



# ILPA Presentation on DEI

CalSTRS Board Meeting

November 2023

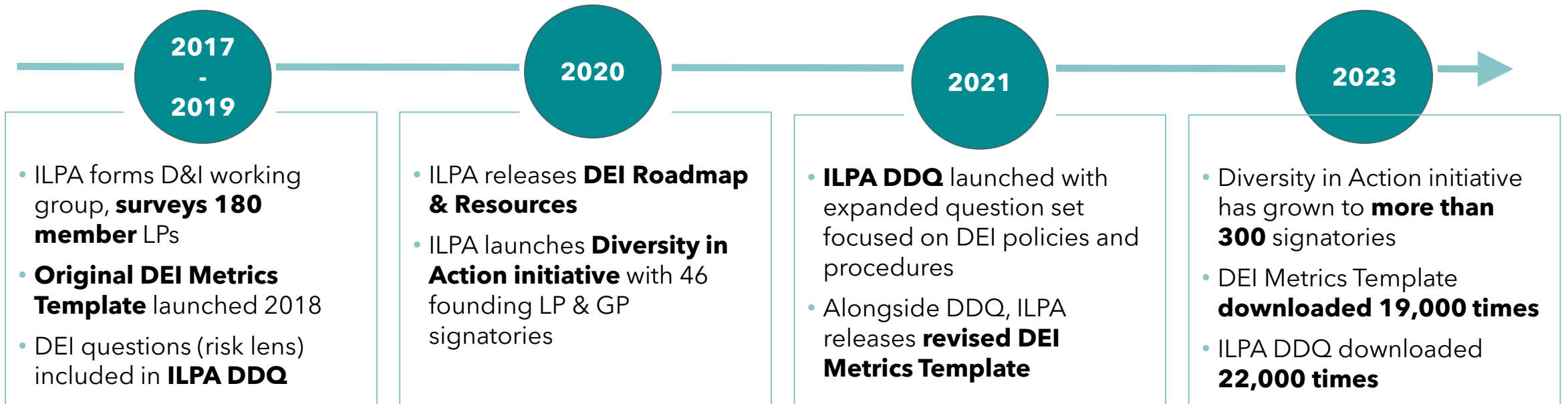


# ILPA's DEI Journey



## Evolving Context

- #MeToo reckoning sparks focus on gender, sexual harassment
- Growing requests for ILPA engagement
- Rising awareness among Members
- Racial/social justice to fore, #BlackLivesMatter
- Growing Member interest in D&I
- Embedding D&I in existing ILPA standards and templates
- Growing LP interest in diverse managers
- Proliferation of initiatives, calls to "do more"
- Danger of DEI "greenwashing"



# ILPA Diversity Metrics Template



## Metrics Captured

Gender, including non-binary

Race / ethnicity

Diversity beyond gender/race & ethnicity: LGBTQ+, veterans, persons with disabilities

X

Firm ownership by economic interest

Investment Committee Composition

Staff (Investment Professionals, Operations) + Hires, Promotions, Departures

Portfolio company boards and senior management (C suite, C suite minus one)

[ Firm / Management Company - Fund ]

[ Portfolio Companies ]

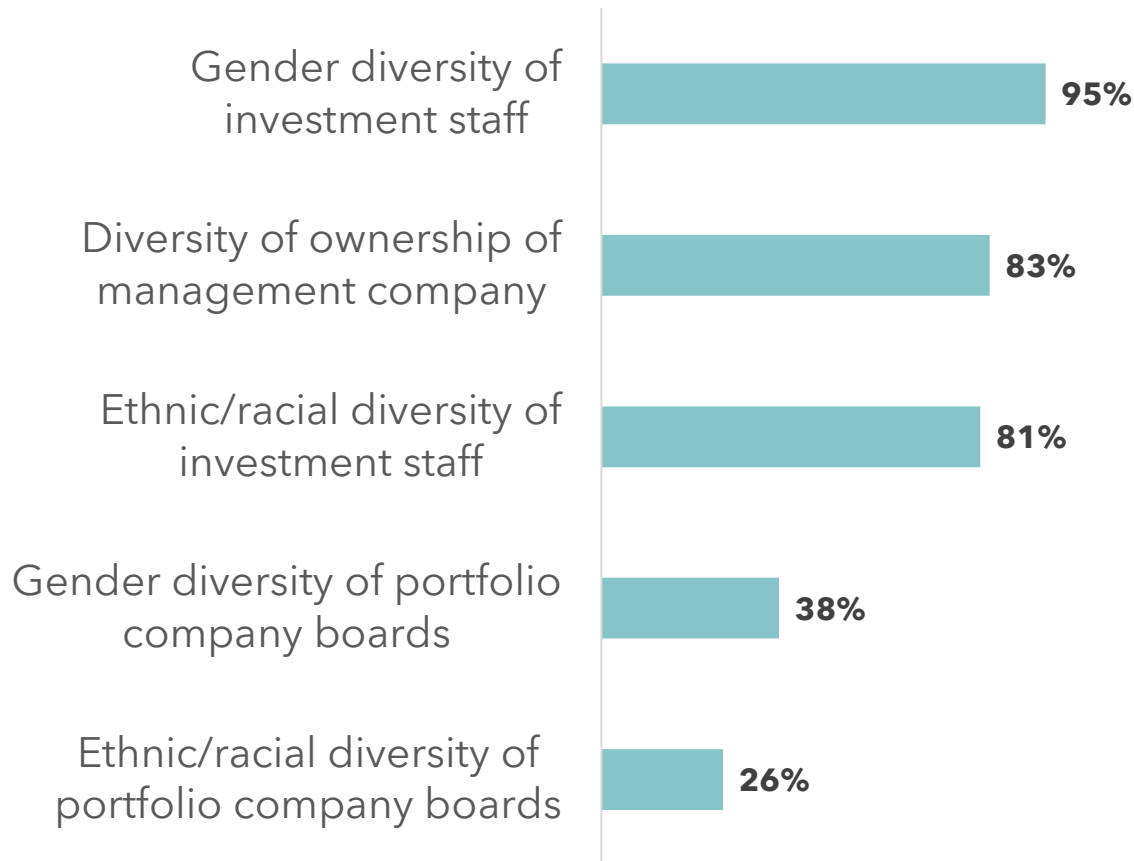


# LP Data Collection on DEI in Private Markets



Gender and race/ethnicity still at the fore

## What DEI Data Do Allocators Collect from Managers?



## How Do LPs Use DEI Data?

**37%** Expect to revisit data over the life of the fund to assess progress

**34%** Data collected in the context of an overall ESG assessment

**22%** Expect to consider DEI progress in decision to re-invest in future

**28%** Have declined to invest or reinvest due in part to lack of DEI at the senior level

# Deepening LP Inquiry on DEI



Questions incorporated in ILPA's DDQ, revised in 2021



- DEI policy – harassment, recruitment, retention
- Code of Conduct/Code of Ethics
- Equitable Pay
- Family Leave
- Reporting and investigation of harassment claims
- Supplier diversity programs

- Employee engagement surveys
- Specific processes and targets to increase recruitment of diverse staff
- Addressing bias in hiring process and recruiting beyond traditional sources
- Formal programs and partnerships to enhance recruiting
- Formal retention and advancement programs such as mentorship, sponsorship, ERGs

- Board-level diversity and GPs' efforts to enhance inc. formal commitments
- Consideration of DEI in sourcing, screening deals

- Governance structure related to DEI goal setting and oversight
- Performance appraisal process that incorporates contributions to DEI (accountability)
- Claims related to harassment, misconduct, discrimination and process to investigate/resolve
- Healthcare and other employee benefits that promote inclusion
- Training on bias, inclusion

# Evaluating the Quality of DEI Integration



## ILPA's ESG Assessment Framework (2021)

NOT PRESENT	DEVELOPING	INTERMEDIATE	ADVANCED
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### "Maturity" assessment of a GP's DEI Integration:

- Policies and Governance
- Diversity Metrics (GP)
- Diversity Metrics (Portfolio Companies)
- Recruiting
- Employee Engagement

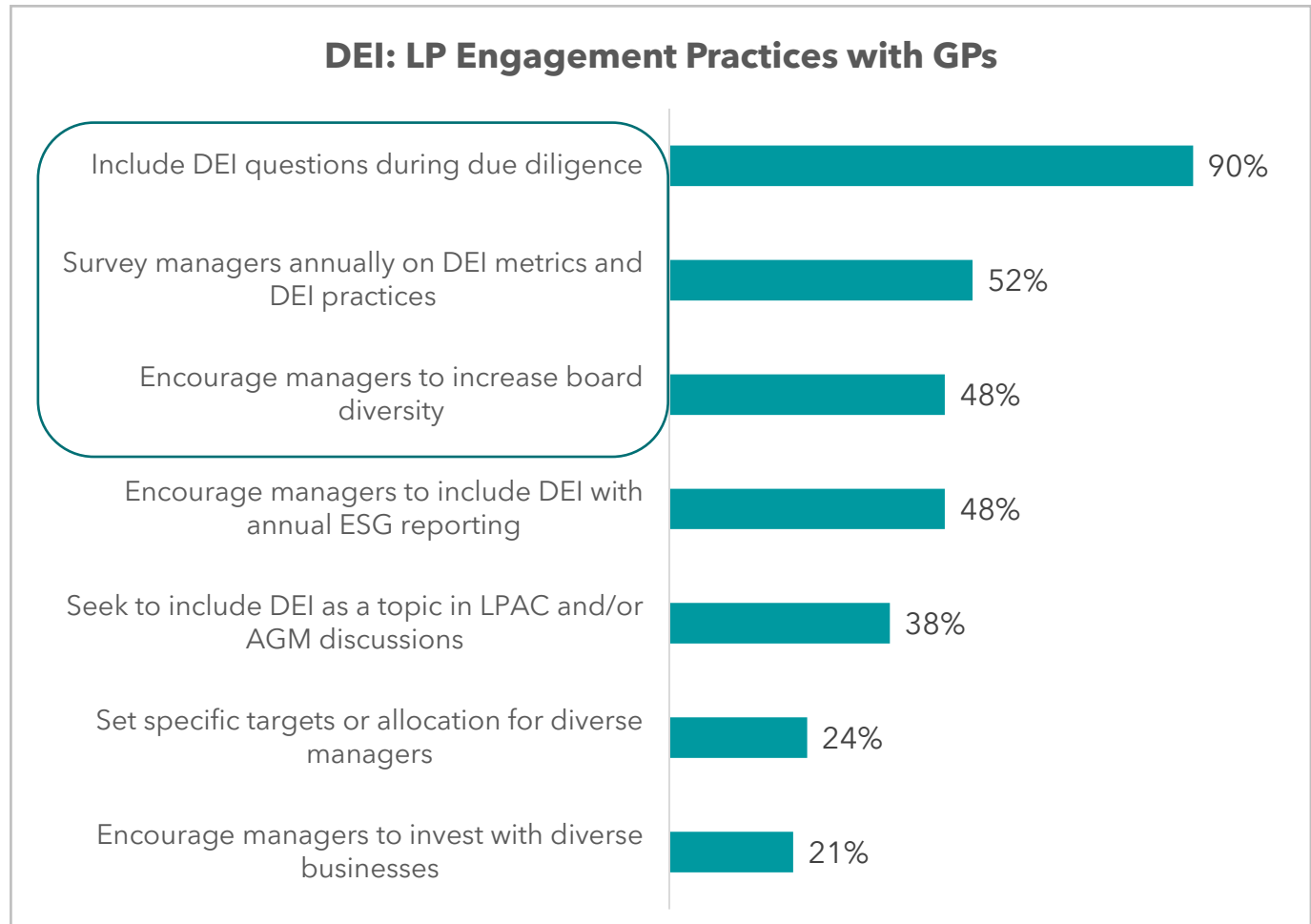
COMPONENT	NOT PRESENT	DEVELOPING	INTERMEDIATE	ADVANCED
<b>Policies and Governance</b>	GP does not have a stated DEI Policy, Code of Conduct and Family Leave Policy  GP does not have a governance process in place addressing ownership of DEI considerations	GP has written policies that include a stated DEI Policy, Code of Conduct (addressing sexual harassment and discrimination) and a Family Leave Policy (in jurisdictions where leave is not mandated)  Processes addressing DEI priorities have clear ownership, commonly with human resources (and HR alone, or a DEI/ESG specialist); policy compliance can be illustrated with evidence and examples	Building upon "Developing," GP is able to discuss and provide context re: policy updates and improvements made over the past three years, and can detail any claims of sexual or general harassment, misconduct or discrimination made against current and/or former employees  Clear ownership of DEI processes and priorities at the senior executive level; organization leads regular, ongoing conversations about DEI priorities and objectives and management is able to articulate meaningful DEI goals and targets and the steps being taken to address them	Building upon "Intermediate," GP is able to demonstrate recent progress towards stated DEI goals and targets and discuss potential evolution of policies; staff at all levels demonstrate an awareness and understanding of the DEI processes and priorities in place
<b>Diversity Metrics at GP Level</b>	GP does not track or provide diversity metrics at the management company level	GP can provide diversity metrics (upon request and where legally permissible) at the management company level consistent with the ILPA Diversity Metrics Template on an annual basis  <i>*Note, An Updated ILPA Diversity Metrics Template will be released with the next version of the ILPA DDO in Q4 2021</i>	Building upon "Developing," GP proactively reports to all LPs diversity metrics (where legally permissible) consistent with the ILPA Diversity Metrics Template and also reports diversity metrics on hiring, promotions and employee turnover	Building upon "Intermediate," GP provides the aforementioned diversity metrics and has begun providing commentary and qualitative analysis focused on pay equity and carry distribution
<b>Diversity Metrics at Portfolio Company Level</b>	GP does not track or provide diversity metrics at the portfolio company level	GP reports diversity metrics (where legally permissible) for portfolio company boards consistent with the ILPA Diversity Metrics Template on an annual basis	Building upon "Developing," reporting also includes portfolio company c-suite/ executive management team metrics  GP leadership actively discusses DEI priorities and future planning with portfolio company leadership and boards	Building upon "Intermediate," reporting on diversity metrics also includes qualitative management commentary; GP sets diversity targets at the portfolio company board level  DEI conversations with portfolio company leadership and boards is results oriented, with indicators of progress evident in the data that is shared
<b>Recruiting</b>	Recruiting policy/process does not reference or address DEI considerations	Recruiting policy/process references DEI considerations but lacks goals or policies which directly address those goals	Recruiting policy/process includes goals that foster a more inclusive recruitment process (e.g., actively casting a net beyond traditional recruiting pipelines, working with minority candidate followships/ recruiting organizations)  Recruiters, hiring managers and staff participating in the hiring process have undergone training discussing systemic racism and unconscious bias	Building upon "Intermediate," GP recruitment policy/process includes goals and steps taken to address systemic racism, unconscious bias and advancement of diverse staff and underrepresented groups  Staff in recruitment roles may see incentive compensation tied to achievement of these goals
<b>Employee Engagement</b>	No formal employee engagement programs (e.g., mentorship/ sponsorship programs, employee resource networks) in place to improve and encourage retention	GP has employee engagement and retention programs (e.g., mentorship/sponsorship programs, employee resource networks) in place but lacks measurable goals and/or objectives	Building upon "Developing," formal employee engagement programs are in place with specific targets to help increase retention and promotion of diverse staff and under represented groups	Building upon "Intermediate," GP also regularly conducts employee engagement/feedback surveys (ideally, administered anonymously via third party) to assess culture firmwide, with attention to inclusion  GPs should be able to share high level findings of these surveys and discuss forward looking engagement objectives



# Focus of LP Engagement

The most engaged LPs are setting a baseline and tracking progress

- The majority of LPs focus on diligence (90%) and/or annual DEI metrics surveys (52%)
- More than half of allocators define “diverse” via a qualitative assessment of ownership and investment leadership; in assessing for diversity beyond gender, 46% assess based on where the manager operates



# Reported Diversity Metrics

Sample statistics used by different groups illustrates breadth of data captured

## LPs

### Internal:

- % of investments team by gender and race/ethnicity

### Portfolio:

- % of assets under management managed by women or diverse populations
- % of GPs owned *or led by* women or diverse populations (incl. % of all GPs) - e.g., substantially vs. majority diverse

## GPs

- % of Employees are female or diverse / BIPOC
- % of partners are female or diverse / BIPOC
- % of senior investment team is female or diverse / BIPOC
- % of employees by racial/ethnic identity
- Representation of diverse ownership of firm

## Portfolio Companies

- % of independent Board members are female, or “diverse”
- % of PCs with at least [1] female or “diverse” board member
- % of PCs with female C-suite representation
- Females as % of Total Portfolio Executive Leadership
- Diverse individuals as % of Total Portfolio Executive Leadership

According to Lenox Park, a consultant focused on DEI metrics aggregation across all asset classes, 77% of firms queried were submitting complete DEI information, up from 43% in 2019.

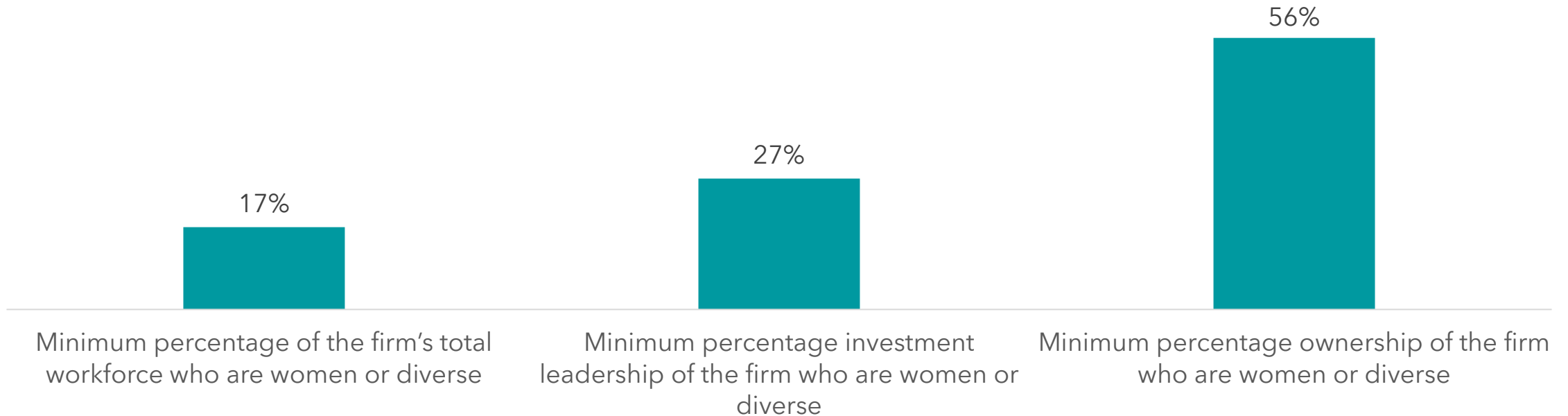


# Evolving Definitions of “Diverse” Managers



Shifting away from strict ownership thresholds to examine leadership and workforce

Which of the following best aligns with how your organization defines a “diverse” manager?



Minimum percentages are evolving beyond simple **majority** (51%) to 50% or “**substantially**” **diverse** (e.g., 30%)

# Thank you!

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