



INSTITUTIONAL
LIMITED PARTNERS
ASSOCIATION

APRIL 2021



Diversity in Action.

SHARING OUR PROGRESS

Diversity in Action

Sharing Our Progress

ABOUT ILPA

ILPA empowers and connects limited partners to maximize their performance on an individual, institutional and collective basis. With 550+ member organizations representing more than 2 trillion USD of private equity assets under management, ILPA is the only global association dedicated exclusively to advancing the interests of LPs and their beneficiaries through best-in-class education, content, advocacy and events.

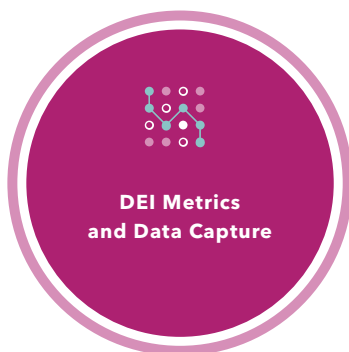
ABOUT DIVERSITY IN ACTION

The *Diversity in Action* Initiative is a means for general partners and limited partners to publicly signal concrete steps that their organizations have taken to advance diversity, equity and inclusion, both within their organizations and in the industry more broadly. The Initiative launched in December 2020 with 46 founding signatories; as of April 2021, 133 organizations have joined the effort.

Diversity in Action - Sharing Our Progress is a report series that illustrates the evolution of the Initiative and details how signatories are integrating diversity, equity and inclusion into their investment activities and organizational practices. Each issue features a thematic analysis of challenges shared by signatory LPs and GPs highlighting patterns of practice, lessons learned and work still to be done. These reports will showcase actionable insights drawn from quarterly roundtables held among *Diversity in Action* signatories and specific commitments they have made to address shared challenges.

IN FOCUS

Each *Diversity in Action - Sharing Our Progress* report focuses on analyzing a particular challenge LPs and GPs face on DEI and makes recommendations on solutions organizations can take. This issue focuses on DEI metrics and data capture.



Defining critical metrics of diversity that demonstrate progress over time, as well as best practices in data collection and reporting



Embedding DEI into investment selection, diligence, monitoring and engagement with a focus on value creation



Fostering inclusive cultures to attract and retain diverse talent and leveraging networks to expand the pipeline at all levels



Setting concrete goals and establishing relevant measures of progress at the organizational and industry level

Diversity in Action Framework

Diversity in Action signatories agree that their diversity, equity and inclusion actions include a combination of four foundational and at least two optional activities (of nine). Framework activities underscore key components including: talent management, investment strategies and industry engagement.

KEY COMPONENTS	FOUNDATIONAL REQUIRED ACTIVITIES	OPTIONAL ACTIVITIES
Intention and Accountability	<p>1: Has in place a DEI statement or strategy, communicated publicly, and/or a DEI policy communicated to employees and investment partners, that addresses recruitment and retention*</p>	<p>Has assigned senior-level DEI accountability, aligned with an investment or senior management role</p>
<p>Talent Management and Inclusive Culture</p> <hr/> <p>Investment Management</p>	<p>2: Has in place organizational goals that result in demonstrable practices to make recruitment and retention more inclusive</p> <p>3: Tracks internal hiring and promotion statistics by gender and race/ethnicity**</p> <hr/> <p>4: Requests (LPs) or provides (GPs) DEI demographic data, such as the ILPA Metrics Template, for any new commitments (LPs) or new fundraises (GPs)**</p>	<p>Provides unconscious bias training for employees on an ongoing basis</p> <p>Has in place diverse employee resource groups</p> <p>Incorporates contributions towards advancing DEI into employee performance reviews</p> <hr/> <p>Tracks gender and race/ethnicity statistics within partner organizations (LPs: managers; GPs: portfolio company boards/management teams)**</p> <p>Commits to encourage and promote diversity within boards of directors at portfolio companies</p> <p>Requests (LPs) or provides (GPs) DEI demographic data, such as the ILPA Metrics Template, for all funds, i.e., not solely new commitments/ new fundraises**</p>
Industry Engagement		<p>Supports DEI research in the private markets industry by participating in surveys that capture data on diversity in the workforce</p> <p>On a programmatic basis, supports industry efforts to educate underrepresented groups about careers in private markets</p>

* In addition, participating organizations should address harassment, either within the DEI policy or within a separately articulated policy or statement.

** At a minimum, gender data. Racial/ethnic data to be provided in jurisdictions allowing for the capture and reporting of such information.

IN FOCUS

The Data Challenge

For LPs and GPs, the crux of the data challenge lies in defining diversity in a way that aligns with organizational objectives, devising a means of capturing meaningful data over time in the face of reporting and compliance considerations and putting collected data into broader context. During our first DIA roundtable in February, signatories identified a number of best practices to address each facet of the data challenge.

Defining Diversity

- LPs should consider manager-level metrics that best align with the organization's objectives and intentions (e.g., diversity at the level of decision-making in deploying capital, at the level of firm ownership and/or distribution of economics, total diversity within each or across manager(s))
- GPs should collect data that aligns with the organization's goals for recruitment, retention and advancement and that provides the requisite granularity to satisfy LP requests for information

Data Capture Processes

- Organizations should proactively articulate what data is being used for, e.g., provide context through an accompanying letter that outlines what is essential vs. optional; frame the exercise as forward-looking rather than retrospective
- LPs should consider requesting data in the [ILPA format](#) to simplify the data collection and reporting process for GPs
- Data collection should be adapted for local privacy laws that inhibit directly requesting information – particularly data on race and ethnicity; self-reported information may be most attainable, e.g., through employee engagement surveys
- In collecting data from portfolio companies, DEI metrics should be introduced early in the context of due diligence and post-acquisition goal setting; processes should also be adapted for cases where the GP has a non-controlling interest in the portfolio company
- Because response rates are seldom 100%, self-reported data on identity – race, ethnicity, orientation, disability, gender – may not completely reflect true diversity within a team; at the same time, "desk research" estimations of diversity, although simpler to execute, can lead to flawed conclusions
- Confidentiality is a key concern, particularly in smaller organizations; mitigate self-reporting deterrents through third-party administration of surveys and limiting access to data
- Designations of diversity can be highly localized – consider reframing particular designations as 'under-represented groups' with detail provided as available but beware overstatements of diversity resulting from overly broad definitions

Narrative - Putting Data in Context

- Both qualitative information and data are critical to measuring progress. Data must sit alongside an authentic narrative around what organizations are doing to enhance diversity at all levels as well as engagement with portfolio companies on DEI
- Framing the broader effort is key – organizations must continue to work to shift the mindset around capturing DEI metrics from a procedural exercise to one of value creation
- In engaging portfolio companies, deal teams who know the company best should interface with company management and boards, emphasizing education and resources; DEI goals and metrics should take into account the shorter life cycle of a Private Equity investment

ADDRESSING THE DATA CHALLENGE

Setting and Embracing Standards for DEI Metrics

WHAT ARE ILPA'S MEMBERS DOING?

ILPA's members serve as a vital window into evolving LP practices more widely. As LPs increasingly embed consideration of DEI into their due diligence and investment monitoring practices, ILPA will take the pulse of both our members and DIA signatories to inform how standards and best practices should evolve.

ILPA's members are signaling the growing importance of DEI within their organizations. At an April 7 Town Hall for ILPA members, 100 participating LPs from 72 organizations shared specific things they're currently doing to engage with their GPs on DEI.

56%

of attending LPs have a DEI statement, while another 31% are in the process of developing one

51%

of attending LPs request data on at least gender diversity, and an additional 40% are considering incorporating diversity metrics into their diligence processes

54%

of attending LPs use the ILPA D&I metrics template to request team diversity data from their GPs

ILPA believes a more consistent approach to capturing both quantitative and qualitative DEI metrics will allow for a better assessment of progress across our industry over time. In the near term, our focus will be on enhancements to, and wider adoption of, the ILPA D&I Team Metrics Template as well as questions specific to DEI within the ILPA Due Diligence Questionnaire.

WHAT'S NEXT? REVISING THE ILPA D&I TEAM METRICS TEMPLATE

The [ILPA D&I Team Metrics Template](#) provides a model for reporting diversity metrics across 11 role categories, including gender and suggested race and ethnicity designations for 4 jurisdictions (US, Canada, UK and Australia). DIA signatories have expressed interest in exploring the addition of several metrics not represented today: a non-binary/not disclosed option on gender, LGBTQ, veteran status, disability and age. Signatories are exploring ways to include broader race/ethnicity metrics in jurisdictions where detailed data is more difficult to capture as well as level/role designations that more closely map to the measures of diversity most critical to LPs, such as ownership, investment committees and investment professionals versus total staff. Finally, signatories are taking into account how to capture portfolio company-level diversity metrics, for boards and senior management, in a way that will ultimately align with how diversity is being captured in the public markets today or could be captured in the future.

A working group of DIA signatories will propose revisions to the ILPA D&I Team Metrics Template as well as data collection best practices, to be included as part of a larger exercise to enhance the [ILPA DDO](#), including expanded questions specific to DEI practices. ILPA will seek feedback on the enhanced DDO during a public consultation period in summer 2021.

46%

of signatories monitor diversity of portfolio company boards.

TWO-THIRDS

of signatories use the ILPA D&I Metrics Template or a modified version thereof to report on team diversity at the GP-level.

BEGIN WITH THE END IN MIND

Importance of Intention and Accountability

INTENTION

Articulate DEI's importance to your organization and alignment with corporate values through a **DEI statement**, which may include specific steps, concrete goals, commitments and actions being undertaken

ACCOUNTABILITY

Identify a core group of cross-functional senior leadership to set priorities and drive progress

In defining diversity and how it will be measured, the majority (81%) of DIA signatories have assigned senior-level responsibility – through cross-functional councils, committees or task forces. These groups lay out DEI's importance to their organizations and how that manifests across expanding the talent pipeline and advancement and culture, both for their own teams and within their investment portfolios. These groups set intentions for integrating DEI into engagement with investment partners, i.e., flows of information between LPs and GPs, the diligence and underwriting process, engagement with portfolio company boards and management and ongoing monitoring of underlying investments within the portfolio.

Leadership on DEI is key. These steering bodies often include leaders in HR roles but to ensure that DEI is fully embedded as a strategic priority, it's critical that senior level **investment** leadership has a meaningful role. Among GP signatories, these groups are often cross-functional and include C-suite professionals and/or managing partners, as well as HR, investor relations, deal team professionals, operations and ESG or D&I specialists within the firm. Among LP signatories, involvement of the CIO, governing bodies and front-office investment professionals are features of DEI strategies that look across the entirety of investment management and operations, at the total investment portfolio level.

Nearly **30% of signatories have public statements**, available through their websites or elsewhere, that articulate the importance of DEI to their organizations. The tilt of these statements varies – DEI may be embedded within broader statements of corporate values; expressed as a pillar of an ESG policy (within the "S"); or, indicated as foundational to an organization's recruitment and talent management practices.

ILPA encourages all signatories as well as organizations making an authentic commitment to DEI to consider crafting standalone statements explicitly on DEI. Although DEI naturally aligns with both values statements as well as the "S" in ESG policies, our industry must ensure that these issues receive continued focus.



Insights From DIA Signatories

HOW ARE SIGNATORIES SHARING THEIR OWN DEI INTENTIONS?

The following is an indicative, aggregate sampling of elements included by a range of DIA signatories within their DEI statements, illustrating the various belief statements, actions and goals put forward.

BELIEF STATEMENTS EXAMPLES

- Diversity improves innovation and yields better questions, leading to better investment decisions and outcomes, as well as positive impacts in the communities where organizations operate
- Diversity strengthens organizational culture and makes for a more enjoyable working environment
- Diversity is the right thing to do and is consistent with creating value
- Our ecosystem should reflect the society we aspire to, that represents all people and provides equality and equal opportunity

ACTIONS EXAMPLES

- Improving representation at all levels of the organization, by identifying and addressing bias and other barriers to advancement for underrepresented groups
- Using diversity-focused search firms and including a diversity mandate in externally supported searches
- Fostering a culture that enables every individual to feel valued, promotes diversity of thought and ensures pay equity and equitable access to opportunities
- Engaging portfolio companies to enhance diversity, by including DEI in term sheets and 100-day plans, mentoring diverse leaders and working to source diverse candidates for open board positions
- Engaging diverse-led GPs and early-stage funds that invest in diverse entrepreneurs to expand sourcing networks

GOALS EXAMPLES

- Overall team diversity reflective of the communities in which an organization operates
- Interview slates or shortlists that include a target proportion of diverse candidates
- Incorporate objectives tied to DEI in annual goalsetting and end of year appraisals for all individuals
- For managers, target number/proportion of diverse directors, or diverse candidates for open board positions
- For managers, demonstrated improvement in diversity of board and c-suite in portfolio companies over a multi-year period
- For allocators, target proportion of portfolio assets managed by MWBE-led or -owned managers or towards managers with demonstrated experience investing in diverse-owned or -led portfolio companies

Join Us

If your organization is dedicated to improving DEI and seeks to learn from peers about best practices, take a moment to review the [Diversity in Action FAQ](#) and consider becoming a signatory. To learn more about becoming a signatory, contact diversity@ilpa.org.

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.406 Ventures
35 South Capital
50 South Capital

A

AARP
Actis
Adams Street Partners
Advent International
Aegon Asset Management
Aksia
Albourne
AlpInvest Partners
Altas Partners
American Securities LLC
Apax Partners
Apollo Global Management
Archer Daniels Asset Management
Arctos Partners
Ardian
Ares Management Corporation
Audax Group

B

Backstage Capital
Barings
Baylis Emerging Markets
BC Partners
BDC Capital
Benhamou Global Ventures
Berkshire Partners
BentallGreenOak

Blackstone

BlackView Capital Advisors
Bow River Capital
Bridgepoint

C

Cambridge Associates
Canadian Business Growth Fund
Capital Dynamics
The Carlyle Group
Cartica Management, LLC
Castlelake, L.P.
Centerbridge Partners, L.P.
Charlesbank Capital Partners
Chicago Teachers' Pension Fund
Cinven
Clayton, Dubilier & Rice
Coller Capital
CommonSpirit Health
Connecticut Retirement Plans and Trust Funds
CPP Investments
Crewcial Partners LLC
CVC Capital Partners

D

Disciplina Group LLC

F

Fisher Lynch Capital
ForgePoint Capital

G

GCM Grosvenor
General Atlantic
Georgian
Golub Capital
Graham Allen Partners
Great Hill Partners
GTCR

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The Halifax Group
Hamilton Lane
HarbourVest Partners
Hellman & Friedman
Hg
HPS Investment Partners, LLC

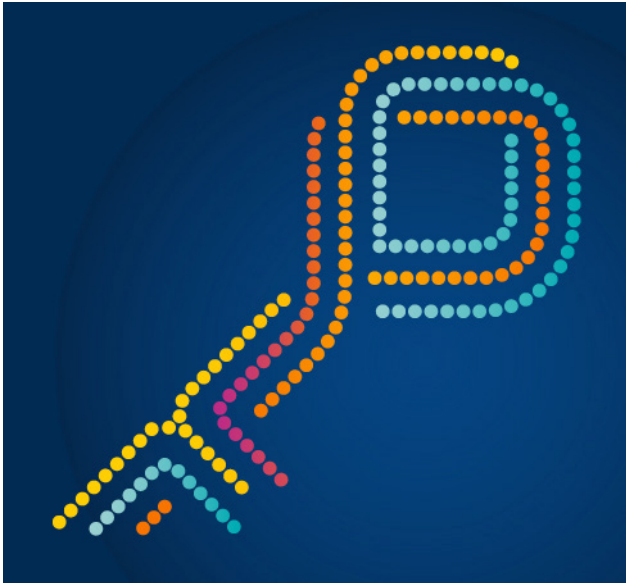
I

Illinois State Treasurer
Insight Partners
Investcorp

K

Kelso & Company
Keyhaven Capital Partners
KKR
Kohlberg & Co.
The Kresge Foundation

Get Involved



LISTEN-IN

ILPA's [Voices of Private Equity](#) podcast features leading voices from across the industry in candid personal conversations about the industry and their experience within it. Tune in to these episodes featuring conversations focused, in-part, on DEI.



Got an idea for a guest or episode topic? Reach out to voicesofprivateequity@ilpa.org.

[Pushing for a Rethink](#), Neil Malik, K1 Investment Management

[Are We Making Room for Diverse Voices in Private Equity?](#) Kimberly Woods, DCRB

[A Front Row Seat to Change](#), Melissa Ma, Asia Alternatives

[Who Should Lead the Push for Progress on Diversity?](#) Orlando Bravo, Thoma Bravo and Theresa Whitmarsh, Washington State Investment Board

[Are LPs Setting a High Enough Bar for Venture Returns?](#) Tim Recker, James Irvine Foundation

WEIGH-IN

In 2020, ILPA published the [Diversity and Inclusion Roadmap](#), serving as a clearinghouse for best practices and resources that LPs and GPs can consider implementing to advance DEI efforts. The actions in the DIA framework were drawn from this Roadmap.

We continue to invite submissions to the roadmap so we can all continue to learn from one another's experience. Consider sharing a submission at ilpa.org/ilpa_di/.

DISCOVER INDUSTRY SURVEYS AND DATA

UK

[Level 20/BVCA Diversity & Inclusion Survey 2021](#)

[2019 Women in Limited Partners Survey \(Level 20, BVCA\)](#)

[Diversity in UK Venture Capital 2019 \(Diversity VC\)](#)

CANADA

[Report on the State of Diversity and Inclusion 2019 \(CVCA\)](#)

US/ NORTH AMERICA

[Venture Forward](#) and the [2020 VC Human Capital Survey \(NVCA, Deloitte\)](#)

[Women in the Workplace \(McKinsey\)](#)

[Representation of AAPIs in Asset Management \(AAAIM, Bella\)](#)

[Diversifying Investments: A Study of Ownership Diversity and Performance in Asset Management \(Knight Foundation\)](#)