DIVERSITY & INCLUSION IN INVESTMENT MANAGEMENT WORKSHOP

Dr. Kelli Palmer
Head, Global Diversity & Inclusion and Corporate Citizenship

Rebecca Fender, CFA
Head, Future of Finance

10 June 2019
DIANNE SANDOVAL, CFA
Investment Manager, Trust Level Portfolio Management, CalPERS
Past President, CFA Society Sacramento
GERALDINE JIMENEZ, CFA
Director of Investment Strategy & Risk, CalSTRS
Past President, CFA Society Sacramento
CFA Institute Standard of Practice Council Member
<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
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</thead>
<tbody>
<tr>
<td>12:30</td>
<td>Welcome</td>
</tr>
<tr>
<td>12:35</td>
<td>Overview of the Diversity and Inclusion Guide</td>
</tr>
<tr>
<td>1:05</td>
<td>Best Idea for Your Firm</td>
</tr>
<tr>
<td>1:10</td>
<td>Discussion by Table on Ideas</td>
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<tr>
<td>1:40</td>
<td>Large Group Discussion</td>
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<tr>
<td>2:10</td>
<td>Overcoming Obstacles</td>
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<tr>
<td>2:25</td>
<td>Closing Comments</td>
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<tr>
<td>2:30</td>
<td>Workshop Ends</td>
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<tr>
<td>Time</td>
<td>Session</td>
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<tr>
<td>3:00</td>
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<td>Overview of the Diversity and Inclusion Guide</td>
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<tr>
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<td>4:40</td>
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<td>Closing Comments</td>
</tr>
<tr>
<td>5:00</td>
<td>Workshop Ends</td>
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</tbody>
</table>
WHY DOES THIS MATTER NOW?

• Millennial talent
• Regulators and policymakers
• Client demand
• Society
• Teams dominate
• Awareness of biases
CHATHAM HOUSE RULE

Participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.
METHODOLOGY

6 workshops  99 firms
344 participants  $38 trillion AUM

https://interactive.cfainstitute.org/DrivingChange
DIVERSITY & INCLUSION STEERING COMMITTEE: 2019-2020

John Adler
Chief Pension Investment Advisor
NYC Mayor’s Office

Chris Allman, CFP
Chief Investment Officer CalSTRS

Beth Bonacquist
Chief Administrative Officer NYSTRS

Janet Cowell
Chief Executive Officer Girls Who Invest

Erik Davidson, CFA
Chief Investment Officer & EVP Wells Fargo Private Bank

Frank Dobbin, PhD
Chair, Organizational Behavior Harvard University

Orim Graves, CFA
Executive Director National Assoc. of Securities Professionals

Lori Heinel, CFA
Deputy Global Chief Investment Officer State Street Global Advisors

Kim Y. Lew, CFA
Vice President, Chief Investment Officer Carnegie Corporation

Amy McGarrity, CFA
Chief Investment Officer Colorado PERA

Daniel Miller
Deputy Executive Director NYC Board of Education Retirement System

Oona Stock
EVP Talent & Performance Caisse de dépôt et placement du Québec

Wylie Tollette, CFA
EVP, Client Portfolio Solutions Franklin Templeton

Michael Trotsky, CFA
Executive Director and Chief Investment Officer Massachusetts PRIM

Beth Tyndall, CHRL
Chief People Officer Ontario Teachers’ Pension Fund
Diversity definition

*The variety of differences and similarities/dimensions among people, such as:*

<table>
<thead>
<tr>
<th>Age</th>
<th>Generation</th>
<th>Parental status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belief system</td>
<td>Geography</td>
<td>Personality type</td>
</tr>
<tr>
<td>Class/caste</td>
<td>Job role and function</td>
<td>Race</td>
</tr>
<tr>
<td>Culture</td>
<td>Language</td>
<td>Religion</td>
</tr>
<tr>
<td>Disability</td>
<td>Marital status</td>
<td>Sexual orientation</td>
</tr>
<tr>
<td>Education</td>
<td>Mental health</td>
<td>Thinking style</td>
</tr>
<tr>
<td>Ethnicity</td>
<td>Nationality</td>
<td>Work experience</td>
</tr>
<tr>
<td>Gender</td>
<td>Native or indigenous origins</td>
<td>Work style</td>
</tr>
</tbody>
</table>
Inclusion definition

A dynamic state of operating in which diversity is leveraged to create a
• fair,
• healthy, and
• high performing organization or community.

An inclusive environment ensures equitable access to resources and opportunities for all.

It also enables individuals and groups to feel safe, respected, engaged, motivated, and valued for who they are and for their contributions toward organizational societal goals.
Diversity is being invited to the party; inclusion is being asked to dance.

Verna Myers
VP, Inclusion Strategy, Netflix
Author of “Moving Diversity Forward: How to Go From Well-Meaning to Well-Doing and What If I Say the Wrong Thing?”
Q1. **DOES YOUR FIRM HAVE A STATED DIVERSITY GOAL?**

- **YES**: 35%
- **NO**: 65%

N = 285
Q2. WHAT MOTIVATES YOUR FIRM’S EFFORTS REGARDING DIVERSITY & INCLUSION?  
(select up to three)

- IMPROVED BUSINESS OUTCOMES: 80%
- TALENT ACQUISITION: 71%
- AN ETHICAL/VALUES IMPERATIVE: 52%
- REPUTATION: 42%
- CLIENT DEMAND: 28%
- COMPLIANCE: 6%

N = 304
Q5. **WHAT FOCUS AREAS DOES YOUR FIRM HAVE FOR D&I?** (check all that apply)

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender (eg. Women’s Network)</td>
<td>96%</td>
</tr>
<tr>
<td>Race/Ethnicity</td>
<td>83%</td>
</tr>
<tr>
<td>LGBTQ (Gender Identity/Sexual Orientation)</td>
<td>58%</td>
</tr>
<tr>
<td>Veterans</td>
<td>45%</td>
</tr>
<tr>
<td>Generation (eg. Millennials)</td>
<td>43%</td>
</tr>
<tr>
<td>Inclusion Focus (not Diversity)</td>
<td>39%</td>
</tr>
<tr>
<td>Ability (eg. Vision Impaired)</td>
<td>25%</td>
</tr>
<tr>
<td>Other</td>
<td>8%</td>
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</table>

N = 304
### 07. How do you think your firm is doing on diversity?

<table>
<thead>
<tr>
<th>Location</th>
<th>PRE-WORKSHOP AVG</th>
<th>POST-WORKSHOP AVG</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toronto</td>
<td></td>
<td></td>
<td>3.1</td>
<td>2.9</td>
<td>2.6</td>
<td>3.5</td>
<td>3.3</td>
</tr>
<tr>
<td>Boston</td>
<td></td>
<td></td>
<td>2.9</td>
<td>2.8</td>
<td>2.6</td>
<td>1.7</td>
<td>1.9</td>
</tr>
<tr>
<td>San Francisco</td>
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<td></td>
<td>3.3</td>
<td>3.0</td>
<td>2.8</td>
<td>1.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Chicago</td>
<td></td>
<td></td>
<td>3.0</td>
<td>2.8</td>
<td>2.6</td>
<td>1.5</td>
<td>1.7</td>
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<tr>
<td>Philadelphia</td>
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<td>2.8</td>
<td>2.6</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td>New York</td>
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<td></td>
<td>3.2</td>
<td>3.0</td>
<td>2.8</td>
<td>1.8</td>
<td>1.8</td>
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<tr>
<td>Overall</td>
<td></td>
<td></td>
<td>3.1</td>
<td>3.1</td>
<td>3.1</td>
<td>1.8</td>
<td>2.0</td>
</tr>
</tbody>
</table>

N = 302 at start, 249 at end

### 08. How do you think the investment industry is doing on diversity?

<table>
<thead>
<tr>
<th>Location</th>
<th>PRE-WORKSHOP AVG</th>
<th>POST-WORKSHOP AVG</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toronto</td>
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<td></td>
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<td>2.0</td>
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<tr>
<td>Boston</td>
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<td>1.9</td>
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<td>1.9</td>
</tr>
<tr>
<td>San Francisco</td>
<td></td>
<td></td>
<td>1.9</td>
<td>1.9</td>
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<td>1.8</td>
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<tr>
<td>Chicago</td>
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<td>1.8</td>
<td>1.8</td>
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<tr>
<td>Philadelphia</td>
<td></td>
<td></td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
<td>2.2</td>
<td>2.2</td>
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<tr>
<td>New York</td>
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<td></td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Overall</td>
<td></td>
<td></td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>

N = 305 at start, 249 at end
20 RECOMMENDED ACTIONS

1. Define diversity
2. Intersectionality
3. Culture vs. policy
4. Biases
5. Storytelling
6. Data
7. Communication
8. Candidate slates
9. Know your candidate
10. Interviewers
11. Returnship
12. Mentors and sponsors
13. “Cultural taxation”
14. Internal networks
15. Retention
16. “Always on” recruiting
17. Compensation
18. Outreach
19. Open dialogue
20. Business diversity
RECOMMENDED ACTIONS

1 Define diversity
Commit to a specific, useful definition of diversity that leads to common understanding and shared language. Discuss your firm’s motivations for pursuing an inclusive culture, and be aware that individuals in your firm may have differing motivations around diversity.

2 Intersectionality
When creating an intentionally diverse group, do not oversimplify the demographic profile of individuals. Challenge assumptions based on a sample of one. Diversity should cover both visible and invisible dimensions.

3 Culture vs. policy
Track who talks about D&I, to understand how infused it is in the culture: Are you missing those in middle management?

4 Biases
Employ creative training techniques that will help uncover biases and provide tools to identify them in the future. Simulations and role-playing formats allow people to test real situations to see their natural reactions.

5 Storytelling
Encourage the use of stories within and across organizations, in two ways: (1) Personal stories help people understand how experiences have shaped their colleagues and thereby enable greater leveraging of diverse perspectives, and (2) stories are the basis of qualitative evidence about how D&I progress is made.
6 Data
Beyond tracking employee demographics, use such tools as the Global Diversity and Inclusion Benchmarks to identify gaps and strategic action items. Do a gender pay gap analysis. Ask about inclusion when conducting employee engagement surveys.

7 Communication
Have regular communications from senior leaders about diversity efforts. Provide talking points to help the broader management team initiate discussions, but with the caveat that "official" talking points are simply a resource for authentic conversations.

8 Candidate slates
When engaging an executive search firm, explain your firm's definition of diversity, and select search firms that have a track record of providing diverse candidate slates.

9 Know your candidate
During the hiring process, seek to learn broadly about the background and perspective of each candidate and consider how differences can be leveraged to improve your firm's effectiveness. Although every interviewer should be educated about the kinds of off-limit questions and topics that could offend or cause legal issues, being too hesitant to connect at a personal level also hinders the process and could give the impression of an intolerant firm culture.

10 Interviewers
Create diverse interview panels whenever possible, leveraging the diverse viewpoints in your firm. Structure the feedback process so that all voices are heard.
**RECOMMENDED ACTIONS**

11 **Returnship**
Create a returnship program or other ways to "fill the pipeline from the middle." Encourage recruiters and interviewers to consider nontraditional career paths.

12 **Mentors and sponsors**
Encourage mentoring at your firm, and urge leaders who are well regarded and influential within the organization to become sponsors. Teach them what each entails.

13 **"Cultural taxation"**
Create processes to ensure that employees engaged in D&I efforts are adequately compensated and recognized for their time and that such efforts are considered when making personnel decisions. Build in time for these activities instead of making them add-ons.

14 **Internal networks**
Create programs that facilitate exposure to people across the organization—for example, internships, cross-training, rotational programs, and "ride-alongs" (e.g., shadowing or attending meetings with senior leaders).

15 **Retention**
Conduct "stay interviews" with employees to understand why they choose to stay at the company and what might make them leave. Third-party interviewers will be most effective, and consider carefully who is asked to participate so people do not feel singled out.
RECOMMENDED ACTIONS

16 "Always on" recruiting
Adapt your recruiting mindset to an "always on" approach, recognizing that opportunities may arise quickly, outside of typical recruiting schedules. Attend conferences and expand the network beyond familiar recruitment pools (i.e., the usual colleges and alumni networks).

17 Compensation
Tie leadership-level compensation to progress on culture and diversity metrics. When making promotion decisions, consider a person’s ability to hire, develop, and lead a diverse team.

18 Outreach
Align corporate citizenship with efforts that build the pipeline by generating awareness and interest in math and investment management.

19 Open dialogue
Encourage candid conversations about diversity topics and informal discussions about current events.

20 Business diversity
When selecting asset managers, ask consultants to propose diverse slates of firms consistent with your definition of diversity. Differentiate between emerging firms and firms with diverse ownership. Report results and metrics by firm category.
**BEST IDEA FOR YOUR FIRM: BRAINSTORMING ACTION PLANS**

1. Review the item(s) from the list of 20 ideas that you selected as relevant for your firm.

2. Brainstorm for as many implementation ideas as possible in the three columns on your sheet.

<table>
<thead>
<tr>
<th>WHAT HAS BEEN TRIED</th>
<th>WHAT SHOULD BE TRIED</th>
<th>POSSIBLE OBSTACLES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>
TABLE DISCUSSIONS

Go to the table where you have interest

Table 1: Foundational Concepts
- Define diversity (1)
- Intersectionality (2)
- Biases (4)

Table 2: Communication
- Storytelling (5)
- Communication (7)
- Open dialogue (19)

Table 3: Networks
- Culture vs. Policy (3)
- Internal Networks (14)
- Cultural Taxation (13)

Table 4: Measurement and Accountability
- Data (6)
- Compensation (17)
- Business diversity (20)

Table 5: Talent Acquisition
- Candidate slates (8)
- Know your candidate (9)
- Interviewers (10)
- “Always on” recruiting (16)
- Outreach (18)

Table 6: Talent Development
- Returnship (11)
- Mentors and Sponsors (12)
- Retention (15)
TABLE DISCUSSION INSTRUCTIONS

1. Each person shares their favorite ideas with the table.

2. You will have 25 minutes for discussion.

3. Each table will share one of their best ideas with the large group.
<table>
<thead>
<tr>
<th>Principle</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reciprocity</td>
<td>When given a gift, behavior, or service, people feel obligated to give back.</td>
</tr>
<tr>
<td>Scarcity</td>
<td>Less availability can inspire more demand.</td>
</tr>
<tr>
<td>Authority</td>
<td>People tend to follow the lead of experts and knowledgeable leaders.</td>
</tr>
<tr>
<td>Consistency</td>
<td>People like to be consistent with things that they have previously said or done.</td>
</tr>
<tr>
<td>Liking</td>
<td>People prefer to say yes to those that they like.</td>
</tr>
<tr>
<td>Consensus</td>
<td>When uncertain, people look to the actions or behaviors of others to guide their own.</td>
</tr>
</tbody>
</table>

Source: influenceatwork.com/principles-of-persuasion/
PRACTICE WITH A PARTNER (OR 2)

1. Take a couple moments to think about what principles can be used to sell your idea.

2. You will have 7 minutes for discussion and practice in pairs/trios. Note feedback!

3. After the session, refine a plan for communicating about your idea.

Commit in writing (through a note on your calendar) to move your idea forward when you return to the office.

Don’t let perfection be the enemy of progress. -Unknown

Just do it! -Nike
SPECIAL THANK YOU

Chris Ailman, CFP
Chief Investment Officer
CalSTRS

Aeisha Mastagni
Portfolio Manager
CalSTRS

Geraldine Jimenez, CFA
Director of Investment Strategy & Risk
CalSTRS

Carrie Douglas-Fong
Associate Investment Manager
CalPERS

Dianne Sandoval, CFA
Investment Manager, Trust Level Portfolio Management
CalPERS
PUTTING IDEAS INTO ACTION: EXPERIMENTAL PARTNERS

An opportunity for firms to implement the actions, report back on their effectiveness, and contribute to an updated version in the next two years.

Commitments from firms:

1. Contact CFA Institute to express interest at diversity@cfainstitute.org.
2. Kickoff call with CFA Institute to answer questions.
3. Complete quarterly updates through December 2020. These can be accomplished through 30-minute calls CFA Institute can schedule or through forms.

WOMEN IN INVESTMENT MANAGEMENT
OPENING DOORS

18–19 September 2019
Montréal QC, Canada

Register today at diversity.cfainstitute.org
CHRISTINE GOGAN
Investment Director, CalPERS