

Investors for Racial Equity

Asset Manager Evaluation Tool





Introduction

In the wake of global racial justice movements, numerous initiatives have emerged to address racial equity, and diversity, equity, and inclusion (DEI) ; however, it has been challenging for investors to evaluate the impacts of these efforts on racial equity outcomes.

In response, SHARE launched the Investors for Racial Equity (IRE), a program with the dual objectives of:

- Mobilizing financial capital, which at times has contributed to racial oppression, to instead drive changes in Canada's financial and corporate sectors towards greater racial equity; and,
- Providing institutional investors, like foundations, universities and pension funds, with tangible and practical opportunities to use their power and leverage to help address and undo the ongoing effects of systemic racism.

IRE convened a group of Canadian and US-based foundations, family offices, and pension plans together as a Community of Practice (CoP) to explore opportunities to align their investments with their values and commitments to advancing racial equity. The CoP explored opportunities to advance racial equity through their own policies and governance structures, across different asset classes and by working with their asset managers. The CoP also engaged with racial equity leaders from across Canada to learn about their work, priorities and experiences engaging with the private sector.

One of the key objectives identified by the CoP was to co-develop a framework for use in engagements with asset managers to identify, and analyse the actions they are taking to advance racial equity in their roles as employers, economic actors, shareholders and capital providers. The framework presented below was developed with input from racial justice organizations, and members of the CoP.

Executive Summary

The Investors for Racial Equity Asset Manager Evaluation tool is designed to help asset owners identify, and analyse the commitments, strategies, and actions of asset managers for advancing diversity, equity and inclusion, and racial equity within their operations, and investment strategies.

This tool includes questions for use in surveys and interviews, and examples of mandatory, and voluntary codes and standards that can be explored to identify how asset managers are fostering diversity, equity, and inclusion (DEI) across their organizations, as well as promoting investments that contribute positively to racialized communities. This tool serves as a foundational expectation-setting document designed to provide guidance for asset managers, fostering the development of more robust DEI and racial equity practices.

These questions, codes, and standards are not exhaustive, and as this is an actively evolving issue, it is important for asset owners to ensure they are utilizing current and appropriate terminology, and including any new or updated frameworks when conducting an assessment.





Terminology

To ensure clarity, and consistency the definitions of **DEI**, **racial equity**, and **anti-racism**, are provided below:

- **Diversity, Equity, and Inclusion (DEI):**

DEI is a framework or approach that organizations adopt to promote a workplace culture that values and respects individual differences. DEI efforts focus on making an organization more diverse, welcoming, affirming and fair for people of all backgrounds, identities, statuses, and social ranks. Approaches to DEI have tended to focus on who is represented in the workforce and at the board level and have sought to improve gender representation, people of different physical abilities, sexual orientation, age, neurodiversity, ethnicities and races.

- **Racial Equity:**

Racial equity is a goalpost, where one's racial identity would not be a predictor of their life outcomes, opportunities, and socio-economic capital. Efforts to advance racial equity focus on creating policies, practices, and norms to remediate potential and actual disparate outcomes for Indigenous peoples and racialized communities.

- **Anti-Racism:**

Anti-racism is the active process of identifying and eliminating racism by changing systems, organizational structures, policies and practices and attitudes so that power is redistributed and shared equitably.



Engaging Your Managers on Racial Equity

An important starting point for initiating a dialogue with your managers on DEI, and racial equity is developing a common understanding of why addressing these issues is important for you as an investor.

This should include sharing your perspective on why your organization is prioritizing DEI, and racial equity in your investment strategy, and seeking to better understand the asset manager's motivations for establishing relevant policies and practices. SHARE has identified three areas of practice where asset managers can demonstrate their commitment to, and progress towards DEI, and racial equity:

1. Organizational Governance and Culture

The firm should demonstrate robust internal policies and practices fostering DEI, as well as a commitment to advancing racial equity within their internal team and organizational culture.

2. Leadership and External Influence

The firm should demonstrate leadership in fostering DEI, and leverage their influence to advance racial equity broadly in the investment management industry.

3. Investment & Stewardship Practices

The firm should uphold investment & stewardship practices that prioritize diversity, equity, and inclusion, as well as incorporate racial equity considerations across their portfolios.



BASELINE EXPECTATIONS	EMERGING PRACTICES	LEADING PRACTICE
1. Organizational Governance and Culture: Asset manager(s) should demonstrate internal policies and practices that foster diversity, equity, and inclusion, as well as a commitment to advancing racial equity within their team, and organizational culture by:		
• Establishing an internal anti-discrimination policy • Conducting internal education on implicit bias and DEI for senior management and staff • Collecting and tracking relevant diversity data across the organization • Implementing gender and racial pay equity	• Establishing indicators for improvements in DEI across the organization • Establishing senior-level accountability for DEI and racial equity • Publishing a diversity, equity, and inclusion (DEI), anti-racism, or racial equity policy	• Tracking progress on diversity indicators • Building relationships and engaging with racial equity/justice organizations • Conducting a racial equity audit • Embedding anti-racism principles and practices into the DEI/Racial Equity Policy/Statement
2. Leadership and External Influence: Asset manager(s) should demonstrate leadership in fostering diversity, equity, and inclusion and leverage their influence to advance racial equity broadly in the investment management industry by:		
• Committing to one or more initiatives addressing racial equity and DEI in the investment industry (e.g. Black North Initiative, CFA Institute DEI Code, etc.)	• Supporting initiatives to increase opportunities for racialized groups in the investment industry • Prioritizing procurement from businesses owned by racialized persons	
3. Investment & Stewardship Practices: Asset manager(s) should uphold investment & stewardship practices that prioritize DEI, as well as incorporate racial equity considerations across their portfolios by:		
• Incorporating DEI and/or racial equity considerations in internal investment analysis • Incorporating DEI and racial equity in proxy voting guidelines • Including DEI and racial equity as focus areas in shareholder engagement efforts	• Establishing racial equity and/or DEI-related goals for engagements with investee companies. • Identifying regions, firms, products, services, or technologies that call for specific attention around racial equity impacts	• Advocating for regulations or legislations related to DEI and racial equity • Prioritizing investments in companies or products that have positive impacts for racialized communities • Establishing escalation strategies for engagement with companies that are not making sufficient progress on DEI and racial equity

The above expectations are presented below as questions that can be incorporated into your Asset Manager surveys and/or interviews.

Assessment Framework

Theme		YES	NO	Notes, Links and Explanations
1. Organizational Culture and Governance				
1a. Clear commitment to DEI and racial equity in internal governance and operational policies and practices	Our firm has an anti-discrimination policy as part of our corporate policies and procedures			
	Our firm has an explicit commitment to conduct hiring, promotion, and retention of staff on employment equity principles			
	Our firm has designed and implemented inclusive and equitable hiring and onboarding practices			
	Our firm has taken steps to ensure gender and racial pay equity.			
	Our firm has assigned senior-level accountability for DEI and racial equity			
	Our firm has a publicly communicated a diversity, equity, and inclusion (DEI) and racial equity policy			
	Our firm provides regular reporting to our board on our DEI and racial equity efforts			
1b. The firm has processes in place to measure the effectiveness of its policies and practices	Our firm has set time-bound indicators for improvements in diversity, equity and inclusion across the firm (if not, provide an explanation)			
	Our board of directors includes equitable representation of women, including representation of racialized women			
	Our board includes directors who represent equity-deserving groups, including racialized persons and Indigenous people			
	Our firm is tracking progress on our diversity indicators			
1c. Enhance capacity and transform culture	Our firm has conducted internal education on implicit bias and DEI for senior management and staff.			
	Our firm has committed to conducting a racial equity audit			
	Our firm has conducted a racial equity audit			
1d. Partnerships	Our firm has engaged directly with organizations focused on racial equity to understand the potential impacts of our investments.			
	Our firm has partnerships with organizations for diverse talent development and management			
	Our firm has a commitment to building capacity in underrepresented, and underserved communities			
	Our firm has supported research or external programs on racial equity and/or diversity, equity, and inclusion.			

Theme		YES	NO	Notes, Links and Explanations
2. Leadership and External Influence				
2a. Procurement	Our firm has a supplier diversity policy			
	Our firm tracks our procurement spend directed towards businesses owned by racialized persons			
2b. Promotion of DEI and racial equity in industry	Our firm is a signatory/member of initiatives which address racial equity and diversity, equity, and inclusion (e.g. Black North Initiative, CFA Institute DEI Code, etc.)			
	Our firm has supported initiatives to increase opportunities for equity-seeking groups in the investment industry			
2c. Product and Service Design	Our firm engages relevant and representative stakeholders while designing products and services for various demographic groups			
3. Investment and Stewardship Practices				
3a. Racial equity considerations in investment analysis	Our firm has identified racial equity as a factor in our pre-investment analysis.			
	Our firm has identified sectors, regions, firms, products, services, or technologies that call for specific attention around racial equity impacts			
	Our firm can provide an example of an occasion within the past two years in which our investment analysis was influenced by racial equity considerations.			
	Our firm has prioritized investments in companies or products that have positive impacts for racialized communities.			
3b. Firms' practices engaging with investee companies on DEI and racial equity	Our firm solicits information from investee companies on their approach to DEI and racial equity.			
	Our firm has set racial equity and/or DEI-related goals for our engagements with investee companies.			
3c. Firms' practices engaging in policy advocacy to support racial equity	Our firm has directly or indirectly participated in efforts to influence regulations or legislations related to racial equity or DEI			
3d. Proxy Voting	Our firm has incorporated racial equity and diversity into our proxy voting guidelines.			
	Our firm has voted in favour of shareholder proposals related to advancing racial equity			
	Our firm has voted against director appointments (e.g. Chair of a Nominating Committee) when a board of directors does not include any representation from equity-seeking groups.			

Mandatory and Voluntary Laws, Programs, Codes, Frameworks, and Standards Related to Racial Equity and DEI

Issuing Organization	Standard/Regulation	Category	Description	Notes/Relevance
MANDATORY STANDARDS				
Government of Canada	Pay Equity Act	Federal Law	Requires employers to establish and periodically update a pay equity plan.	Applicable to federally regulated workplaces with 10 or more employees. List of federally regulated industries: https://www.canada.ca/en/services/jobs/workplace/federally-regulated-industries.html
Government of Canada	The Employment Equity Act	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 more than 100 employees.
Government of Canada	Legislated Employment Equity Program (LEEP)	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	The Canada Labour Code	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 sectors. Part III of the Code talks about federal labour standards. These set out the employment conditions for hours of work, payment of wages, leaves, vacation, holidays, health & safety
Government of Canada	Canada Business Corporations Act (CBCA)	Federal Law	Requires public corporations registered under the Act to make mandatory disclosures about the diversity of their boards of directors and senior management with respect to designated groups (women, Indigenous Peoples, people of colour, people with disabilities)	Applicable all federally incorporated businesses, including approx. 20% of the whole TSX.

Issuing Organization	Standard/Regulation	Category	Description	Notes/Relevance
VOLUNTARY STANDARDS				
BlackNorth	The BlackNorth Initiative (Pledge)	Voluntary Commitment	Includes a commitment to specific actions and targets aimed at addressing anti-Black racism in the workplace and broader society. These actions include commitments to diversify leadership, create inclusive workplaces, and support Black-owned businesses and communities in Canada	https://blacknorth.ca/pledge/
Business Development Bank of Canada (BDC)	Diversity, equity and inclusion (DEI) reporting template for Canadian GPs	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 standardized and fulsome reporting on DEI metrics within private equity and venture capital firms as well as 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 a firm, fund and portfolio company level.
CFA Institute	Diversity, Equity, and Inclusion “DEI” Code (USA and Canada)	Voluntary Code	The Code provides a structured framework supporting employers, executive leaders, investment professionals, DEI specialists, and HR 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 this Code by becoming a signatory through this form
PolicyLink	Civil Rights Audit Standards	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. An independent committee comprising business executives, investors, worker advocates, and civil rights experts developed and approved the Standards.	Focuses on nine key standards: Comprehensive Scope; Independent Qualified Auditor; Meaningful Engagement with Key Stakeholders; Access to Critical Information; Rigor and Objectivity; Transparency; Timeliness; Regular Frequency; Board Oversight and Accountability
Corporate Racial Equity Alliance	Investor Blueprint for Racial and Economic Equity	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	IRIS+ System Standards	Reporting Metrics based on SDGs	IRIS metrics are designed to measure the social, environmental and financial performance of an investment.	Core metrics for racial equity: https://iris.thegiin.org/share/id/26086x63a0c68ae2919/lens/racial-equity-lens/panel/core-metrics/

Issuing Organization	Standard/Regulation	Category	Description	Notes/Relevance
Institutional Limited Partners Association (ILPA)	Due Diligence Questionnaire (DDQ) and Diversity Metrics Template	Questionnaire and Reporting Framework	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 DEI Monitoring Questionnaire, modeled in alignment with ILPA's Due Diligence Questionnaire, is meant to guide the efforts of investors looking to foster more regular touchpoints with managers to better understand their DEI trajectory over time by providing a standardized template.
Institutional Limited Partners Association (ILPA)	Diversity in Action	Voluntary Commitment	The Diversity in Action (DIA) initiative focuses on a foundational set of actions that LP and GP organizations are taking to advance diversity and inclusion, both internally and within the industry more broadly.	The 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.
Responsible Investment Association (RIA)	Canadian Investor Statement on Diversity & Inclusion	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.
UN Principles for Responsible Investment (PRI)	Diversity, equity and inclusion Due Diligence Questionnaire for institutional investors	Questionnaire and Reporting Framework	Designed to help institutional investors understand how investment managers and investment consultants approach DEI within their own organisations, 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 (WEF)	Global Racial & Ethnic Equity Framework	Voluntary Framework	Supports businesses with a suite of options: to help identify, measure and analyse 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 to address and mitigate systemic racism and ethnic discrimination.	Provides a series of reflective questions for the ten foundational principles meant to serve as a guide for application of the ten principles, followed by a scoring dashboard to conduct self-evaluation on progress made

Published by the Shareholder Association for Research and Education.

SHARE mobilizes investor leadership for a more sustainable, productive and inclusive economy. We do this by building responsible investment leadership among asset owners and amplifying investor voices in support of improved corporate sustainability practices and better rules and regulations that govern capital markets.

SHARE's impact-oriented shareholder engagement, proxy voting and policy advocacy programs are focused on achieving changes in corporate policy and practice that not only mitigate risks at the company level, but also contribute to building a sustainable, inclusive and productive economy upon which long-term investment incomes depend.

To learn more, contact SHARE at info@share.ca



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Unceded territory of the xmθkwym (Musqueam), Skwxwú7mesh (Squamish), and slílwta (Tsleil-Waututh) Nations

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Territories of the Mississaugas of the Credit, Anishnabeg, Chippewa, Haudenosaunee and Wendat peoples