steps to take to deliver on clients’ EDI priorities

¹²UCL, *Women and ethnic minorities have found the pandemic psychologically more challenging*, November 2020.

¹³Catalyst, *The Detrimental Impact of COVID-19 on Gender and Racial Equality (Quick Take)*, December 2020. The disproportionate impacts on women and racial minorities, as highlighted in the report, include heavy job loss, higher illness and death rates from COVID-19, as well as the unequal burden of unpaid care work.

1) Integrated investment strategy

We believe that EDI integration is an important aspect of our responsible stewardship to generate sustainable long-term value for our beneficiaries. Over the long-term, the integration of all material risks into the investment process should also result in positive impacts for society and the economy, such as EDI. This wider impact can be accelerated where clients explicitly state their preferences and mandate their managers to achieve positive impact for society through their investment objectives.¹⁴

We are already seeing tenders that incorporate material ESG issues such as EDI into the design and award of mandates that are aligned with the investment time horizon of clients and beneficiaries. Meanwhile, the scoring of asset managers often include EDI indicators, e.g., percentage of women in the investment teams, the level of engagement in EDI industry initiatives and more. Superior scores on EDI could be the decisive margin and competitive advantage to winning a mandate over competitors that are otherwise evenly matched on other selection criteria.

Many of us are putting our money where our mouth is, using capital to accelerate change in EDI. For example, linking EDI to financial incentives such as diversity-linked financing, and/or creating funds which target companies committed to increased diversity.

To enhance the incorporation of EDI criteria into the mainstream investment process, there is an opportunity for investors to consider EDI related risks and opportunities more widely across prospective and existing portfolio companies, as well as endorse diversity-related investment funds.

2) Active and effective engagement

Many of us already actively engage with investee companies to drive positive EDI outcomes with the aim of holding boards accountable. The engagement activities differ across funds, assets and geographies. Based on our last annual self-assessment of the implementation of our five shared principles (see [Appendix](#)) in June 2020, notwithstanding the work that is still to be done, some of us have made tangible progress, as seen most visibly in respect of our public investments, compared to external managers and private investments.

Many of us make use of our voting rights to influence public company behaviour on EDI. We disclose our expectations, voting policies, the extent to which proxy advisors are used, as well as metrics and case studies of engagement activities. Many of us such as **OTPP** set the target of 30% female representation on the boards of portfolio companies. Some of us may vote against the nominating committee chair of a company which does not meet this threshold.

In addition, a few of us are also considering the concept of ‘Say on EDI’ to get companies to listen and ensure investors have the information they need to assess a company’s performance when it comes to tackling EDI. Under the proposed ‘Say on EDI’ concept, companies could be asked by investors to disclose their EDI strategies annually and put their plans and performance to a regular vote. We are aware of the potential unintended consequences of this, as seen with the implementation of ‘Say on Climate’ and ‘Say on Pay’. For example, the removal of some level of accountability from directors, as well as investors rubberstamping old and ineffective plans. While we believe ‘Say on EDI’ concept could be effective, its execution requires careful consideration and guidance.

Outside of the ILN, many of us are joining forces with other investors to encourage companies to improve EDI:

- In October 2020, Canadian institutional investors representing \$2.3 trillion, including **AIMCo**, **CDPQ** and **OPTrust**, pledged to promote EDI in their portfolios and institutions in an initiative coordinated by the Responsible Investment Association¹⁵.

- In February 2020, **PGGM** and **OTPP** alongside other investors sent letters to 18 US companies with less than 20% female representation on the board and where board tenure for some non-executive directors is above average.
- Six of us (**AIMCo**, **CDPQ**, **CPP Investments**, **OTPP**, **OMERS** and **PSP**) work jointly through organized groups, such as the “Maple 8” (i.e. the eight leading Canadian pension funds) and the 30% Club, to encourage and put pressure on companies in Canada and around the world to improve gender diversity and other forms of diversity at board and senior management levels.
- In August 2019, **Natixis’** affiliate, **Mirova**, led a [coalition](#) of 66 investors to support women’s empowerment in the workplace and achieve gender equality. In addition to calling for increased transparency on this topic, the purpose of this coalition is to also encourage companies to sign the Women’s Empowerment Principles, established by the UN Global Compact and UN Women.

Spotlight on EDI as a theme for investment analysis



CDPQ launched [Equity 25³](#), the largest Canadian fund ever created to target companies that leverage diversity as a vector of development and expansion. This \$250-million fund to be deployed over four years invests in small and medium-sized enterprises (SMEs) and technology companies in Québec or elsewhere in Canada. In turn, the selected businesses commit to meeting an objective: in five years after receiving financing, people of diverse backgrounds—women, visible minorities or Indigenous peoples—will represent at least 25% of their board of directors, management teams and shareholders. To help companies achieve these objectives, **CDPQ** offers companies support to help design and implement a customized EDI plan.



Natixis’ affiliate, **Mirova** has a Women Leaders Equity Fund which invests principally in global equities that contribute to the achievement of the UN Sustainable Development Goals (SDG) with a strong focus on SDG 5: gender diversity and women empowerment. **Mirova** also has an engagement policy and disseminates best practices to improve gender equality in portfolio companies.

In January 2021, **Natixis** announced that its customized indexing division, Active Index Advisors® (AIA), launched Racial Equity Investment Portfolios, which seek to identify companies that promote EDI – and avoid or divest from companies that cause, contribute to, exploit or profit from racial injustice. Utilizing research and proprietary data from third-party providers, including JUST Capital, AIA’s Racial Equity approach focuses on investing in companies that factor changing US demographics, and the economic power of underrepresented populations, into their respective business models. **Natixis’** Multicultural and Diversity Engagement, which champions the firm’s diversity and inclusion efforts, provided valuable input in the construction of these portfolios.

ARDIAN

Two years ago, at fund and portfolio asset levels, **Ardian** introduced ESG-linked financing which includes EDI criteria such as gender equality, e.g., the percentage of women at the executive level. **Ardian’s** focus within the EDI criteria is expected to expand from gender equality to also include other forms of diversity, such as socio-economic backgrounds and disability.

Spotlight on Fearless Girl gender diversity initiative



State Street Global Advisors launched its Fearless Girl® campaign in 2017 because research showed that companies with more diverse leadership perform better. Symbolized by a 50-inch statue installed in the heart of New York’s financial district on International Women’s Day, the asset manager’s call to companies in its investment portfolio to create greater gender diversity on their boards has resonated across the globe — first in the US, UK, and Australia, and then on to continental Europe, Canada, Japan, Hong Kong, and Singapore. Today, out of nearly 1,500 companies identified with previously all male boards, 862 companies have responded by adding a female director.¹⁶ With every company in the S&P 500 now having a woman on their boards — helping to develop strategy, set priorities, hire management, and chart the course for the future — and influential voices across the financial services industry taking a stand, there is a growing recognition that board diversity is an issue not simply of values but of value.

¹⁴[Asset Management Taskforce_proof7.pdf \(theia.org\)](#)

¹⁵Business Wire, [Canadian Investors Representing \\$2.3 Trillion Pledge to Promote Diversity & Inclusion in Their Portfolios and Institutions](#), October 2020.

¹⁶As of February 2021

Spotlight on effective and active engagement with external managers and portfolio companies

CPP Investments

CPP Investments works with its fund partners and external managers on EDI practices and monitors progress through pre-investment and post-investment activities. As an example, at the start of every new relationship, **CPP Investments** requires its partners to provide information on various ESG factors, including on their approach to diversity, and how this issue is monitored on an ongoing basis. **CPP Investments'** goal is to leverage its status as one of the largest fund investors globally to influence fair and equitable approaches in the investment management industry.

CPP Investments engages with the management teams and boards of its public portfolio companies on EDI topics, sharing best practices and offering perspectives on increasing diverse representation. They incorporate diversity metrics into ESG assessments of public portfolio companies. At shareholder meetings for all public portfolio companies globally, they will vote against the re-election of directors responsible for board nomination decisions where there are insufficient levels of gender diversity on the board, with appropriate exceptions such as in cases where a concrete action plan to remedy the situation is disclosed.

Finally, **CPP Investments** also engages with its private investment portfolio companies on EDI policies and practices. For example, in addition to ensuring boards and management teams have the appropriate set of collective skills and experiences, it actively advocates for and supports diversity at the board and executive levels, monitors select diversity metrics across its portfolio, and provides training to investment teams and nominee directors appointed by **CPP Investments** on the benefits of diversity and how to support EDI at the board.

ARDIAN

Ardian adopts a number of initiatives to engage with portfolio companies and external managers on EDI. For example, in respect of private companies in which it has the majority control, **Ardian** monitors EDI KPIs relating to the role of women in governance, equal pay, career development of women, and flexible working conditions as part of its annual ESG engagement program.

They also conduct workshops with its portfolio companies and external managers to help develop their EDI action plan. Supported by **Ardian's** Sustainability and HR teams, these sessions seek to share best practices, as well as lessons learnt by **Ardian**, as an employer itself striving for EDI. In addition, **Ardian** audits its portfolio companies on a regular basis to assess and monitor their EDI performance. **Ardian** monitors on an ongoing basis their external managers' EDI using relevant indicators, such as % of women in their investment teams.

OMERS

OMERS integrates a range of material ESG factors into its investment processes, and EDI is one factor among many that may be considered.

For example, in 2020 **OMERS Ventures** launched an initiative to understand EDI across its portfolio globally. The group wanted to create a baseline to track investments in underrepresented founders as well as progress made by existing founders and CEOs in recruiting and empowering employees from underrepresented backgrounds. **OMERS Ventures** worked with Diversio to deploy a survey across all participating portfolio company employees.

The survey was based on a proprietary six-part Inclusion framework that was informed through partnerships with leading academics on EDI at the University of Toronto, University of Waterloo, Dalhousie University, and the Alan Turing Institute. Participation was not mandatory for portfolio companies, but it was well-received with over 1000 individual employees fully completing the survey.

OMERS Ventures now has aggregate figures for portfolio employees that include race and ethnicity, LGBTQ+, physical/ cognitive or mental disability, and gender, as well as inclusion scores covering everything from recruiting and hiring, workplace safety and workplace culture. Participating companies received a dashboard with the results of their own company performance to help them identify specific areas where support is needed.

We believe that a collective engagement approach may have the ability to have a significant market impact, more so than any individual conversation with a company. For instance, we recognize that climate change investor-led collaborations such as Climate Action 100+ have been successful in driving outcome-based resolutions.

Many of us are increasing our engagement on EDI with portfolio companies and external managers.

Most of us choose not to divest, believing divestiture is a last resort, once all other approaches and engagement efforts have resulted in no change. If we think companies are not listening to our views and/ or achieving desired impacts, our preferred escalation process is one of an informal approach, e.g., requesting one-on-one meetings with the board and or requesting meetings outside the AGM season.

3) Effective use of data and skills

Many of us believe data to be the biggest source of challenge for EDI integration. Data is often limited for some asset classes such as private equity and may lack granularity, particularly on areas beyond gender. Often investors have to turn to alternative sources to find out what companies are doing to promote

EDI, such as researching news reports that highlight harassment and discrimination at a given company, looking at publicly available benchmarks such as the Corporate Equality Index, as well as sourcing third party data (e.g., MSCI, Sustainalytics).

While we recognize that regulations are helping to address this challenge, the patchwork of legislation combined with privacy regulations globally creates significant inefficiencies in tracking progress. We expect to see further improvements and evolution of data reporting in the coming years, particularly against new requirements, where the quality of disclosures was found to be lacking. We recognize, as we have seen with previous new requirements, it usually takes about three years for best practices to evolve.

Inclusion integration in the investment process appears to be more challenging than diversity integration, not least due to the difficulty of defining and measuring inclusion. However, this is an emerging area of focus. For example, **Ardian** considers career development and flexible working policies, which are potential inclusion indicators, in its investments in which it has the majority control.

Some of us are measuring against impact frameworks such as UN Sustainable Development Goals

(SGDs) which adds an additional layer of sophistication in the investment process by requiring integration of unstructured information (see [case study](#) on AI-powered platform for investing in the UN SDGs). Natural Language Processing (NLP) and other machine learning solutions, based on vendor proprietary taxonomies and scoring, are emerging (see [case studies](#) on use of AI for analysing diversity within portfolio companies). We believe these evolutions present great potential opportunities to further enhance EDI measurement and integration.

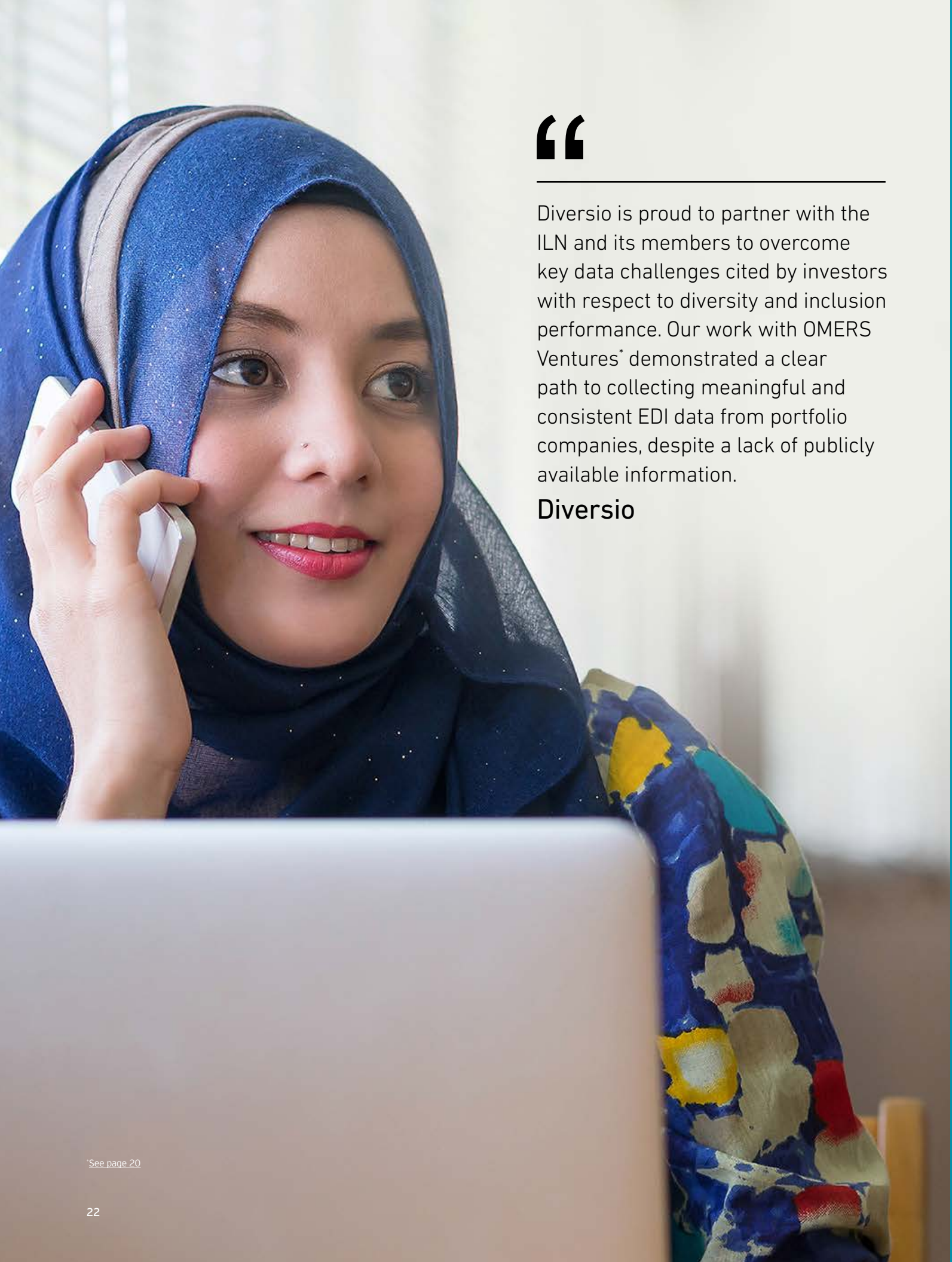
As with most recent advancements, driving better insights and increasing impact (e.g.,leveraging big data, use of AI tools, etc.) is increasing the hurdle for many. Unfortunately, this is also true of EDI. For instance, it is easier for those of us with larger funds to dedicate capacity to research, test and develop new external manager screening protocols or develop EDI engagement plans for their value creation teams than it is for smaller funds. We believe the ILN could position itself as a catalyst to provide the tools necessary to screen, assess and capture data to monitor advancement, effectively enabling smaller funds to drive impact commensurate with their ambition.

Spotlight on EDI legislation

Many countries are introducing specific regulations to drive more transparency and accountability on EDI. For example:

- Introduction of gender quotas on boards and/or executive levels.
- In Switzerland, each gender must be represented with at least 30% on the board of directors and 20% on the executive board of large companies¹⁷.
 - See France's recent decision to introduce gender quotas for executive leadership – 30% minimum of either gender by 2027, 40% by 2030) in companies over 1,000 people¹⁸.
- Beyond gender, there is a growing focus on other diversity strands such as visible minorities, disability and sexual orientation.
- In December 2020, Nasdaq asked the SEC to approve new diversity rules. The aim is for Nasdaq-listed firms to have at least one director self-identifying as female and another self-identifying as an underrepresented minority or LGBTQ+¹⁹.
 - Canada requires diversity disclosure with respect to specific personal characteristics in addition to gender, i.e. indigenous peoples (First Nations, Inuit and Métis), persons with disabilities, and members of visible minorities²⁰.
 - Mandatory quotas of disabled persons in the workplace: 7% of the workforce in Italy, 5% in Germany and 2.2 % in Japan.

¹⁷New Article 734f of the revised Code of Obligations.
¹⁸Forbes, [France Unanimously Votes Gender Quotas For Executive Leadership](#), May 2021.
¹⁹Nasdaq, [Nasdaq to Advance Diversity through New Proposed Listing Requirements](#), December 2020.
²⁰See diversity disclosure requirements under the Canada Business Corporations Act (CBCA).



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Diversio is proud to partner with the ILN and its members to overcome key data challenges cited by investors with respect to diversity and inclusion performance. Our work with OMERS Ventures* demonstrated a clear path to collecting meaningful and consistent EDI data from portfolio companies, despite a lack of publicly available information.

Diversio

*See page 20



Spotlight case studies



AI-powered platform for investing in the UN SDGs

APG and **PGGM** alongside other investors have jointly established the Sustainable Development Investments Asset Owner Platform (SDI AOP). The platform's standard and artificial intelligence-driven data enables investors to assess companies on their contribution to the United Nations Sustainable Development Goals (SDGs). While the platform mainly focuses on assessing contributions to the SDGs linked to a company's core business, it will also consider Outstanding EDI performance when identifying so called "Acknowledged Transformation Leader".

This platform is open to investors and, in our view, a potentially great solution for larger and smaller investor players.

Use of AI for analysing diversity within portfolio companies

APG uses artificial intelligence to measure management team diversity of its portfolio companies, with the main goal of evaluating functional diversity beyond traditional EDI measures such as gender, age and tenure. For this purpose, biography descriptions of all board members are compared against each other using NLP techniques to create a single measure of board diversity.

4) Increased confidence with extended assurance

Investor demand for data in the area of ESG has evolved rapidly in recent years and there are multiple frameworks and metrics currently being used to increase transparency and promote better reporting by companies. Even amongst the ILN members, we each have preferences as to which framework is most suitable for our needs.

That being said, we believe that inconsistency and incomparability of ESG data and the proliferation of standards and frameworks to solve this have resulted in a wide range of market inefficiencies, including increased costs from duplicated reporting, verifying ESG data across the investment chain and in some cases the potential risk of mispricing assets.

As a result, many of us are increasingly seeking third-party extended assurance to help increase confidence in the robustness and reliability of ESG information. We believe that independent assurance enhances credibility and trust in the information that companies disclose. This is an emerging area of interest for us.

KEY TAKEAWAYS AS INVESTORS

1. Investors and regulators should continue to collaborate and support current efforts to enhance and harmonize corporate reporting standards for EDI, including those at IOSCO, IFRS and an alliance of the leading standard setters. Given our focus on EDI as a strategic differentiator, we believe that we are in a unique position to influence the EDI content in the baseline for consistent and comparable approaches to mandatory sustainability-related disclosures across jurisdictions.
2. Pending the standardization and simplification of reporting standards, the industry and regulators should consider steps to promote further voluntary adoption of existing widely accepted frameworks, such as WEF-IBC.
3. A 'say on EDI', through a non-binding shareholder vote, may be another potential engagement mechanism for investors to further accelerate EDI
4. Investors should actively and collectively agree on the comparable data on EDI they require to exercise responsible and effective stewardship.
5. Globally, there are some good EDI initiatives driving accelerated outcomes. Investors should proactively look to benchmark current targets with other jurisdictions.
6. To increase confidence and reliability in the data that is being collected, mandating extended third-party assurance would be a good starting point.



COMMON CHALLENGES

Below are our shared views on the common challenges faced, impeding accelerated progress on EDI integration:

As employers

- 1) Managing EDI globally: Given the complexities with differing legal, cultural and social nuances by jurisdiction, many of us struggle to embed an approach to managing EDI that is both globally consistent and locally relevant. For example, in respect of ethno-cultural diversity.
- 2) Narrow perception of the industry's culture and breadth of career opportunities: Entrenched perceptions and lack of diverse role models continue to leave our industry with a traditional talent pool which does not match our aspirations to diversify.

- 3) Disjointed industry efforts: A crowded market with a different number of initiatives, recommended frameworks and metrics on EDI makes it difficult for many of us to cut through the noise. There is growing support for a global coalition and reporting framework on EDI, similar to the response on climate change.
- 4) Reactive nature of strategies: Some of us note that recent EDI activity has been driven as a response to socio-political events, but they are not driving the agenda. There is an opportunity for us to take a bolder and more proactive approach on EDI to put the industry at the forefront in financial services, which started sooner with the gender agenda but has stalled.

- 5) Limited employee turnover: There is little movement of people at certain levels in top and/or middle management.

As investors

- 6) Data protection rights and legal limitations restrict data collection: Piecemeal, patchwork legislation on data collection is creating barriers and inefficiencies in tracking progress (see our section on the strategic approaches to EDI as investors where we discussed [the effective use of data and skills](#)).

- 7) Understanding the real business case for EDI and quantifying the ROI: See the section ['Motivation on continuous investment in EDI'](#). A few years ago, ESG investing and climate change received much scepticism, but now these areas are at the top of the investor and regulatory agenda. We are facing a similar hurdle on EDI, but we believe that soon we will overcome this.
- 8) Inconsistency and incomparability of ESG and EDI data and reporting frameworks: However, there is growing support for the convergence, simplification and standardisation of ESG metrics (see the section ['Setting the scene'](#)).

- 9) Selecting the right engagement mechanism to drive the right outcomes in the right timeline: Lack of clarity on what does 'good' engagement look like and what information we should be asking for in respect of engagement with portfolio companies and external managers.
- 10) Investor size: Depending on the investor size, limited capabilities in the form of resources and tools present a real constraint. Those of us of a smaller size may find it more difficult to dedicate the resources necessary, however we do not want to fall behind on EDI integration.

BEYOND GENDER

We are gradually expanding our focus on diversity beyond gender.

As employers

As discussed in the section 'Strategic approaches to EDI' (link to page 12), many of us have a growing focus on diversity beyond gender, as seen by the launching of self-identification campaigns, the setting of broad diversity targets, as well as the inclusion of intersectionality in EDI strategies and reporting. In addition, many of us are working in partnership with organizations who focus beyond gender, such as the BlackNorth Initiative group who are committed to addressing the anti-Black systemic racism against Black Canadians.

A few of us are also enhancing our approach to track cognitive diversity – see [OTPP example](#) on strategic approaches on EDI as employers where we discussed inclusive talent processes. In addition, several of us including **CPP Investments** and **Allianz** have a board skill matrix which includes data on experience and expertise, in addition to traditional diversity characteristics²¹. We recognize that more work needs to be done in effectively measuring cognitive diversity to be at the vanguard of the EDI movement.

As investors

Several of us are stepping up our focus on diversity beyond gender in our investment processes and stewardship. For example, starting in the 2021 proxy season, **State Street Global Advisors**²³ will vote against the Chair of the Nominating & Governance Committee at companies in the S&P 500 and FTSE 100 that do not disclose the racial and ethnic composition of their boards.²⁴

A shift towards inclusion

Beyond diversity representation, much of our focus is also beginning to encompass inclusive culture more broadly, both as employers and investors (see the section '[Strategic approaches to EDI](#)'). We recognize there is an opportunity to better understand, assess and monitor a company's culture, which is an area we will further explore collectively as we move forward.

²¹See [CPP Investments 2020 Annual Report](#) (p123) and [Allianz SE 2020 Annual Report](#) (p40).

²²JUST Capital, [Why EEO-1 Disclosure Is a Way to Hold Companies Accountable for Racial Equity Commitments](#), March 2021.

²³The most recent organization to join ILN.

²⁴State Street Global Advisors, [Annual Stewardship Report 2020](#).

JUST Capital's recent analysis found that, as of January 2021, only 6.3% of America's largest corporations have publicly disclosed intersectional demographic information – workforce statistics by gender as well as race and ethnicity – that could be derived from an EEO-1 Report²².

CLOSING THOUGHTS

The ILN aims to be a catalyst and market leader for EDI integration, providing a pathway from which investors can draw inspiration.

Publishing this report, that features our collective progress and priorities, brings us one step closer to achieving our goal to accelerate progress on EDI.

While many of us are making significant progress, we understand that this is a journey we are all just beginning and we have a long way ahead of us. Improving data quality, sharing best practices and practical resources, as well as working towards standardized methodologies will continue to be a priority focus.

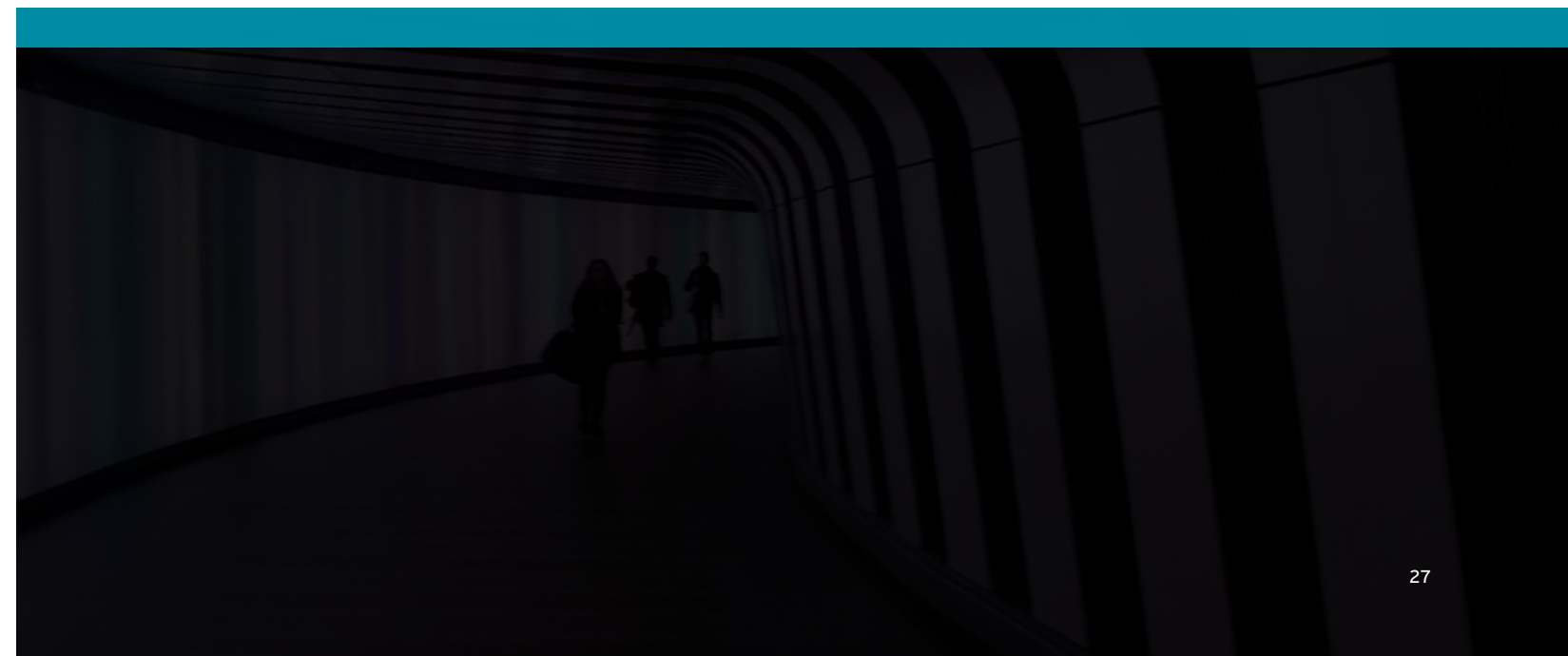
As we move forward, we will:

1. Conduct a needs assessment that will further explore what tools and resources investors need to engage on EDI with portfolio companies and external managers, and how the ILN can provide unique support to fill this whitespace to help accelerate progress on EDI.
2. Create the world's first pre-eminent investor engagement platform on EDI which would include contributing an investor toolkit to drive leading practice. The insights

from this report, combined with the additional research from the needs assessment, means we will be well placed to launch a practical toolkit that investors can use and build upon.

We will continue to share our progress and collaborate on approaches to measure, track and disclose EDI. Our aim is to have an enduring impact in advancing our roles as stewards, to encourage EDI accountability and transparency, through engagement, innovation and strategic partnerships. We are experiencing a watershed moment with the rise of ESG, which offers opportunities to counter myths and misconceptions of the industry, including reframing careers to better attract underrepresented talent.

The time is now to coordinate efforts to drive global change. Join us as we embark on this exciting journey. While we certainly do not have all the answers, we hope you find our perspectives and experiences useful.



CONTRIBUTORS

The ILN would like to acknowledge the valuable contributions of our members in the development of this document:

AIMCO
ALLIANZ
APG
ARDIAN
CDPQ
CPP INVESTMENTS
GENERALI
NATIXIS
OMERS
ONTARIO TEACHER' PENSION PLAN
OP TRUST
PGGM
PSP INVESTMENTS
STATE STREET GLOBAL ADVISORS



We would also like to thank EY and Diversio for their thought leadership and effort in the creation of this report. Finally, to our partners, particularly Catalyst, EDGE and WCM for having guided us throughout our journey.



METHODOLOGY

1. EY reviewed summaries of EDI strategies provided by the ILN members, both as employers and investors. The data provided included the EDI vision, strategic initiatives, main targets and/or key performance indicators, and EDI impact/transparency reports (where available).
2. EY conducted interviews with over 30 ILN member representatives from senior levels of both HR and investment teams to gain further insights on a number of topics areas including motivations for a EDI strategy, current challenges, leading practices and future ambitions.
3. To supplement its interview findings, EY conducted external research, e.g. using member firms' annual report and accounts as well as websites.

APPENDIX A: ILN'S PRINCIPLE-BASED ENGAGEMENT LETTER ON GENDER DIVERSITY

The Investor Leadership Network (ILN) is an international, independent and private platform launched in 2018 as an outcome of Canada's presidency of the G7. It brings together fourteen global institutional investors, with US\$5 trillion in assets under management, who share a long-term vision and are committed to contributing to the transition to a more prosperous, inclusive, sustainable and fair economy. Together, we are determined to act as a strong, united and persuasive voice advocating for greater gender diversity and inclusion within our own firms, our public and private holdings, external managers we partner with, and the broader global investment industry.

In particular, we value good governance and see it as a prerequisite for strong performance. Investment decisions are improved through more effective debate, informed by the breadth of knowledge and the experience that diverse boards and executive management teams bring to the table. Accordingly, we

are committed to working together to accelerate progress on achieving better gender balance in spheres where we have collective influence.

The ILN member firms collectively share best practices, our current standing, and provide regular updates and discussions on our progress. Additional spheres include active management and stewardship activities such as exercising voice through proxy voting and monitoring and engaging with external managers and investee companies, across industries and geographies.

The COVID-19 crisis impacts markets and communities with profound implications for business practices, including human capital management. However, advancing gender diversity remains a key priority for the ILN and we continue to turn our collective commitment into action. To that end, we will address five areas of focus in the coming years.

External managers

- 1) Engage external managers on gender representation and gender diversity and inclusion practices

Public investments

- 2) Review and publish, where appropriate, amended guidelines related to proxy voting practices with a view of enhancing gender diversity at the board.
- 3) Engage with Board Chairs, Nominating Committee Chairs and Senior Management on enhancing women's representation at the board and executive level.

Private companies

- 4) Engage with portfolio companies on gender diversity and inclusion policies and practices through pre-investment and post-investment activities.
- 5) Actively advocate for and work toward increasing the number of women directors on boards and at the executive level.



**INVESTOR
LEADERSHIP
NETWORK**

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June 2021