



Developing a Diversity, Equity & Inclusion Policy

A practical guide to how to develop a corporate
Diversity, Equity and Inclusion policy

July 2022

Introduction

There is increasing interest from investors about how firms approach Diversity, Equity and Inclusion (“DEI”) and many firms have established a formal DEI policy to highlight the work that is being undertaken within the firm to promote DEI. Those firms who have committed to improving DEI are quick to note that developing a formal written policy is not the goal in and of itself. A policy should instead be a reflection of a firm’s ongoing commitment to DEI. The real challenge is to create and sustain a programme of work to advance DEI goals – working with other organisations where necessary to deliver on these.

Supporting DEI at a firm level can lead to many benefits for an organisation, as evidence suggests that more diverse teams make better decisions. It can also help to create a better work environment where colleagues feel respected and valued.

AIMA has previously published *The Alternatives*¹ - a comprehensive inventory of steps that firms could consider in order to improve their approach to DEI. This paper builds on *The Alternatives* and draws out some of the key aspects of formulating a policy. It is accompanied on the AIMA website by examples from other organisations about the work they are doing. We hope this will provide inspiration and opportunities for AIMA members to get involved. Ultimately, the important point to take away is that a DEI policy should not be a piece of paper, it should be a reflection of a sustained effort; and with effort, positive change is possible, for individual firms and for industry as a whole.

What is Diversity, Equity and Inclusion?

Diversity is about all the ways in which people differ. This could be gender, ethnicity, age, socio-economic background etc. Equity is about creating access, opportunity, and advancement for all people. Inclusion is defined as the practice of equal recognition, respect and merit-based evaluation.

1 <https://www.aima.org/sound-practices/guides-to-sound-practices/the-alternatives.html>

How to Develop a Diversity, Equity and Inclusion Policy

DEI should be considered as part of a firm's overall HR and ESG strategy. DEI policies are generally most effective when they have been formulated through active conversations with a firm's entire staff.

Why DEI matters

DEI matters for a number of reasons, as outlined in AIMA's *The Alternatives* guide. These include a moral argument for building an industry based on equal opportunity; a strong business case as greater DEI can allow firms to attract resource from a greater pool of talent and can improve decision-making processes; and expectations from investors, regulators, and other stakeholders, for managers to show a commitment to DEI.

As previously noted, formulating a DEI policy is not the end of a process. It should be a living, breathing, evolving document, which is reviewed at least annually to ensure it remains relevant. A successful policy will establish what success looks like for a specific firm and will be clear on what is being used to measure success. For example, smaller firms may have very different DEI goals on representation compared to larger firms who have more staff (*see Targets and Measuring DEI section*). Additionally, firms with a global presence may have nuanced policies in different geographical regions to reflect the different contexts within a country.

How are Diversity, Equity and Inclusion policies structured?

Firms may choose to formulate a DEI policy on their own or with the support of consultants. They can be structured in a number of different ways and firms can adapt their policy to suit their needs. However, in general, policies tend to cover four sections:

- Defining DEI for your firm;
- Outlining why your firm supports DEI;
- Approach to DEI; and
- Targets and measuring DEI.

These are discussed below.

Defining DEI for your firm

The first stage of developing a DEI policy is to define what DEI means to your firm. Internal conversations should allow a firm to formulate a definition of DEI that fits its culture. Firms may prefer to keep the definition general and emphasise the importance of 'diversity of thought', while others may choose to highlight their desire to increase representation of specific groups. Some firms may also wish to emphasise the importance of maintaining a culture of respect in the workplace as a foundation to create an organisation in which people from diverse backgrounds are able to work together effectively. These definitions do not necessarily have to be a technical description of DEI (*see examples below*).

What DEI means to our organisation

- We are committed to attracting, retaining and advancing talent from a broad universe.
- We have a commitment to advancing diversity, equity and inclusion within our firm.
- We are committed to establishing a culture in which every member of staff believes they belong, can add value and feel respected.
- We aim to build an inclusive environment where everyone is welcome.

Outlining why your firm supports DEI

Once DEI has been defined, firms may wish to outline why it is important to its organisation and the need for diversity of thought. As previously noted, DEI can benefit a firm in many ways, including better decision-making and attracting a greater range of talent. This section allows firms to express why they believe DEI is important to their organisation (*see examples below*).

Why we support DEI

- DEI is important to our organisation because we have a moral obligation to ensure equality of opportunity.
- DEI is important to our organisation as it helps us get the most out of our people.
- DEI allows us to attract the best people to our organisation across a broad spectrum and helps us to deliver a better service to our clients.
- The objective of our firm is to manage investors' money. Investors, as key stakeholders, increasingly have expectations that we will maintain an appropriate culture, delivering on DEI as well as returns.

Approach to DEI

This will tend to be the longest section within a policy and there are several different ways which a firm could describe its approach and commitment to DEI within the organisation. One way is through the development of DEI principles. Firms may wish to set an objective or detail the outcome they are aiming to achieve through their principles. Examples of principles could be:

- Zero tolerance for discrimination;
- Supporting equal opportunities;
- Fostering inclusive leadership;
- Having an open and honest workplace environment; and
- Creating a culture of respect.

A firm may wish to go into more detail and explain how these principles are being implemented in practice. For example, supporting equal opportunities could be implemented through reforming the hiring process to ensure a wider pool of candidates. It is to be noted that staff and external stakeholders are very likely to want to know how DEI is implemented, for example, through due diligence requests. Firms should consider what level of detail is appropriate for investors and for their staff needs.

Another way a firm can illustrate its approach is to outline a DEI strategy. For example, by explaining how the firm is building, developing, and retaining talent or by expressing a commitment to openness and encouraging staff to speak up (*see example below*).

DEI Strategy

- Recruitment - We aim to be an inclusive employer by extending our recruitment process to reach candidates of all backgrounds, identities, and skill sets.
- Retention - We encourage our staff to participate in internal/external initiatives. We foster an environment of openness and awareness of DEI issues.
- Engagement - Within our organisation we promote diversity, equity and inclusion through the implementation of internal/external initiatives.

The Alternatives guide has further detail on ways in which firms can approach recruitment, retention, and promotion to support DEI.

Actions to improve diversity and inclusion do not necessarily start at recruitment. Firms may also wish to put in efforts to 'pave the way' and improve the diversity of joiners into the industry. This could be done by supporting campaigns that seek to address factors that lead to a lack of diversity in the alternative investment industry, and in the finance industry more generally. For example, firms and their staff could support the work of charities that work with children from under-privileged backgrounds or that encourage girls to participate in STEM subjects.

When explaining a firm's approach to DEI, a firm could also state who within the organisation is accountable for adherence to the DEI policy and for holding the organisation to account.

How are DEI policies presented?

Policies can be presented through written statements on a firm's internal systems, as well as their website to inform external stakeholders and other parties. Policies can be supported by videos that highlight different initiatives that a firm may be involved in.

Within the *Approach to DEI* section, firms may also wish to highlight any internal or external DEI initiatives they are involved with, for example, mentoring programmes. Being involved in external initiatives can be an effective way of supporting wider industry drives to promote DEI. This paper is accompanied on the AIMA website by examples of organisations with a focus on different aspects of DEI. Firms may also wish to set up internal initiatives (*see below*).

Forming Employee Resource Groups ("ERGs")

Internally, firms may wish to set up Employee Resource Groups ("ERGs") to help promote diversity and inclusion within the workplace. ERGs are voluntary, employee-led groups, which are supported by an organisation. Other names for ERGs include affinity groups or network groups. They are normally organised on the basis of common identities, interests or backgrounds, with an aim to support an inclusive workplace.

As a first step to setting up an ERG, firms should consider the make-up of employees and the size of the organisation. For smaller organisations, it may be sensible to set up a single group, or an Inclusion Council, to oversee DEI across the organisation more broadly, rather than focus on specific groups or communities. It is important that firms gauge interest in having an ERG with employees before one is set up. As ERGs are employee-led, interest and commitment from employees is needed in order for them to be successful and meaningful.

When setting up an ERG, it is also important to define the purpose (i.e. mission statement), parameters (i.e. what decisions the group can take) and make-up of the group (i.e. who can be a member). From the start, it should be clear what the expectations are for members, in terms of the amount of time and commitment, and what support is available, in the form of budgets. It is also key that the relationship of the group to the firm is outlined, for example, whether activities need to be signed off by senior leadership or HR.

ERGs can undertake a number of activities. These include supporting local causes, holding events and networking activities, and putting on talks with external speakers.

Targets and Measuring DEI

Firms may also wish to use their DEI policies to explain how they measure DEI (a product of how they define it), and whether they have any explicit DEI goals or targets.

In order to do this, firms will need to collect data on the current DEI status of the firm. A firm may, local regulations permitting, wish to start by surveying its staff to understand how diverse that staff is. Such data can also be used to determine whether the firm suffers from pay gaps, and to analyse the demographic breakdown of staff retention. Some investors are beginning to ask hedge fund firms for such data, so firms may wish to collect it proactively. Note that staff should not be compelled to provide demographic data; a firm should explain that it is only being collected to aid in the formulation of the firm's DEI initiatives.

As well as demographic data, firms could also survey staff to understand their views on a number of DEI metrics, for example, on how open they find the work environment, and whether they feel listened to.

Sources of DEI Data

- Amount of investment in DEI research/initiatives.
- Any internal report on diversity i.e. gender pay gap statistics.
- Staff survey results on DEI issues e.g. percentage who support the statement - I have been treated fairly by my colleagues; I feel I am part of a team.

If appropriate, firms may wish to set targets or flexible goals for their DEI policy. If a firm does set targets, these should be measurable and achievable. The DEI policy can outline how these are measured and present progress that has been made (*see examples below*). Once a firm has decided on appropriate goals or targets, it may wish to consider whether to make them public and openly comment on its progress towards achieving them.

Examples of Targets or Flexible Goals

- Have processes in place to ensure vacancies are being seen by a diverse range of candidates (measured by number of places advertising vacancies).
- Our staff feel heard, welcomed and valued (measured through staff survey).
- Our staff are knowledgeable about issues surrounding DEI and understand how to be allies for their peers (measured through number of training sessions).

Conclusion

AIMA is actively working to ensure that our members have the resources they need to improve their approaches to DEI and we are pleased to work with other industry bodies to ensure that we promote the best insight and expertise. If you participate in any initiatives that you feel others in industry would benefit from, please let us know so that we can spread the word.

And a final reminder that many of these ideas are explored in *The Alternatives*², the first ever dedicated guide to DEI in the hedge fund industry.

Acknowledgements

We would like to thank the members of the AIMA Diversity, Equity, and Inclusion Steering Group for their input and support.

Adam Jacobs-Dean
Managing Director, Global Head of Markets,
Governance and Innovation, AIMA
ajacobs-dean@aima.org

Kate Boulden
Associate Director, Markets, Governance
and Innovation, AIMA
kboulden@aima.org

² <https://www.aima.org/sound-practices/guides-to-sound-practices/the-alternatives.html>



About AIMA

The Alternative Investment Management Association (AIMA) is the global representative of the alternative investment industry. Our fund manager members collectively manage more than US\$2.5 trillion in hedge fund and private credit assets. AIMA works to grow the alternative investment industry to benefit the world's economy, savers and investors. To achieve this, we strengthen the links between fund managers, investors, regulators and industry service providers.

Our 32-year heritage means we understand our members' priorities, who access our resources to grow their businesses, create lasting connections using our events and benefit from the effect our advocacy work has on the environment in which they must operate. Since our formation the industry has grown by 60 times.

AIMA's capacity to deliver local support across the globe has made us connected, knowledgeable and influential, and means our 2,100 members are now based in over 60 countries.

AIMA set up the Alternative Credit Council (ACC) to help firms focused in the private credit and direct lending space. The ACC currently represents over 250 members that manage US\$600 billion of private credit assets globally.

We are committed to developing skills and education standards and are a co-founder of the Chartered Alternative Investment Analyst designation (CAIA) – the first and only specialised educational standard for alternative investment specialists.

For further information, please visit AIMA's website, www.aima.org.

