



Advancing Racial Equity:

A Guide for Asset Managers



Urban Alliance
on Race Relations





Introduction

Institutional investors in Canada are taking steps to advance racial equity and diversity, equity and inclusion (DEI), both within their own organizations and across their investment portfolios. To support these efforts, SHARE launched the Investors for Racial Equity project and convened a group of asset owners based in Canada and the U.S. as a community of practice to explore opportunities to align their investments with their values and commitments to advancing racial equity and DEI. One of the key gaps identified by the community of practice was a standardized framework to collect, evaluate and compare asset manager performance on these issues.

To address this gap, SHARE and the Urban Alliance on Race Relations (UARR) developed the **Investors for Racial Equity Asset Manager Evaluation Tool** to help asset owners identify and analyze the commitments, strategies and actions asset managers are taking to advance racial equity and DEI within their operations and investment strategies. To supplement the tool, SHARE and UARR developed this guide to support asset managers as they take meaningful action and measure their progress in advancing racial equity and DEI within their firms and in their investment decisions.

Who Is This Guide For?

This guide is designed for asset managers seeking to enhance their racial equity and DEI commitments. It is particularly relevant for investment management firms responding to the Investors for Racial Equity Asset Manager Evaluation Framework, helping them assess, improve and communicate their progress on racial equity and DEI.

How to Use This Guide

This guide offers suggestions for how investment managers can advance their racial equity and DEI policies and practices and provides a comprehensive set of actions to improve performance in these areas. It also includes resources and real-world examples to support the integration of racial equity and DEI principles into internal practices, leadership decisions and investment stewardship efforts.

Asset managers can use this guide to:

- Identify opportunities to improve internal policies.
- Identify opportunities to advance racial equity and DEI in investment practices and stewardship.
- Prepare thoughtful and transparent responses to investor-led racial equity and DEI assessments.
- Find key resources and examples of other investment organizations' approaches to advancing racial equity and DEI.

This guide seeks to provide a range of approaches and best practices, recognizing that there is not a one-size-fits-all approach. We encourage asset management firms to use it to initiate constructive conversations and to foster a collaborative approach that includes multiple perspectives from across the organization.

Why Asset Managers?

As illustrated in Box 1, there is currently insufficient comparable reporting from asset management firms operating in Canada on their racial equity approaches and DEI indicators, making it challenging to assess progress and compare performance among peers. By adopting a structured approach to racial equity and DEI, investment management firms can make more informed decisions that can help mitigate risk and enhance organizational resilience.

Box 1: State of Play: Canada's Top 40 Asset Managers and DEI

Based on publicly available information, Canada's top 40 asset managers show a high degree of variation in their communication about racial equity and DEI, as well as in their approaches to proxy voting on related shareholder proposals:

- A large majority (85%) of asset managers have publicly available DEI policies, but only 38% of those policies refer to specific forms of diversity, and only 33% disclose DEI-related performance targets.
- More than one-third (38%) of the top 40 asset managers have a board/senior management diversity statement, policy and/or program. Of these, 31% refer to specific forms of diversity.
- Two-thirds (67%) of the top 40 asset managers have a committee or position dedicated to DEI issues, indicating a commitment to governance in this area, and slightly more than half (51%) have implemented racial equity or DEI training programs for employees.
- Just over half (56%) of the top 40 asset managers have a publicly available or referenced anti-discrimination and anti-harassment policy.
- Indigenous relations scored lowest overall, averaging 26% across indicators on employment prioritization (15%), transparency on funding initiatives (26%) and recognition of standards for Indigenous rights and reconciliation (36%).

Key Terms

To ensure clarity and consistency, below are key terms and definitions relevant to racial equity and DEI in investment practices:

- ✓ **Anti-racism:** The active process of identifying and eliminating racism by changing systems, policies, practices and attitudes to redistribute power and resources equitably.
- ✓ **Diversity, equity and inclusion (DEI):** A framework that promotes a workplace culture that values and respects individual differences. It focuses on increasing representation across race, gender, ability and other identities and ensuring fair opportunities for all.
- ✓ **Implicit bias:** The condition of having attitudes toward people or associating stereotypes with them without being consciously aware of doing so. A common example of implicit bias is favouring or being more receptive to familiar-sounding names than those from other cultural groups.
- ✓ **Pay equity:** Ensuring fair wages across employees regardless of race, gender or other identity factors and addressing systemic pay gaps.
- ✓ **Racial equity:** A condition where racial identity no longer predicts social or economic outcomes. It requires proactive policies and practices to address systemic barriers affecting racialized communities.
- ✓ **Supplier diversity:** Business practices that encourage procurement from companies owned by underrepresented groups, including racialized communities and Indigenous businesses.



Context

Racial inequity is an ongoing reality in Canada, with Statistics Canada data showing that pre-existing racial inequities were actually exacerbated during the COVID-19 pandemic.¹ A study by the Canadian Centre for Policy Alternatives found that racialized women earned just \$0.59 for every dollar non-racialized men earned, while racialized men earned \$0.78.² Racialized Canadians are also less likely to own wealth-generating assets such as homes and businesses.³ While white households reported a net financial wealth of C\$577,485, racialized households reported a net financial wealth of only C\$249,484.⁴

Investors have a critical role to play in advancing racial equity. Addressing racial disparities is not just a matter of advancing social justice, but about strengthening economies, improving corporate performance and securing long-term investment returns.

Research shows that racial inequities hinder economic growth, job creation and innovation. According to a Citigroup study, the marginalization of Black people resulted in an estimated loss of \$16 trillion from the U.S. GDP between 2000 and 2020.⁵ In Canada, research by RBC Economics found that narrowing the racial wealth gap would unlock significant economic potential, increase innovation and enhance Canada's global competitiveness, benefiting both businesses and investors.⁶ A Statistics Canada survey found higher levels of innovation by minority-owned businesses, with the potential to contribute to Canada's global competitiveness.⁷

Numerous Canadian, and international companies have made public commitments to advancing racial equity, and Diversity, Equity, and Inclusion (DEI). While these pledges mark a significant shift in how organizations address structural inequality, both internally and through their external influence, these efforts have occasionally faced opposition for various reasons, resulting in several major corporations scaling back, or eliminating their DEI programs altogether. However, eliminating programs that support equal opportunity and inclusion risks discarding valuable mechanisms for strengthening the workforce and preventing discrimination in the workplace. Moreover, legal opinions suggest that in the U.S., the private sector's obligation to prevent discrimination based on a range of protected categories remains largely intact, and companies rolling back all diversity initiatives may face increased legal risk.⁸



Three Steps to Advance Racial Equity and DEI in Your Organization



Step 1:

Strengthen Organizational Governance and Culture

Racial equity and DEI have a clear basis in human rights, as reflected in global policy frameworks such as the United Nations' Universal Declaration of Human Rights and the International Labour Organization's standards.

All businesses and institutional investors have a responsibility to respect and uphold these human rights and labour standards. An important starting point for investment management firms in addressing racial equity and DEI is developing internal policies and practices that embody these values and create an inclusive organizational culture.

Develop Comprehensive Policies and Programs to Inform Practice

A comprehensive policy framework gives organizations the foundation they need to address any issues with operations, investment strategy, client relations or employee management. While all asset management firms have internal policies in areas such as regulatory compliance, risk management, ethical conduct, client relations, and health and safety, it is equally important to develop policies around racial equity, DEI and anti-discrimination to provide a road map toward an inclusive and bias-free workplace.

A fulsome strategy to address and prevent racial inequity should include equity-centred hiring policies and practices, anti-discrimination and anti-harassment policies, transparent internal grievance mechanisms, accessibility programs and procedures, and implicit bias and anti-racism training programs. An effective policy framework will ideally contain all of these components, not just one or two. For instance, while anti-racism training might help with increasing staff awareness, it cannot remove systemic barriers for racialized staff members.

Implicit bias and anti-racism training programs are central to building an inclusive and anti-racism culture within an organization. They can help develop and deepen understanding of one's implicit biases, explain the systemic nature of racial inequity, help employees at all levels understand their roles in promoting racial equity and actively challenge discriminatory behaviours or policies. Such programs also provide tools and frameworks to make more objective, equitable organizational decisions, such as hiring, retention and promotion of employees, by understanding and breaking these biases.

Tools:

- **A Policy Primer: Guide to Developing Human Rights Policies and Procedures**, by the Ontario Human Rights Commission (OHRC). The OHRC is an expert body on specific human rights issues, such as racism, racial discrimination, and sexual and gender-based harassment. This primer is a guide to developing human rights policies and procedures around preventing systemic barriers, anti-discrimination and anti-harassment, complaint resolution and accessibility. It includes a discussion of key considerations when developing human rights policies and procedures to prevent human rights infringements, respond to issues such as harassment and discrimination, and provide needed accommodations. It also includes sample language that can be modified to meet an organization's specific needs and focus.
- **Industry Code of Conduct Guidelines on Harassment, Discrimination and Workplace Violence**, by the Institutional Limited Partners Association (ILPA). ILPA is a global organization that represents and advocates for the interests of institutional investors in private equity and venture capital. Members include large institutional investors such as pension funds, endowments, foundations and family offices that invest in private equity and related asset classes. This resource provides detailed guidelines to create an anti-discrimination policy that covers harassment, discrimination and workplace violence, specifically for the investment industry. It also provides samples of organizational codes of conduct that effectively address the issues of harassment, discrimination and workplace violence, including from the Business Development Bank of Canada and the California Public Employees' Retirement System.



Implementing Equitable Hiring Practices

Research shows that companies with diverse gender and racial representation are more likely to outperform their non-diverse counterparts.⁹ Diversity is a competitive differentiator through which companies are better able to attract top talent, increase employee satisfaction and improve decision making.

However, diverse representation has remained a challenge in the investment industry widely. In 2022, Morningstar reported that there were 1,284 men in portfolio manager positions in Canada and only 175 women — one woman for every seven men.¹⁰ A 2023 McKinsey & Company study on global private markets in the U.S. and Canada found that men in investment roles were, on average, 50% more likely to be promoted than their female counterparts.¹¹ The study also revealed that ethnic and racial minorities made up just 20% of investment professionals at the managing director level.¹²

It is important for asset management firms to make dedicated efforts to reach out to and attract candidates from underrepresented groups, including women, racialized people, Indigenous people, people with disabilities and members of the 2SLGBTQIA+ community. Some helpful strategies to achieve this are:

- **Advertise openings on non-traditional job boards (see examples below).** Organizations committed to diversity should consider posting openings beyond the company website and traditional platforms, on job boards designed to attract candidates from underrepresented groups, such as Black, Indigenous and racialized people.
- **Reduce implicit bias in hiring practices.** Anonymized recruitment processes reduce implicit bias by removing names, addresses and other identifying information from application material before review. Organizations can use applicant tracking systems with built-in blinding features and standardize application formats to focus reviewers on relevant skills and qualifications.
- **Consider diversity of professional experience.** Consider diversity of professional experience, including work experience from outside of Canada, foreign credentials and transferrable skills from different roles. This requires developing evaluation metrics that recognize equivalent international qualifications and skills gained from different work contexts that focus on capabilities rather than specific credentials.
- **Construct diverse hiring and interview panels.** Having diverse hiring teams and interview panels strengthens the selection process by including individuals from different departments, backgrounds and seniority levels. Gender, ethnic and cultural diversity, as well as regular rotation of interview panels, helps mitigate biases and provides multiple perspectives on candidates.
- **Provide employee supports.** Establishing employee resource groups (ERGs) and mentorship programs based on team needs can help foster a sense of belonging by providing platforms where employees can connect, share experiences and receive support. Well-designed support systems for new hires and employees enhance inclusion among historically underrepresented groups and strengthen recruitment and retention of diverse talent. When employees feel valued for who they are, they are more likely to be engaged, productive and loyal to their organization and its culture.





Examples of diverse job boards:

- **HireDiverse** is a Canadian job board focused on empowering diversity and inclusion in recruitment, connecting inclusive employers with diverse candidates.
- **BIPOC Jobs** is one of the leading employment sites in Canada for Black candidates to find jobs in organizations that promote a diverse and motivating work environment.
- **BIPOC Executive Search** specializes in the recruitment of Black, Indigenous and other racialized candidates, for clients to identify and attract candidates from ethnocultural backgrounds often not seen around leadership tables, thereby ensuring an applicant pool that is representative of society. It also has a separate job board that offers a platform inclusive of opportunities across all levels of an organization.
- **TMX Director & Officer Open Registry (TMX DOOR)** is a new centralized platform on the Toronto Stock Exchange designed to connect experienced and diverse candidates with leadership opportunities and help provide critical data insights into board and management diversity trends.

Tools:

- **Employee Resource Groups: Toolkit For Creating and Sustaining Effective ERGs**, published by the Canadian Centre for Diversity and Inclusion. This tool kit offers a practical framework for establishing successful ERGs, explaining key elements such as organizational support, clear objectives, funding, a formal structure, effective programming, measurement strategies, recognition methods and potential challenges. The case studies of successful ERGs in Canadian companies such as Scotiabank and RBC provided throughout the tool kit are helpful reference points for organizations keen to explore these groups to foster inclusion.

Tracking Progress

To ensure meaningful progress is being made on racial equity and DEI, it is critical to define and track indicators of progress. The phrase “What gets measured gets managed” holds even more true in this context. It can be challenging to assess progress or regression on a stated commitment, such as diversity, if appropriate data is not being collected and tracked. Some common internal racial equity and DEI indicators include representation at the leadership and board levels, diversity of candidate pools and new hires, promotion and retention rates by demographics, pay gap analysis (or percentage of pay equity), harassment and discrimination complaints, and employee feedback surveys.

To start off, baseline data can be gathered through pay equity and workforce diversity analyses to understand where the organization stands on key metrics and identify any disparities or areas for improvement. This approach ensures that DEI efforts are both impactful and aligned with the organization’s broader goals.

Once measurable targets are set for specific racial equity and DEI goals, it is important to establish senior-level accountability to ensure the data is not only being collected but also being used effectively to drive strategic decisions and address areas that need improvement. Transparency is key to making this process successful. By collecting and reflecting on DEI data — such as workforce demographics, promotion rates, pay equity findings and employee feedback — organizations create a culture of trust and openness.

Creating a feedback loop is another important aspect of transparency. When organizations regularly report on their DEI metrics and invite input from employees and stakeholders, they foster continuous improvement. This process allows for real-time adjustments and ensures that DEI remains a priority at every level of the company. By being transparent about both successes and challenges, leaders signal that DEI is an ongoing journey, not a one-time goal, and that the company is dedicated to making consistent progress, even when faced with setbacks.



When it comes to evaluating employment and business practices through an equity lens, some organizations might consider undertaking a third-party racial equity audit. A racial equity audit is a comprehensive review of a company's policies, practices, products and services and their impact on racialized communities. Conducting a racial equity audit can help companies prepare for any potential legal, public relations or regulatory risks and address concerns from key stakeholders. It is performed by an independent team with specialized subject matter expertise in anti-racism, bias and discrimination in the relevant legal context. An increasing number of law firms and racial equity organizations are building their capacity to conduct meaningful racial equity audits. A comprehensive audit should include the active participation of stakeholders, with clear pathways to participation, and include explicit protections from professional repercussions.

Resources:

- **PolicyLink's Civil Rights Audit Standards** are a first-of-their-kind tool providing clear standards on conducting comprehensive and meaningful civil rights audits for U.S. businesses. They were developed and approved by an independent committee comprising business executives, investors, worker advocates and civil rights experts. There are nine standards: including a comprehensive scope, retaining an independent and qualified auditor, engaging meaningfully with key stakeholders, providing access to critical information, ensuring rigour and objectivity in processes, maintaining transparency, ensuring timeliness in actions and reporting, providing regular updates and interactions, and enforcing board oversight and accountability of findings and recommendations. More commonly known as racial equity audits in Canada, these are emerging as powerful tools to mitigate systemic, regulatory and reputational risks caused by racial discrimination in investments. These standards provide comprehensive baseline expectations for organizations considering undertaking a third-party racial equity audit.

Step 2:

Demonstrate Leadership

Asset managers can demonstrate leadership within the investment industry by formalizing their racial equity commitments, including by joining leading industry standards, advocating for enhanced diversity disclosures and prioritizing supplier diversity. This external influence allows them to champion systemic change, provide clients with actionable data for informed decision making and set a higher standard for the entire industry.

Leadership and External Influence

As powerful actors in the investment value chain, asset managers can play an important role in advocating for racial equity in their spheres of influence. One concrete way asset managers can demonstrate their commitment to racial equity is by becoming signatories to voluntary codes and standards like the BlackNorth Initiative; the CFA Institute Diversity, Equity, and Inclusion Code (US and Canada); and the Responsible Investment Association's Canadian Investor Statement on Diversity and Inclusion. A list of relevant investment industry codes and standards are provided for consideration in the appendix.

For asset managers, actively supporting DEI research in the investment industry is another effective way to drive awareness, measure progress and identify areas for improvement. One method is by responding to due diligence questionnaires and reporting frameworks that capture data on diversity in their workforce, management and boards. These survey findings provide insights on the demographic makeup of the workforce, leadership diversity, pay equity and employee retention among underrepresented groups in the industry. As more asset managers engage in DEI research, this collective data helps shape best practices, policies and industry standards. By supporting research, asset managers can be part of an industry-wide effort to create systemic changes that promote racial equity, both in their investment practices and in their internal organizational governance.

On a deeper level, asset managers can also consider developing or supporting initiatives that amplify voices of racialized communities by providing access to capital for minority-owned enterprises, creating opportunities for underrepresented groups, or providing in-kind or financial support to grassroots racial justice organizations.

Examples of such initiatives include the following:

- **The RBC Future Launch Scholarship for Black Youth** is an initiative of the Royal Bank of Canada (RBC). It is aimed at supporting Black students across Canada in pursuing post-secondary education by providing 20 scholarships per year. In addition to financial support, recipients gain access to mentorship, academic and career planning, tutoring, internship opportunities and networking resources.
- **Maple Bridge Ventures** is a venture capital firm that invests in early-stage start-ups led by immigrant founders. The firm focuses on sectors critical to Canada's economic resilience and global innovation, including agrifood tech, health tech and enterprise solutions. Beyond funding, it offers access to networks; business strategy support; global expansion expertise; and assistance with people, culture and performance.
- **Misfit Ventures** is Canada's first, and North America's largest, LGBT+ venture capital firm, based in Vancouver. The firm focuses on investing in LGBT+-led companies across all sectors, both within Canada and globally, at the pre-seed to seed stage. Its mission is to empower LGBT+ founders, who are known to create 36% more jobs than their counterparts, by providing necessary resources and support to foster innovation and economic growth.
- **Migr8 Capital Fund I** is a venture capital fund established in 2023 by a Calgary-based firm dedicated to supporting first-generation immigrant entrepreneurs in the Prairies. It focuses on investing in early-stage, immigrant-led start-ups that are developing digital technologies aligned with the United Nations' Sustainable Development Goals, particularly in sectors like digital health, sustainable agriculture, climate tech and social tech platforms. Beyond financial investment, Migr8 Capital collaborates with Migr8+, a non-profit organization that offers settlement support, networking opportunities, mentorship and industry-specific insights to immigrant entrepreneurs.

These initiatives should align with the firm's mission, values and geographic context, ensuring they are both relevant and impactful in the communities they operate in.

Examples of investor leadership on racial equity:

- **The 30% Club Canada Investor Group** is a group of asset owners and asset managers committed to exercising their ownership rights to encourage increased representation of women on corporate boards and in executive management positions in Canada. Initially starting out as an advocacy group to increase representation of women on the S&P/TSX Composite Index to 30%, it achieved 31% representation in 2022. Building on the foundations of its work and recognizing the intersectionality of gender, race and other identities, it continues to advocate for inclusion of other aspects of diversity, including Black, Indigenous, other visible minorities, members of the LGBTQ+ community and people with disabilities. Its updated statement of intent calls for allies to disclose diversity policies, processes for identifying diverse board nominees and executive candidates, and diversity data on the representation of women and underrepresented groups in leadership positions; to adopt a structured approach to director nominations, ensuring merit-based appointments with attention to diversity; to use tools to mitigate cognitive bias and ensure rigorous performance assessments for directors and executives as well as regular board refreshment; and to embrace best practices to increase representation of underrepresented groups, including setting targets and reporting on progress.¹³ Investors and business leaders are encouraged to engage with board chairs and nomination committees, monitor diversity efforts, highlight leading examples and use voting rights when companies fail to meet diversity expectations.
- **Rally Assets' Statement of Justice** outlines the organization's commitment to equity and its opposition to all forms of discrimination. The statement articulates how Rally Assets integrates justice both internally, through its hiring practices and through formalizing its commitments by joining initiatives such as the 50–30 Challenge, the BlackNorth Initiative and Canadian statements on diversity, and externally, through investment decisions and fund manager engagements.
- **Invest Ahead** is a U.S.-based non-partisan forum of more than 90 institutional investors, state treasurers, corporations, professional services firms, advocacy groups, private equity firms and individuals, representing more than \$8 trillion in assets under management. It emphasizes the importance of highly competent, diverse and well-composed boards for improving corporate performance and enhancing competitiveness. Its members work collectively to drive these values forward in the business and investment sectors.



Box 2: CFA Institute Diversity, Equity, and Inclusion Code (US and Canada)

The CFA Institute Diversity, Equity, and Inclusion Code (US and Canada) is a voluntary framework designed to guide investment professionals and firms in promoting DEI within their organizations and the broader investment industry. It provides actionable steps for asset managers, analysts and other financial professionals to integrate DEI principles into their day-to-day operations, corporate culture and investment practices.

Principle 1: Pipeline. Expand the diverse talent pipeline.

Principle 2: Talent acquisition. Design, implement and maintain inclusive and equitable hiring and onboarding practices.

Principle 3: Promotion and retention. Design, implement and maintain inclusive and equitable promotion and retention practices to reduce barriers to progress.

Principle 4: Leadership. Use their position and voice to promote DEI and improve DEI outcomes in the investment industry, and hold themselves responsible for the firm's progress.

Principle 5: Influence. Use their role and voice to promote and increase measurable DEI results in the investment industry.

Principle 6: Measurement. Measure and report on progress in driving better DEI results within the firm, and provide regular reporting on the firm's DEI metrics to senior management, the board and the CFA Institute.

By becoming signatories to the CFA Institute Diversity, Equity, and Inclusion Code, asset managers in Canada can demonstrate leadership in advancing diversity and inclusion; foster stronger relationships with clients, investors and underrepresented communities; and build a more resilient and competitive

Procurement Practices

Supply chain diversity is a strategic approach that promotes the development of a network of diverse suppliers for the procurement of goods and services for an organization's operations. A diverse supplier is any business that is at least 51% owned, managed and controlled by individuals from underrepresented communities, such as women, Indigenous people, racialized minorities, people with disabilities and members of the 2SLGBTQIA+ community.

Prioritizing supplier diversity offers organizations access to innovative products and services, while providing them with a valuable opportunity to strengthen local economies and cultivate stronger relationships with these communities. Having a supplier diversity policy and tracking spending on diverse suppliers demonstrates a tangible commitment to equity. Organizations that prioritize supplier diversity are often viewed more favourably by clients who value inclusivity, equality and social justice. Supporting diverse suppliers can also help organizations learn about new markets and customer segments, as these businesses may, for example, have strong relationships and insights into niche markets they operate in, offering valuable connections that may not be readily accessible otherwise.

Examples

- The **City of Toronto's Social Procurement Program** is a resource for firms looking to integrate social procurement practices into their operations. It provides a clear rationale and framework to source goods and services in a way that supports local communities, reduces inequality and drives positive social outcomes. Section 2, "Social Procurement Policy," can be used as a comprehensive template for organizations looking to develop such a policy. Section 3 sheds light on Indigenous procurement practices.
- The **Partnership Accreditation in Indigenous Relations (PAIR)** certification program from the Canadian Council for Indigenous Business is an initiative designed to help businesses benchmark and improve their performance in Indigenous relations. The program assesses companies in four key areas: employment, business development, community investment and leadership actions. Through the PAIR program, companies are encouraged and guided to build meaningful relationships with Indigenous businesses and implement procurement practices that prioritize partnerships with Indigenous suppliers. This is done through encouraging companies to develop policies, track spending and set targets that increase Indigenous participation in their supply chains. Certification in the program not only strengthens accountability, but also enhances credibility to engage with Indigenous communities and procurement partners across Canada.



Step 3:

✔ Integrate Racial Equity into Investment and Stewardship Practices

The United Nations Principles for Responsible Investment defines stewardship as the use of investor rights and influence to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social and environmental assets on which their interests depend.¹⁴ Many institutional investors consider stewardship essential for identifying and managing a wide range of environmental, social and governance (ESG) risks, such as climate change, human rights and corruption. By engaging with portfolio companies on their DEI policies and practices, asset managers can advance racial equity outcomes and ensure companies are accessing the best talent, driving innovation and mitigating legal and reputational risks.

Research and Analysis in Investment Decision Making

Integrating racial equity considerations into investment analysis and decision making is an essential step for aligning investment practices with the values of racial equity and inclusion. Asset managers should evaluate how investee companies are faring on racial equity parameters by assessing indicators such as the diversity of their internal teams, leadership, pay equity, ESG disclosures and human rights due diligence in supply chains.

This is particularly important for companies operating in global majority countries and in sectors such as garments, footwear, mining, transportation, agriculture, hospitality, the platform economy, information technology and construction, which tend to have high concentrations of racialized workers in precarious working conditions. Investors must pay close attention to the supply chain practices of portfolio companies, as these pose a high risk of human rights violations. The intersection of workers' rights and racial equity is an increasingly important issue in investment stewardship, because workers' rights issues, such as fair wages, safe working conditions, freedom of association and anti-discrimination policies, are deeply intertwined with racial equity efforts in the workplace.



Box 3: Adasina Social Justice Investment Criteria

Adasina Social Capital is an investment management firm that specializes in social justice investing. The Adasina Social Justice Investment Criteria offer a comprehensive, data-driven framework for asset allocation, incorporating racial justice, gender justice, economic justice and climate justice. Co-developed with social justice organizations, these criteria help investors align their portfolios with progressive values and advance social movements for change. The criteria provide a systematic approach to evaluate companies based on social justice metrics across multiple dimensions, typically including the following:

Racial justice: Evaluating corporate policies, practices and impacts related to racial equity, from hiring and promotion to community impacts and product design. Screens include decarceration, land rights and self-determination, equity and inclusion, and fair dealing.

Gender justice: Assessing gender pay equity, representation in leadership, sexual harassment policies and other gender-related issues. Screens include gender equity and LGBTQ+ equal employment opportunities.

Economic justice: Examining fair wages, worker rights, tax practices and other economic factors that impact inequality. Screens include livable wages, fair labour and fair lending.

Climate justice: Looking at environmental impacts, particularly as they affect marginalized communities disproportionately. Screens include environmental sustainability and clear air and water.

Adasina constructs portfolios using a social justice framework that begins with comprehensive data collection on corporate practices. It is followed by both negative screening, to exclude companies violating its core values, and positive screening, to identify companies contributing to meaningful social outcomes. It conducts industry-specific materiality assessments to apply relevant criteria, integrates traditional financial analysis with social justice metrics and regularly updates its criteria based on input from movement leaders. Through active engagement with portfolio companies to improve practices, Adasina creates diversified investments designed to deliver both competitive financial returns and positive social impact across racial, gender, economic and climate justice indicators.

Stewardship Practices

Stewardship tools and activities can be divided into investee stewardship and broader stewardship. Many of these tools and activities can be used collaboratively by investors. Stewardship tools and activities vary by asset class but generally include engaging with investees, voting at shareholder meetings, submitting shareholder resolutions, nominating directors, leveraging board roles, overseeing portfolio companies and litigation. Broader stewardship activities involve policy engagement, collaboration with standard setters, interaction with industry groups, oversight of intermediaries in the investment chain, engagement with stakeholders and rightsholders, and contributing to public goods or discourse that promotes stewardship goals.

Establishing clear engagement and escalation strategies for investee companies lagging on racial equity is critical to holding them accountable on their commitments. This could involve leveraging shareholder influence, such as filing shareholder proposals and voting against board members. Leading asset managers are advocating for consistent and standardized DEI disclosures to assess a company's commitment to racial equity, helping them make informed decisions and encouraging progress toward racial equity. With sustained engagement with investee companies and well-defined escalation strategies and protocols in place, investors can drive improvements in corporate culture and help create more inclusive, equitable workplaces.

Voting in favour of shareholder proposals that advance racial equity, DEI, human rights and decent work is a powerful way for investors to drive improvements in racial equity practices. By supporting these proposals, investors can encourage companies to adopt policies that prioritize fairness, equity and ethical treatment of all employees. Embedding support for board diversity within proxy voting guidelines is also essential to this process, as diverse representation at the highest levels of corporate governance is crucial for fostering inclusive decision making and aligning business practices with the values of racial equity. Publishing proxy voting records annually, including the rationale for votes, is another key step to ensure transparency.

In addition to voting, engaging with investee companies on their policy advocacy activities, capital expenditures on diverse suppliers and internal operations is essential for driving long-term, systemic change. Investors should assess whether companies are using their resources and influence to promote racial equity, both within their operations and across their value chains. By holding companies accountable through both engagement and voting, investors can use stewardship as a powerful tool for addressing inequality risks in their portfolios and maximizing overall long-term value.

Examples:

- The [University Pension Plan's Inequality Stewardship Plan](#) actively addresses and mitigates inequality within its investment portfolio. Its key components include promoting decent work standards, addressing executive compensation, engaging with investee companies, advocating for equitable policies in financial regulation and collaborating on investor efforts to amplify the impact of their stewardship policies. Section 2, "Promoting Market Guardrails to Address Inequality," provides useful examples of upholding adequate guardrails on key issues within its portfolio, which can help reduce unequal access to opportunities and mitigate persistently unequal outcomes.
- [BCI's 2025 Proxy Voting Guidelines](#) provide a comprehensive set of expectations on ESG risks and how BCI approaches these risks from a proxy voting perspective. The section "Shareholder Proposals on Environmental and Social Risk" provides guidelines for voting on proposals related to communities, employee management, human rights, Indigenous reconciliation and climate change. BCI is a global asset manager providing investment management services to institutional investors and British Columbia pension funds.

Conclusion:

Advancing racial equity is both a critical responsibility and a significant opportunity for asset managers. By implementing robust DEI policies and practices and actively prioritizing racial equity and DEI within their organizations and portfolios, asset managers can mitigate systemic risk and unlock long-term financial value. This guide provides tools, strategies and examples to help asset managers assess their progress, implement meaningful changes and measure their impact on racial equity.

As investors increasingly recognize the intersection between racial equity and DEI, corporate performance and long-term economic growth, asset managers that demonstrate leadership in this area will be well positioned to create long-term value and achieve sustainable growth — benefiting both their clients and the communities they operate in.



Appendix: Codes and Standards

Issuing Organization	Standard or Regulation	Category	Description	Relevance
MANDATORY STANDARDS				
Government of Canada	<u>Pay Equity Act</u>	Federal law	Requires employers to establish and periodically update a pay equity plan.	Applicable to federally regulated workplaces with 10 or more employees. A list of federally regulated industries is available at <u>https://www.canada.ca/en/services/jobs/workplace/federally-regulated-industries.html</u> .
Government of Canada	<u>Employment Equity Act</u>	Federal law	Requires federally regulated organizations and businesses to provide equal employment opportunities to four designated groups: women, Indigenous Peoples, people with disabilities and members of visible minorities.	Applicable to federally regulated employers with 100 or more employees.
Government of Canada	<u>Legislated Employment Equity Program</u>	Federal program	Requires federally regulated organizations and businesses to report each year on how many individuals from the four designated groups are represented in their workplaces and to show the steps they have taken to achieve full representation.	Applicable to federally regulated employers, which include about 500 private-sector employers, 30 Crown corporations and five other federal organizations, with a combined workforce of over 760,000 employees.
Government of Canada	<u>Canada Labour Code</u>	Federal law	Addresses industrial relations issues, including certification of unions, labour–management relations, collective bargaining and unfair labour practices; workplace health and safety; and employment standards, including general holidays, annual vacations, working hours, unjust dismissals, minimum wage, layoff procedures and severance pay.	Applicable to federally regulated private sector organizations. Part III discusses federal labour standards, which set out the employment conditions for hours of work, payment of wages, leaves, vacation, holidays, and health and safety.
Government of Canada	<u>Canada Business Corporations Act (CBCA)</u>	Federal law	Requires public corporations registered under the CBCA to make mandatory disclosures about the diversity of their boards of directors and senior management with respect to designated groups, including women, Indigenous Peoples, people of colour and people with disabilities.	Applicable all federally incorporated businesses, including approximately 20% of the whole TSX.

Appendix: Codes and Standards

Issuing Organization	Standard or Regulation	Category	Description	Relevance
VOLUNTARY STANDARDS				
BlackNorth	<u>The BlackNorth Initiative</u>	Voluntary pledge	Includes a commitment to specific actions and targets aimed at addressing anti-Black racism in the workplace and broader society. These include commitments to diversify leadership, create inclusive workplaces, and support Black-owned businesses and communities in Canada.	Promotes corporate diversity, equity, and inclusion, while helping identify systemic barriers that may affect long-term value creation and risk management. Pledge here: <u>https://blacknorth.ca/pledge/</u>
Business Development Bank of Canada	<u>ESG and DEI reporting templates for Canadian GPs</u>	Voluntary reporting framework	Builds on the global framework of the ILPA Diversity Metrics Template for capturing metrics related to gender, race, ethnicity and identification in a way that aligns with the Canadian market. The template recognizes the need for more fulsome and standardized reporting on DEI metrics within private equity and venture capital firms and their portfolio companies, at a time when many Canadian funds are embracing more inclusive practices.	The two templates are designed to help Canadian investors and entrepreneurs track key ESG and DEI metrics at the firm, fund and portfolio company levels.
CFA Institute	<u>Diversity, Equity, and Inclusion Code (US and Canada)</u>	Voluntary pledge	The code provides a structured framework supporting employers, executive leaders, investment professionals, DEI specialists and human resources professionals in crafting impactful and measurable strategies to enable better people management in the investment industry.	Focuses on six core principles: pipeline, talent acquisition, promotion and retention, leadership, influence and measurement, with a reporting template. Organizations can adopt the code by becoming a signatory through the <u>DEI Code Signatory Notification form</u> .
PolicyLink	<u>Civil Rights Audit Standards</u>	Voluntary standards	The Civil Rights Audit Standards are a tool for U.S. businesses to promote non-discrimination, engage and build trust with stakeholders, and advance responsible business practices. The standards were developed and approved by an independent committee comprising business executives, investors, worker advocates and civil rights experts.	Focuses on nine key standards: comprehensive scope, independent qualified auditor, meaningful engagement with key stakeholders, access to critical information, rigour and objectivity, transparency, timeliness, regular frequency, and board oversight and accountability.

Appendix: Codes and Standards

Issuing Organization	Standard or Regulation	Category	Description	Relevance
VOLUNTARY STANDARDS				
Corporate Racial Equity Alliance	<u>Investor Blueprint for Racial and Economic Equity</u>	Investor blueprint	The Investor Blueprint aims to catalyze investors on the imperative of integrating racial and economic equity holistically within their institutions, from the heart of their purpose to their decision-making processes, investment strategies and measures of organizational effectiveness.	Fourteen actionable steps are outlined for investors, accompanied by guidance, resources and essential performance metrics to facilitate implementation. This framework is applicable to asset owners, asset managers, intermediaries and service providers involved across different asset categories.
Global Impact Investment Network	<u>ESG and DEI reporting templates for Canadian GPs</u>	Reporting metrics based on the Sustainable Development Goals	IRIS metrics are designed to measure the social, environmental and financial performance of an investment.	Core metrics for racial equity are available at https://iris.thegiin.org/share/id/26086x63a0c68ae2919/lens/racial-equity-lens/panel/core-metrics/ .
Institutional Limited Partners Association (ILPA)	<u>Due Diligence Questionnaire (DDQ) and Diversity Metrics Template</u>	Voluntary pledge	The ILPA DDQ and Diversity Metrics Template are intended to standardize the key areas of inquiry posed by investors during their diligence of managers and to provide a framework for ongoing monitoring of progress related to DEI.	Added in 2023, the Diversity, Equity, and Inclusion Monitoring Questionnaire, modelled in alignment with ILPA's DDQ, is meant to guide the efforts of investors looking to foster more regular touch points with managers to better understand their DEI trajectory over time by providing a standardized template.
Institutional Limited Partners Association	<u>Diversity In Action Initiative</u>	Voluntary commitment	The Diversity In Action Initiative focuses on a foundational set of actions that limited partner and general partner organizations are taking to advance diversity and inclusion, both internally and within the industry more broadly.	Added in 2023, the Diversity, Equity, and Inclusion MoThe framework consists of two parts: four essential criteria and a set of nine optional criteria that span a broader range of possible actions, addressing talent management, investment management and industry engagement. th ILPA's DDQ, is meant to guide the efforts of investors looking to foster more regular touch points with managers to better understand their DEI trajectory over time by providing a standardized template.

Appendix: Codes and Standards

Issuing Organization	Standard or Regulation	Category	Description	Relevance
VOLUNTARY STANDARDS				
Responsible Investment Association	<u>Canadian Investor Statement on Diversity and Inclusion</u>	Voluntary investor statement	Investor statement outlining expectations of Canadian companies and commitment as investors to advance racial equity.	Investor commitments include engaging Canadian investee companies to enhance diversity and inclusion; incorporating diversity and inclusion into investment processes by tracking and monitoring performance, updating proxy voting guidelines and engaging with external managers; and enhancing diversity and inclusion within their own organizations through data collection, training and seeking input from underrepresented voices to address barriers and foster inclusive cultures.
Principles for Responsible Investment	<u>Diversity, Equity and Inclusion DDQ for Institutional Investors</u>	Questionnaire and reporting framework	Designed to help institutional investors understand how investment managers and investment consultants approach DEI within their own organizations, through their investment activities or the manager research process.	The questions in the investment section of the DDQ are designed for asset managers investing across fixed income, listed equities, hedge funds, private equity, real estate and infrastructure assets.
World Economic Forum	<u>Global Racial and Ethnic Equity Framework</u>	Voluntary framework	Supports businesses with a suite of options to help identify, measure and analyze gaps and progress in their journey toward racial and ethnic equity; to underpin a coherent racial and ethnic equity strategy for the entire business ecosystem and a more equitable work environment and social footprint; and to support corporate leadership in addressing and mitigating systemic racism and ethnic discrimination.	Provides a series of reflective questions for the 10 foundational principles meant to serve as a guide for application of the principles, followed by a scoring dashboard to conduct self-evaluation on progress made.

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