

Asset owner's toolkit for advancing
inclusion, diversity and equity
in investment portfolios



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With net assets of \$25 billion, OPTrust invests and manages one of Canada's largest pension funds and administers the OPSEU Pension Plan (including OPTrust Select), a defined benefit plan with over 111,000 members.

Context of this toolkit

In 2021, OPTrust rolled out its Responsible Investing Partner Evaluation (RIPE) framework, allowing asset class teams to identify strengths and gaps in our investment partners' approaches to responsible investment more systematically. Teams consistently flag inclusion, diversity and equity (IDE)¹ as an area for improvement in both RIPEs and investment memos.

This toolkit provides a starting point for investment professionals looking to advance IDE in their portfolios with simple first steps they can build on and adapt as they see fit. It's principally focused on engagement with external investment managers, though could be adapted for other portfolios. It also offers an opportunity for investment professionals to think through IDE in their portfolios, including how it can support:

- **Better performance**
Research suggests diversity of thought leads to better outcomes. With IDE a consideration in the wider marketplace, this creates an opportunity to enhance long-term value in our assets and partners.
- **Risk management**
Includes investment and reputational risks, such as lower turnover and avoidance of diversity-related controversies.
- **Alignment with OPTrust values and stakeholder expectations**
As fiduciaries for a diverse segment of the population and as one of the country's leading pension plans, OPTrust's members and other stakeholders look to us for leadership in responsible investing and inclusive human capital management.

For all these reasons, it's important we address the IDE gaps noted by asset class teams. This toolkit is one way to start. It was initially drafted for OPTrust's internal use, but in the spirit of contributing to advancing IDE in the broader industry, we thought it would be helpful to share externally.

¹ Please note that we use the term inclusion, diversity and equity (IDE) for consistency across all OPTrust communications and practices. Other organizations may use D&I, EDI or other abbreviations.

Some useful definitions of terms from the Government of Canada's Guide on Equity, Diversity and Inclusion Terminology:

- **Inclusion:** the practice of using proactive measures to create an environment where people feel welcomed, respected and valued, and to foster a sense of belonging and engagement.
- **Diversity:** the variety of identities found within an organization, group or society.
- **Equity:** the principle of considering people's unique experiences and differing situations, and ensuring they have access to the resources and opportunities that are necessary for them to attain just outcomes.



This guide first provides a framework for considering IDE in investment portfolios, followed by four tools teams can use in their asset management and partner engagement.

1. **Portfolio snapshot tool:** To start, teams can use the portfolio snapshot tool to map their partners based on IDE development and to provide an overview of where the portfolio is at in its IDE journey. Teams can use this as a baseline to assess IDE improvement opportunities and evaluate future progress.
2. **Investment partner IDE discussion guide:** Teams can use the discussion guide in IDE conversations with existing partners and suggest using it as part their of due diligence on any new partner.
3. **Best practices for overcoming challenges:** To help partners advance their IDE approach, teams can share best practices for overcoming challenges.
4. **How to handle issues, complaints and claims:** The last tool will be event driven and is a resource teams can refer to on an as-needed basis (e.g. discrimination lawsuits).

Like many financial institutions, OPTrust is focused on building a more inclusive, diverse and equitable culture in the investment industry. We aim to bring a collaborative and understanding approach to this process and acknowledge OPTrust is still learning and strengthening its IDE approach. In the spirit of full transparency and to encourage honest and open conversations, it may be helpful to inform our partners about our own IDE efforts and lessons learned.



OPTrust's [*Statement of Responsible Investing Principles*](#) (SRIP) clearly outlines that the integration of environmental, social and governance (ESG) factors is the responsibility of the individual deal teams. The Sustainable Investing and Innovation (SII) team, which authored this report with input from other asset class and legal teams, provides structure, tools and support to teams as needed.

In developing this guide, SII reviewed several IDE frameworks in investment management² and adapted the following four categories to help focus and organize IDE efforts.



1. **Organizational policy and infrastructure:** Organizational policies that assert internally and communicate externally the organization's governance support for advancing IDE, and its demonstrated commitment to advancing objectives therein (e.g. policies for IDE, anti-harassment/discrimination, accommodation/accessibility, leaves and supporting training).
2. **Diverse teams and inclusive culture:** A well-defined understanding of diversity, combined with practices and programs that support access to a diverse pipeline of talent for an organization, the hiring and advancement of diverse candidates, and building an organizational culture where it's expected that all individuals are treated respectfully and given equal opportunity to succeed (e.g. What does the team composition look like? What efforts are underway to hire and retain diverse talent? How are opportunities for advancement considered and evaluated? Is the culture inclusive and supportive of diverse backgrounds? How do you ensure equity, including pay equity?).
3. **Due diligence and investment decision-making:** Practices that consider diversity, as defined by the organization, in due diligence and investment decision-making (e.g. How do you ensure compliance with regulation? How do you integrate diversity considerations in due diligence? Is there a complaints/whistleblowing policy and how are complaints handled?).
4. **Reporting and benchmarking:** Practices that allow organizations to track their own progress, as well as the progress of their partners, against established goals and industry expectations (e.g. Are partners tracking and reporting on their diversity or that of their portfolio companies/investments?).³




² This includes the [Diversity, Equity and Inclusion Roadmap](#): A Resource for the Private Equity Industry by Institutional Limited Partners Association (ILPA) and the [Diversity, Equity, and Inclusion Code](#) (USA and Canada) by CFA Institute.

³ Subject to legal constraints where organizations may be unable to share data.

This is a simple resource to help teams map partners based on IDE development and then prioritize conversations accordingly. We suggest teams classify each external manager based on the matrix below and document a few bullets to support each classification. This tool is not meant to grade partners – it’s purely for teams’ internal use to help identify both leaders and laggards for further engagement.

Classification	Organizational policy and infrastructure*	Diverse teams and inclusive culture	Due diligence and investment decision-making	Reporting and benchmarking
Early 	<ul style="list-style-type: none"> No or basic IDE policies. 	<ul style="list-style-type: none"> Few indicators of diversity, representation or inclusion. Little effort underway to build a diverse or inclusive workplace. Company culture not clearly defined or identifiable. 	<ul style="list-style-type: none"> IDE not considered beyond statutory compliance. 	<ul style="list-style-type: none"> No tracking or reporting on IDE.
In progress 	<ul style="list-style-type: none"> Policies, such as family leave or accessibility, that exceed statutory requirements. IDE tracking. An employee dedicated, at least partially, to IDE. Employee resource groups or other examples of engagement. 	<ul style="list-style-type: none"> Well-articulated definition of what diversity means to the company. Evidence of integration into recruiting and talent management (e.g. hiring, mentoring). Programs and events to reinforce IDE commitment. 	<ul style="list-style-type: none"> IDE considered at a high level, or case-by-case only. 	<ul style="list-style-type: none"> Starting to track IDE corporately and on their investments.

* This presumes compliance with statutory requirements, which may vary by jurisdiction and should be included in diligence.

Classification	Organizational policy and infrastructure*	Diverse teams and inclusive culture	Due diligence and investment decision-making	Reporting and benchmarking
<p>Leading/best in class</p> 	<ul style="list-style-type: none"> Progressive IDE policies that provide employee flexibility and benefits with choices to fit individual needs. Evidence, including data, that supports employees' understanding and use of policies (e.g. taking family leave). Extensive training and programs with high participation rates. Dedicated employee leadership and/or evidence of commitment of time and resources. 	<ul style="list-style-type: none"> Diverse team. Regular discussions or training (e.g. unconscious bias training). Formal mentorship program. Programs in place to build diverse talent pipelines. 	<ul style="list-style-type: none"> IDE fully integrated systematically and across all investments. 	<ul style="list-style-type: none"> Tracking and reporting IDE corporately and on their investments.

* This presumes compliance with statutory requirements, which may vary by jurisdiction and should be included in diligence.

Introduction

SII consulted numerous resources and compiled a list of the top diversity-related questions to prioritize in discussions with our investment partners during due diligence and asset management.

Things to keep in mind when using the discussion guide:

- IDE can be hard to discuss and it can take a long time to see the results of any IDE strategy. We encourage teams to take a collaborative and thoughtful approach with our partners. To inspire honest and open conversations, be candid about OPTrust's IDE approach, which is also evolving.
- Questions can differ based on an organization's size, style and strategy, as well as during due diligence versus ongoing asset management. Once you have initial conversations on IDE during due diligence, asset management conversations can be adjusted to determine progress made against goals or commitments.
- Some of these questions are geared towards the partner's own organization, but questions can be adjusted to inquire about the investments/portfolio companies. We suggest doing this for a partner with a more advanced or robust IDE approach.
- Teams will want to update this guide, depending on the situation, before meeting with a partner.

This toolkit includes a chart with a set of potential questions, as well as examples of responses you might expect. Teams can, of course, add to the list as they further develop questions for their own purposes. Also provided is other opportunities that may arise which teams should use to engage on IDE.



Category	Questions	Sample response <i>(please see page 6 for additional ideas)</i>
Organization policy and structure	<ul style="list-style-type: none"> • What IDE policies do you have in place? Are these policies required by law? What policies or entitlements have you introduced that go beyond statutory requirements? • What type of IDE training do you offer? • Has your firm’s leadership made any statements around IDE? How is this integrated into strategy? • Do you have employee resource groups (ERGs) or other initiatives to foster inclusive culture? How is this resourced (e.g. dedicated staffing, budgets)? • Do you offer employee benefits? How are these utilized? • Do you offer paid family and/or sick leave? • Do you have flexible/hybrid/remote work policies? How are those utilized? • What procedures do you have in place for the reporting and investigation of claims of harassment or discrimination? 	<ul style="list-style-type: none"> • Progressive IDE policy/policies in place. • Training on IDE policies and topics. • Active, established and well-supported ERGs or other resources dedicated to IDE. • Employee benefits, leaves and other entitlements exceed statutory minimums. • Employees have flexible/hybrid and/or remote options.
Diverse teams and inclusive cultures	<ul style="list-style-type: none"> • What efforts are underway to improve IDE, particularly among investment professionals? • Have there been any claims of harassment, misconduct or discrimination in the past five years? If so, how many? Are there any that remain unresolved? • Does your firm belong to any external organizations that support IDE training or programming? What efforts/contributions has the firm made towards improving IDE in its broader industry? 	<ul style="list-style-type: none"> • Diversity and equity practices in recruiting, e.g. indicators of talent pipelines that reflect labour market availability, use of inclusive job ads, objective selection criteria, diverse hiring panels. • Unconscious bias training available. • Formal mentorship programs in place. • Involvement in external IDE organizations. • Other IDE programs in place.

Category	Questions	Sample response <i>(please see page 6 for additional ideas)</i>
Due diligence and investment decision-making	<ul style="list-style-type: none"> • Are diversity measures included in due diligence processes? If so, how? If not, what are the barriers to inclusion? • During due diligence, do you ensure that portfolio companies have a commitment to IDE? Are there examples of how you have engaged with your portfolio companies to establish policies or management systems on IDE? • Can you share an example where attention to diversity improved your investment outcomes? 	<ul style="list-style-type: none"> • IDE fully integrated into due diligence and investment decision-making process. • IDE questions included during due diligence.
Reporting and benchmarking	<ul style="list-style-type: none"> • How do you measure success as it relates to IDE? • Do you collect data on the diversity of your organization, its management team and on the boards of companies you invest in? If not, why not? Do you intend to do so in the future? • Do you track employee turnover or promotions by gender or other demographic factors? If so, what is it, how has it changed over time and how do you interpret those changes? If not, why not? Do you intend to do so in the future? • Do you conduct gender pay gap analysis and report on the results? If so, what is it, how has it changed over time and how do you interpret those changes? If not, why not? Do you intend to in the future? 	<ul style="list-style-type: none"> • Tracking and reporting IDE corporately and on their investments. • Indicators that data collection and reporting results are tied to performance.

Additional opportunities to engage on IDE

While due diligence and regular monitoring calls provide appropriate opportunities to discuss IDE, there are also other situations teams can and should use to inquire about IDE more organically. A few examples are compiled here. We encourage teams to look for similar opportunities to thoroughly integrate IDE considerations into conversations with our partners on a regular basis.

Recruitment

If new hires are planned, you can ask:

- What methods are being used to find the right candidate (e.g. networks, recruitment agency, alignment with the organization's definition of diversity)? Are there any efforts to increase the diversity of potential candidates?
- What talent pipelines and resources do you use to source talent? Are there connections in our network that can broaden the talent pipeline?
- What are the compensation and carry allocation expectations for the new candidate? Does this fit squarely with their expertise and the compensation/carry of the other team members?
- What does the hiring process look like for potential candidates? Are any efforts underway to reduce biases?

Departures

You should pay special attention to any employee departures and ask appropriate questions to ensure the departure was not a result of poor IDE management. Questions might include:

- What were the main reasons for the departure?
- Was the employee paid in line with their peers?
- Did the employee believe they were overlooked for promotions? If so, why?
- Did the employee receive the support they needed to balance personal commitments (e.g. what are the family leave or flexible work policies)?



This guide can be adapted to fit the situation. We suggest using it in a collaborative way when discussing any challenges our partners are facing in advancing IDE, thereby gaining insight into our partners' IDE priority areas in the coming years.

Expanding a talent pipeline of prospective employees is critical to increasing diversity and representation in the workplace. Organizations can take many steps to diversify their talent pipelines and ensure bias is removed from the hiring process. It's also important that, once talent has been hired, inclusive and equitable promotion and retention practices are implemented to reduce barriers and improve representation at the senior levels.

Measuring diversity of both the organization and its talent pipeline (from the applicant pool to final candidates) is an important first step. It's key to identifying where the problem exists and developing an appropriate IDE strategy to address it. See the [Appendix](#) for the Institutional Limited Partners Association (ILPA) diversity metrics template, which can be used to measure diversity data within an organization.⁴

This checklist provides the steps and initiatives organizations can undertake to improve diversity based on problem type. Resources mentioned throughout are included in the [Appendix](#).

a. Increasing diversity in the applicant pool

- Recruit from an increasingly diverse set of post-secondary institutions.
- When working with recruiters (both internal and external), include clear expectations for sourcing candidate pools that are representative of diverse communities, perspectives and experiences.
- Adapt job descriptions to target transferable skills (i.e. recruit based on educational training and work experience, including recognition of transferable skills).
- Edit job descriptions to ensure use of gender-neutral language to increase the number of potential applicants and candidates (see [Appendix](#) for additional resource on gender-neutral language).
- Participate in diversity job fairs.



⁴ Subject to jurisdiction-specific restrictions or obligations around the collection of diversity data.

b. Reducing bias during the hiring process

- Build a diverse hiring committee (by position, age, gender identities, race, etc.).
- Provide interviewers with training (see [Appendix](#) for a free online video course on implicit bias offered by Ohio State University's Kirwan Institute for the Study of Race and Ethnicity).⁵
- Anonymize resumes and case studies (see [Appendix](#) for a Career Place online platform for anonymous candidate screening).
- Ask all candidates the same questions in the same order, assign weighted scores to the questions and compare candidates' scores.
- Include someone from a different team or department in your hiring and promotion conversations to ensure evaluations remain focused on the role criteria.
- Eliminate talk about "culture fit." Talk instead about "culture add" or "community."

c. Promoting and retaining talent

- Provide clear metrics for promotion at each level.
- Collect data to assess representation within promotions. Share the data with senior leaders and review it internally to ensure promotion practices are equitable and inclusive. This can help identify problems and how to address them (e.g. Are members of some groups not being considered for promotion? Are members of some groups quitting because they have been waiting too long to be promoted?).
- Provide training and development for promising leaders early in their careers.
- Consider formal mentorship and sponsorship programs to support employees.
- Consider exclusionary aspects of culture and how to eliminate them, especially within those who manage people (e.g. credible processes to report concerns, evidence that work events are scheduled and planned to be respectful of family, religious or other considerations).
- Ensure employees' starting salaries are based on their experience level and skill, not on prior salaries or "potential." Conduct pay-gap analyses on a recurring basis and address or rectify any findings.
- Provide competitive family leave policies and offer flexible work arrangements to support parents and other caregivers throughout their careers.
- Conduct exit interviews and encourage honest and candid feedback to enable continual improvement.

⁵ Interviewers should be aware of jurisdiction-specific requirements for recruitment.

This tool provides a high-level approach for teams to use if IDE-related issues, complaints or claims arise in their portfolios. If a situation occurs where potential or real investment and reputational risks are involved, it's important to document and discuss them.

Each situation will be unique and teams may adapt the following steps for their own circumstances and team structure. This process is formulated to help teams navigate incidents and put a rudimentary plan in place.

- a. Impacted deal team to draft a brief note outlining issue and mitigation steps for discussion at the relevant team meeting, to be approved by the team leader.⁶
- b. Leader to escalate to the Chief Investment Officer (or relevant executive) if investment or reputational risk is considered likely and/or material (leader to use discretion, but if there is potential media attention or litigation risk then it should be considered material). A company's reputational risk processes and policies will be followed as required.
- c. Ongoing mitigation and monitoring should continue, with updates to leadership and other identified stakeholders as required.

⁶ Before documenting, deal teams should seek advice on whether information is privileged from a legal perspective.



[ILPA diversity metrics template](#): A template developed to enable standardized and consistent reporting across firms and portfolio companies with regards to IDE metrics.

[Gender-neutral language for job ads](#): An online tool provided by Ontario's Pay Equity Office, which promotes gender economic equality by administering Ontario's *Pay Equity Act* and provides tips on how to write a gender-neutral job ad.

[Kirwan Institute for the Study of Race & Ethnicity implicit bias training](#): A free online video course offered by Ohio State University's Kirwan Institute for the Study of Race & Ethnicity on implicit bias, which introduces implicit association, helps uncover biases and provides strategies for addressing them.

[Career Place's anonymous candidate screening platform](#): An anonymous candidate screening technology that combines basic requirements, assessments and scenario questions to ensure candidates are objectively qualified prior to manual resume reviews and/or screening calls.

[What Works toolkit](#): An online suite of tools, policies and resources for organizations across Canada to use to meet their IDE goals. The toolkit builds on existing best practices and evidence, and includes resources to support the recruitment and mentorship of board members and senior managers from equity-deserving groups, as well as approaches to support Canadian organizations in the development of anti-racism, anti-harassment and inclusive workplace strategies.



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