

A young girl with dark hair, wearing red-rimmed glasses and a light blue polo shirt, is smiling warmly at the camera. She is leaning over a wooden table in what appears to be a classroom or activity room. In the background, there is a wooden shelf with various items, a whiteboard, and a wall with large letters 'M N O P' and 'S T U V'. On the table in front of her, there are some papers and a green object.

# Driving Racial Equity, Diversity and Inclusion In The Investment Industry

CalPERS Board Meeting

Presenter: Dr. Alandra Washington, Vice President For Transformation-W.K. Kellogg Foundation

July 17, 2023



## OUR MVV

### MISSION

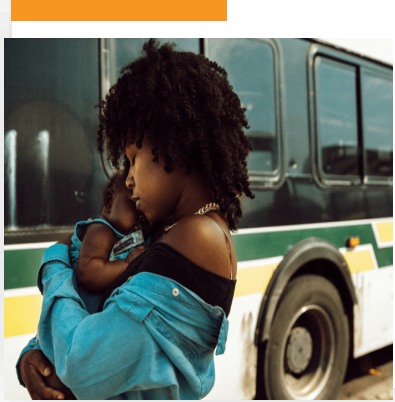
The W.K. Kellogg Foundation supports children, families and communities as they strengthen and create conditions that propel vulnerable children to achieve success as individuals and as contributors to the larger community and society.

### VISION

We envision a nation that marshals its resources to assure that all children have an equitable and promising future - a nation in which all children thrive.

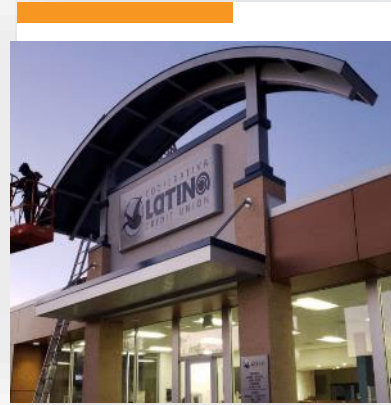
### VALUES

- ❖ We believe in helping people help themselves.
- ❖ We believe all people have the inherent capacity to effect change in their lives.
- ❖ We believe stewardship requires fidelity to the spirit and to the intent of the founder.
- ❖ We believe innovation of thought and action leads to enduring and positive change.
- ❖ We value integrity of purpose and action and believe it is essential in all affairs.



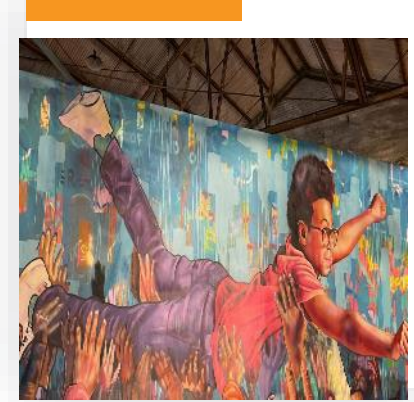
## THRIVING CHILDREN

We support a healthy start and quality learning experiences for all children



## WORKING FAMILIES

We invest in efforts to help families prepare for and get stable high-quality jobs



## EQUITABLE COMMUNITIES

We want all communities to be vibrant, engaged and equitable

**The W.K. Kellogg Foundation is committed to ensuring all children, families and communities — regardless of race or income — have opportunities to reach their full potential.**

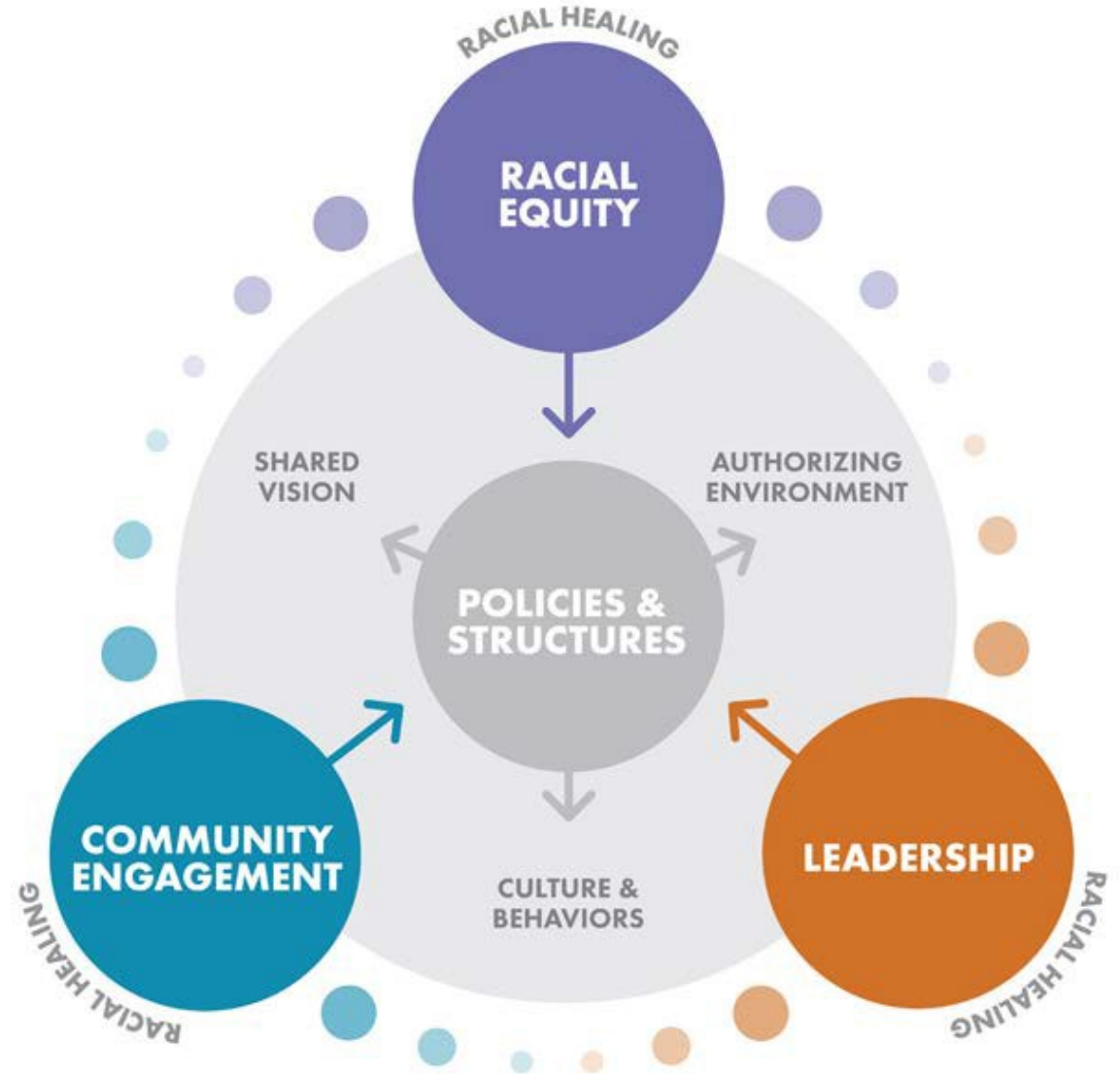
# Driving Racial Equity, Diversity and Inclusion In The Investment Industry



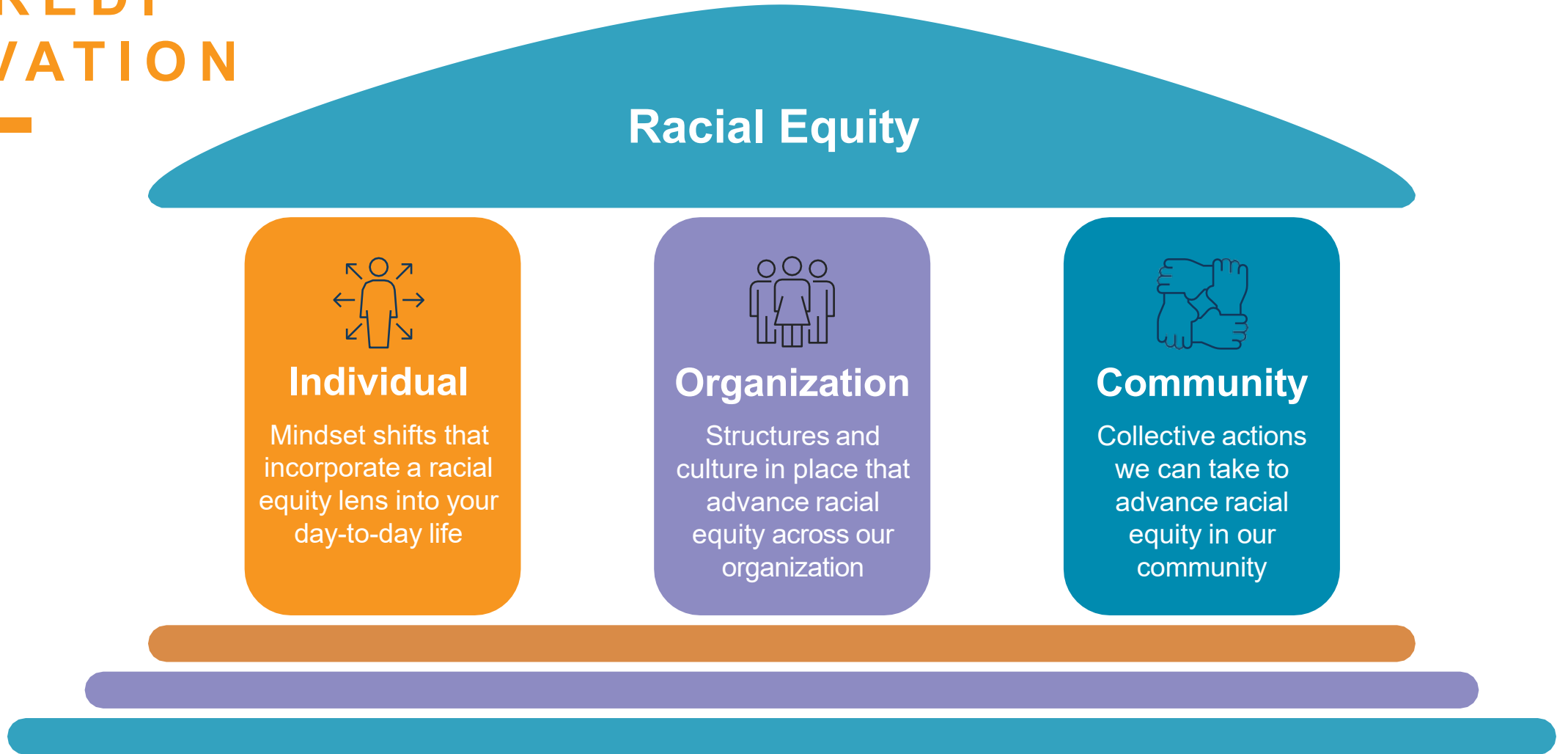
**THIS IS  
OUR DNA**



# FRAMEWORK FOR EMBEDDING RACIAL EQUITY, DIVERSITY AND INCLUSION (REDI)



# OUR REDI ACTIVATION





THIS IS  
OUR DNA



Driving Racial Equity  
In The Investment  
Industry



# Driving Racial Equity in the Investment Industry

## Program-Related Investment

*Leveraging additional money in our program budget (\$87.6M active) to strategically fund program-related investments (PRIs)*

- WKKF's PRI portfolio are a collection of investments, created through partnership with program teams
- Themes
  - Health Equity
  - Early Childhood Education
  - Employment Equity
- Racial Equity
- WKKF Places
  - Michigan
  - New Mexico
  - Mississippi
  - New Orleans
  - Mexico
  - Haiti

## Mission-Related Investment

*Double bottom-line goal of achieving both financial returns and social returns aligned with the mission of the foundation*

- Established in 2007
- A dedicated investment pool whose aim is to reduce racial wealth inequality in the investment industry, through an investment practice that is closely aligned with the Foundation's mission of supporting vulnerable children
- **Approximately \$310 million** deployed across private market investments in the U.S. and internationally
- Facilitate industry knowledge-sharing, best practices and provide supplement resources to support the development and growth of new fund managers

## Diverse Managers

*Investing with firms that are majority-owned by people of color or women*

- Established in 2009
- Investing with majority diverse-owned managers across both traditional and alternative asset classes in the portfolio
- Not a dedicated pool; incorporated in the main pool of assets
- More than 26% of U.S. exposure to majority diverse-owned firms
- Includes both majority diverse and non-diverse owned firms as catalysts for advancing diversity in the investment industry
- Inefficiency case is a potential long-term excess return driver

## Expanding Equity

*A transformational program for advancing racial equity, diversity and inclusion in the corporate sector – leveraging WKKF's years of experience and knowledge*

- Established 2018
- Focused on helping organizations develop and implement racial equity, diversity and inclusion strategies and expand their corporate leadership
- First pilot cohort in Spring 2020
- Pilot cohort included 5 alternatives managers in Kellogg Foundation portfolio, representing more than \$300 billion in AUM
- **99 companies from more than 10 industries are now part of the Expanding Equity network, representing more than 3.5M employees**
- 30 private equity, financial services and investment management companies in the network representing more than \$20 trillion AUM



# Mission Driven Investment (MDI) Program Summary

## Narrative

- The MDI program is driving more equitable investment practices and using our voice to influence the field
- **Narrative change** is instrumental in our pursuit of racial equity
- To this end, we're telling the stories of underrepresented founders and entrepreneurs – women and people of color

## PRIs

- Leveraging money available in our program budget to strategically fund **program-related investments (PRIs)** that provide concessionary and below-market terms
- Supporting investee development

## MRIs

- We have committed \$100 million of our endowment to market-rate, **mission-related investments (MRIs)**
- Incubating and elevating equitable investment practices
- Supporting General Partner (GP) development

# ADVANCING RACIAL EQUITY

*\*2017 to 2021 reporting period*

<p><b>\$106 million</b> Total capital committed</p>	<p><b>91%</b> To benefit BIPOC communities</p>	<p><b>60%</b> To diverse owners/managers</p>
<p><b>81%</b> To job access and enterprise development, supporting minority-owned and small businesses<sup>2</sup></p>	<p><b>44%</b> To first- or second-time funds</p>	<p><b>9</b> Board and LPAC seats<sup>3</sup></p>



# FIVE-YEAR EVALUATION

## Highlights

- Since 2007, WKKF's MDI program has made more than \$310M (as of April 2023) of commitments through mission-related investments (MRIs) and program-related investments (PRIs)\*
- 91% of our commitments to BIPOC communities and 60% diverse managers or owners
- Our target has been 4 to 6% IRR and we've achieved 11% IRR over the last five years (MRI portfolio)



## Evaluation Key Takeaways

- Investments demonstrate a clear pathway to advancing racial equity
- Market-building
- Well-aligned to WKKF's programmatic areas

# MRI Market Building

## Backing New Industries, New Models and New Managers

- \$46 mm (or 43% of \$106 mm total) in first- or second-time fund managers
- New business models that build wealth in underserved communities
- Capacity building, strategic communications and knowledge sharing



**Kesha Cash**  
**Founder & General Partner**  
**Impact America Fund (MRI)**

# Expanding Equity™





is a transformational program for advancing racial equity, diversity and inclusion in the corporate sector

It offers the tools, knowledge and human-centered approaches for cultivating workplaces that attract, develop, retain and promote diverse talent – delivering benefits for employees, organizations and communities



99

**Organizations**

are part of the Expanding Equity Network

3.5M+

**U.S.-based employees**

work for the organizations participating in Expanding Equity

500+

**Organizational leaders**

are learning and networking through the program





### Pillars of REDI strategy



#### Attract

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



#### Belong

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



#### Promote

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



#### Influence

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

**The pillars enable companies to strive for a holistic approach to their REDI strategy, including:**

- Offering a framework to structure a REDI strategy
- Allowing impact on different parts of the employee experience (e.g., recruitment, promotion, participation)
- Exposure to real REDI journeys of their peers helped companies customize their own strategy and plan
- Reinforced the need to connect the REDI priorities to business objectives and helped make a stronger case in REDI



## Goals of Expanding Equity

- 1 Support organizations in **designing and implementing** more **effective racial equity strategies**
- 2 Focus on **internal transformation** through sharing **action-oriented tools** and transforming policies and practices in the industries and systems
- 3 Create and nurture **corporate DEI leadership** externally

## Through the EE pilot with financial services firms, WKKF surfaced key beliefs about the work

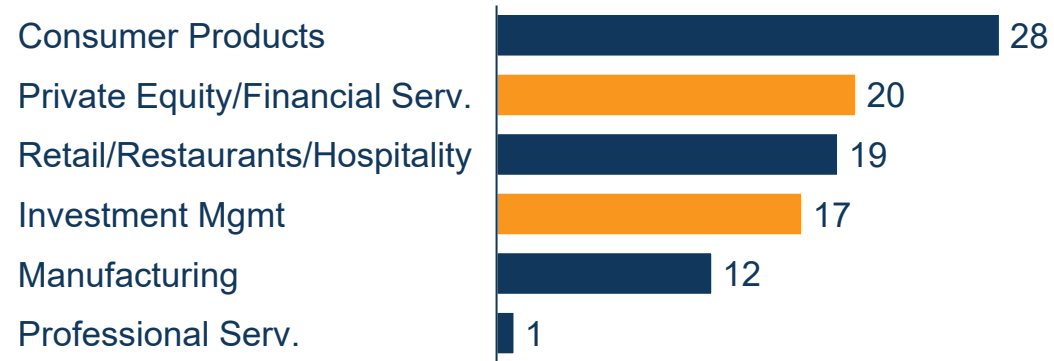
- **Working with private sector companies** will improve job quality for parents
- **Collaborating with industry-leading companies with large employee bases** (e.g., retail companies) will accelerate the pace of change
- **Educating companies on the case for racial equity** will lead to more effective DEI strategy and implementation
  - Focusing on the investment management space ensures that WKKF is investing with organizations that share similar values and commitment to racial equity
- **Building a community of like-minded practitioners** will provide timely, meaningful support for HR and DEI leaders



# EE PARTICIPANT COMPANIES REPRESENT MORE THAN 3.5M US-BASED PRIVATE SECTOR EMPLOYEES

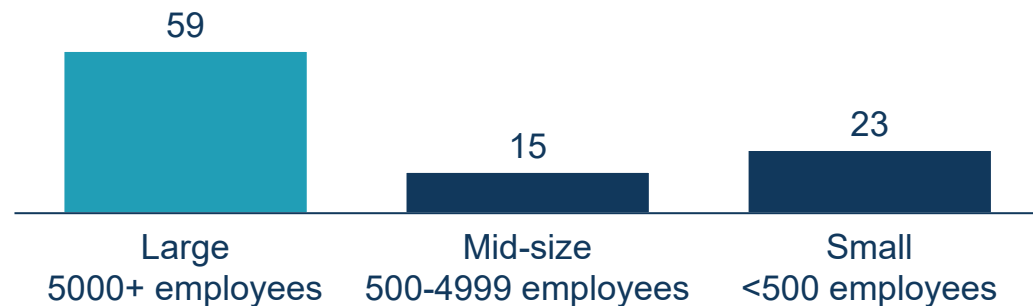
**97** companies across industries participated in Expanding Equity's Core Program of live workshops (two more just joined for a pilot of our learning platform!)

## Participant companies by industry, # of companies



EE helped shape diverse and responsible investment strategies in more than 30 private equity, investment management, and financial services firms, who collectively have more than \$19.7 trillion AUM as of 2022

## Participant companies by size, # of companies



EE impacted companies with large employee base leading to quicker progress and more support for the parents of many of the working families

# 3.5M+

US-based employees are working for companies that have participated in Expanding Equity

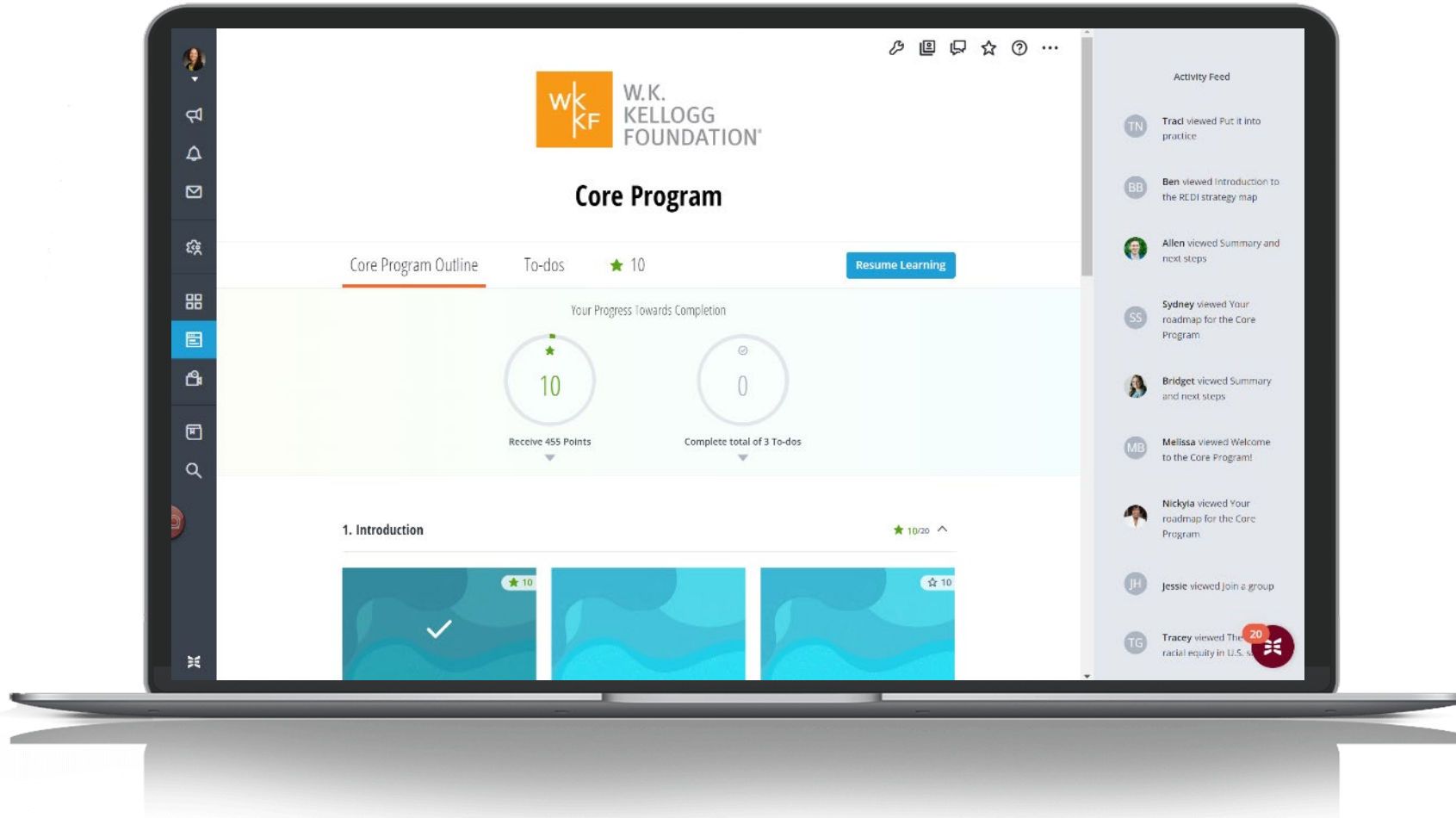
# Industry Actions for Racial Equity – Investment Management

Workplace Transformation Guide

May 2023



Download this resource at [ExpandingEquity.com](https://ExpandingEquity.com)





**THANK YOU**