



INSTITUTIONAL
LIMITED PARTNERS
ASSOCIATION

AUGUST 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.

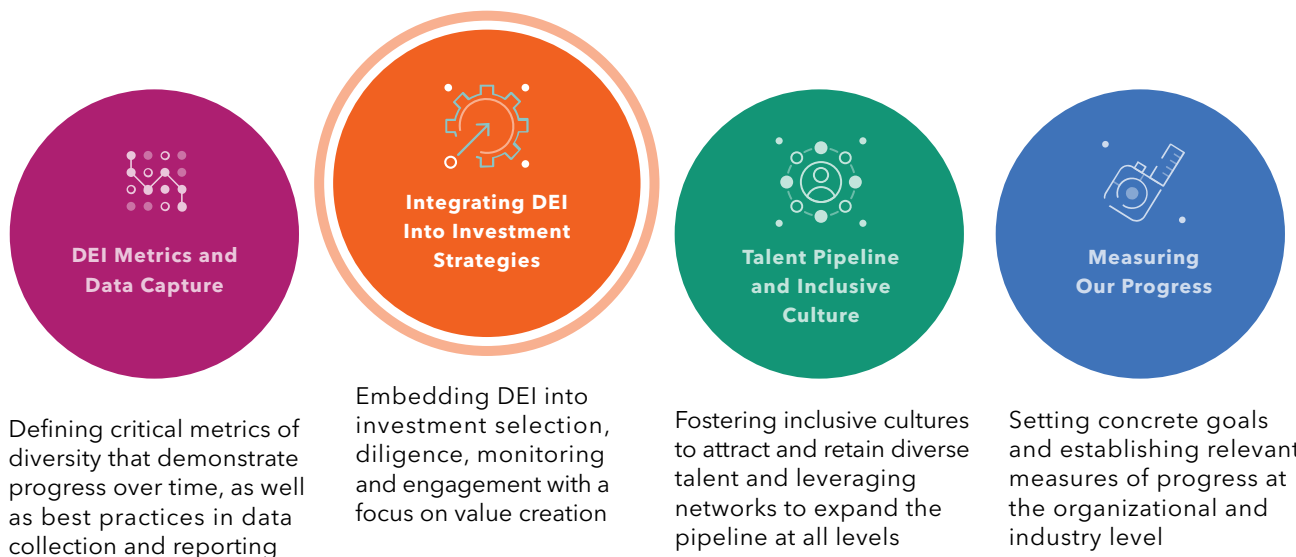
ABOUT DIVERSITY IN ACTION

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 organization and in the industry more broadly. The Initiative launched in December 2020 with 46 founding signatories; as of August 2021, 180 organizations have joined the effort.

Diversity in Action - Sharing Our Progress is a periodic update 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 updates 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* update focuses on analyzing a particular challenge LPs and GPs face on DEI and makes recommendations on solutions organizations can take.



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>
Talent Management and Inclusive Culture	<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>	<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>
Investment Management	<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>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

Integrating DEI Into Investment Strategies and Engagement

LPs and GPs continue to evolve how they engage with partner organizations on DEI, both during diligence and post-investment. During our second DIA roundtable in May, and through their submissions as they join the Initiative, signatories have identified several best practices to facilitate partner engagement and drive progress on DEI.

ALLOCATORS ARE MAKING DEI A REGULAR, AND PROMINENT, FEATURE OF FUND DILIGENCE

Due to the lack of a robust historical baseline on diversity metrics, LPs remain largely in information gathering mode, requesting both qualitative and quantitative DEI information from GPs to identify red flags and areas for improvement.

- **At least half** of allocator signatories currently use the revised [ILPA Diversity Metrics Template](#), with many planning to implement the ILPA template beginning this year¹
- Allocators seek at minimum disclosures on gender diversity within GP teams and are taking a nuanced approach to defining diversity beyond gender, incorporating localized considerations that may present challenges for collecting this information – **68%** rely on the manager’s narrative or make their own qualitative assessments, while **21%** don’t assess managers beyond gender in markets where data beyond race/ethnicity is harder to obtain¹
- Many LPs have incorporated the qualitative DEI information provided during diligence into a holistic manager scorecard that takes into account evidence of a measurable commitment to DEI such as investment team diversity, hiring practices, supplier diversity and philanthropy
- Consultants are now including DEI assessments as a standard feature in their due diligence reports on specific GPs

18% of GPs use DEI information to suggest enhancements to process as part of value creation plan, and **22%** of LPs consider progress on DEI in decision to invest in the next fund¹

POST-CLOSE, BOTH LPS AND GPs MONITOR PROGRESS THROUGH RECURRING COLLECTION OF DEI DATA

Signatories that collect DEI metrics from their investment partners are beginning to do so through annual surveys. GPs often include DEI metrics among ESG KPIs, while LPs tend to collect through a dedicated exercise. **54%** of GPs collect this information at least annually from portfolio companies, compared with **59%** of LPs/allocators doing the same with their managers.¹

- **59%** of allocators are requesting data outside of fundraising, with some more recently initiating requests of all GPs in the portfolio as the start of a recurring exercise to monitor progress over time – with **22%** anticipating that they will revisit progress on DEI in considering whether to reinvest in the next fund, and **37%** planning to use data collected during diligence to assess progress over the life of the fund¹
- Even among GPs who rarely or never have a controlling interest, **59%** regularly collect DEI metrics from their portfolio companies¹
- Some GPs have begun tracking specific diversity metrics among portfolio companies and sharing back rankings or benchmark assessments by industry vertical, with the expectation that comparative data will be a powerful motivator for change

Industry Best Practice
Sharing back benchmarked information, e.g., through league tables or scorecards, is a powerful tool in post-investment engagement

Signatories in Action

- One signatory engaged a third-party consulting firm to administer a baseline assessment of portfolio companies relative to their respective industry standard for excellence on DEI; assessments are used to build tailored action plans
- One signatory identifies misalignments through a diversity dashboard tool and prioritizes filling those gaps through the GP’s recruitment of board and c-suite roles

¹ILPA and McKinsey & Company. (July 2021). Diversity in Action Signatory Submission Analysis.

IN FOCUS

Integrating DEI Into Investment Strategies and Engagement

GPS ARE CULTIVATING CROSS-PORTFOLIO NETWORKS TO RAISE AWARENESS AND SHARE BEST PRACTICES

GPS are fostering connections among portfolio company leadership to facilitate knowledge sharing on DEI through actions such as:

- Hosting forums for portfolio company CHROs
- Holding CEO roundtables and trainings featuring external speakers
- Creating shared networks to source diverse directors and management talent, including from across portfolio companies
- Convening task forces to develop shared toolkits around hiring or equitable pay
- Inviting portfolio company founders and CEOs to commit to a DEI pledge, with the commitment to both build diverse teams and to report results

At least **35%** of GPs facilitate networks among senior management across portfolio companies¹

GPS HAVE MADE PORTFOLIO COMPANY BOARD DIVERSITY A PRIORITY

By setting minimum diversity goals, working with portfolio companies to enhance sourcing of diverse talent and building out networks among portfolio company leadership, GPs are taking concrete steps to enhance board diversity

- **72%** of GPs promote diversity within portfolio company boards²
- **26%** of GPs engage on board-level diversity even where they don't have the ability to directly influence board level appointments³
- **28%** have set minimum targets for board level diversity and **24%** have diversity mandates for externally supported board searches³
- GPs are employing a range of approaches to support portfolio companies in improving their sourcing strategies, such as:
 - Aligning internal teams – deal professionals and DEI specialists – to partner on addressing identified gaps in diversity within portfolio companies
 - Developing robust databases of executives that portfolio companies can draw on for open positions
 - Working alongside portfolio company board chairs at the time of acquisition to design and develop diverse boards
 - Implementing commitments to include at least one qualified diverse candidate in the interview slate for all open board and senior management positions
 - Monitoring external search firms for their ability to proactively source a diverse pipeline

Signatories in Action

One signatory has mandated that all final investment committee memos include detail on the proposed board composition; no transaction will be approved without either a diverse board candidate being identified or an open director spot with an active search for a diverse board member.

83% of GPs track gender diversity of boards, **65%** also track racial/ethnic diversity¹

¹ ILPA and McKinsey & Company. (July 2021). Diversity in Action Signatory Submission Analysis.

² ILPA. (2021). Diversity in Action Signatory Submission Analysis.

³ ILPA. (May 2021). Diversity in Action Roundtable Poll.

Moving Towards an Improved Standard for Reporting Diversity

The [ILPA Diversity Metrics Template](#) was first released in 2018, alongside revisions to the [ILPA Due Diligence Questionnaire](#), as the industry's first standard for capturing team-level diversity in GP organizations. Recognizing the limitations of reporting practices at that time, the 2018 version provided a gender-only version as well as suggested race and ethnicity designations across four jurisdictions (U.S., Canada, U.K. and Australia).

Encouragingly, practices have since evolved to include more dimensionality in diversity metrics, while at the same time inquiries have become more tailored to focus on the metrics that matter most. To reflect the maturation of DEI reporting, ILPA recently proposed revisions to its Diversity Metrics Template as part of a broader review of the ILPA DDQ, which seeks to standardize the most critical due diligence questions posed by LPs of their GPs.

In the updated version of the Diversity Metrics Template, ILPA has introduced several important changes, indicated in the box at right. Of note, the revisions include a globally harmonized set of race and ethnicity designations, rather than country-specific breakouts, to allow for capturing this information beyond the four jurisdictions featured in 2018. Recognizing the challenges towards comprehensive reporting on race and ethnicity in many jurisdictions, the revised Template allows for reporting on a best-efforts basis with the addition of a "no information available" option.

In line with the press for an improved understanding of diversity across asset owners' portfolios, the revised Template introduces diversity metrics at the portfolio company level. These additional metrics are configured to align both with how institutions have begun to monitor their investments in public companies as well as their direct investments.

QUICK READ: PROPOSED UPDATES TO ILPA DIVERSITY METRICS TEMPLATE

- Addition of metrics on GP ownership
- Composition of investment committees
- Streamlining from eleven roles/levels to four
- Addition of non-binary option on gender
- Introduction of single, globally relevant set of designations on race/ethnicity
- Inclusion of portfolio company metrics - boards and senior management
- Inclusion of metrics on veteran status, LGBTQ and persons with disabilities

**WEIGH IN BEFORE
SEPTEMBER 24!**

CALL TO ACTION: WEIGH IN ON THE ILPA DIVERSITY METRICS TEMPLATE

Changes to the Diversity Metrics Template were made with robust input from a working group of GPs and LPs who are signatories to the *Diversity in Action* initiative, aligned organizations (like FCLT Global) and external consultants.

ILPA has designed the revised Template to reflect the current state of diversity reporting, as well as long-term goals for enhanced reporting. All interested parties are encouraged to comment by visiting ilpa.org or emailing DDQFeedback@ilpa.org.

Insights From DIA Signatories

HOW ARE SIGNATORIES ADVANCING BOARD-LEVEL DIVERSITY?

SAMPLE COMMITMENTS TO CREATE GREATER DIVERSITY ON PORTFOLIO COMPANY BOARDS

- A minimum of one diverse director on portfolio company boards for all control investments going forward
- A minimum of two diverse (or female) directors for controlled companies and one diverse director for non-control investments
- 30% diverse directors on all portfolio company boards by 2023
- All deal teams are required to identify, in advance, diverse candidates for open board positions or to engage a search firm in identifying diverse candidates
- Women as a percentage of directors in portfolio companies to exceed the proportion of women directors in the Russell 3000 (23.5% as of March 2021)

SPECIFIC PLEDGES MADE BY SIGNATORIES

- [Thirty Percent Coalition](#)
- [Board Diversity Action Alliance](#)
- [Diligent's Modern Leadership Initiative](#)
- [30% Club](#)
- [Global Gender Diversity Voting Practice](#)
- [25x25 Initiative](#)
- [France Invest Charter for Promoting Gender Equality](#)

NETWORKS UTILIZED FOR SOURCING DIVERSE DIRECTORS

- [AboveBoard](#)
- [Athena Alliance](#)
- [Catalyst: Women on Board Initiative](#)
- [Equilar](#)
- [Forte Foundation: Global Board Ready Women](#)
- [Harvard Women Execs on Boards](#)
- [Him for Her](#)
- [Out Leadership QUORUM initiative](#)
- [Stanford Women on Boards Initiative](#)
- [The Executive Leadership Council](#)
- [The Latino Corporate Directors Association](#)
- [Toigo All A Board Diverse Directors Initiative](#)
- [Women Corporate Directors](#)
- [Women on Boards \(Australia\)](#)

CALL TO ACTION: DISCOVER THE FCLT GLOBAL REPORT

In July, FCLT Global released the report "[The Missing Element of Private Equity: Creating Long-term Value Through Portfolio Company Board Diversity](#)," which includes a conversation guide for LPs and GPs seeking to enhance portfolio company boards' diversity, as well as a recommended template for capturing board diversity information.

Signatory Snapshot

The 180 DIA signatories span multiple strategies, geographies and firm sizes²:

ORGANIZATION TYPE	GEOGRAPHY	SIZE (GPs)	STRATEGY (GPs & FOFs)
LP 25	UNITED STATES 130	SMALL CAP (< 750M) 19	BUYOUT 70
CONSULTANT 11	UNITED KINGDOM 27	MID CAP (750M-2B) 11	FUNDS OF FUNDS 17
FUNDS OF FUNDS 17	CANADA 12	LARGE CAP (2-5B) 18	GROWTH CAPITAL 16
GP 127	EUROPE 3	MEGA CAP (5B - 30B) 37	VENTURE CAPITAL 11
	OTHER 8	MEGA CAP (30B+) 35	MULTI-STRATEGY 9
			PRIVATE CREDIT 8
			SECONDARIES 3
			REAL ESTATE 5
			OTHER 5

SIGNATORY UPDATE

Since [April](#) the *Diversity in Action* Initiative has:

- Grown by nearly **35%** by adding 47 new signatories; that's a **44%** increase in the number of GPs, a **32%** increase in LPs and a **13%** increase in fund of funds
- Become more geographically diverse, adding **13 signatories** outside of North America - over half of those were in the U.K. while DIA gained 3 signatories in Australia and an additional 3 from around the globe
- Maintained size and strategy diversity among GPs with: **40%** of GP signatories managing 5 billion USD or less vs **24%** in April; and a variety of strategies represented including venture capital and private credit

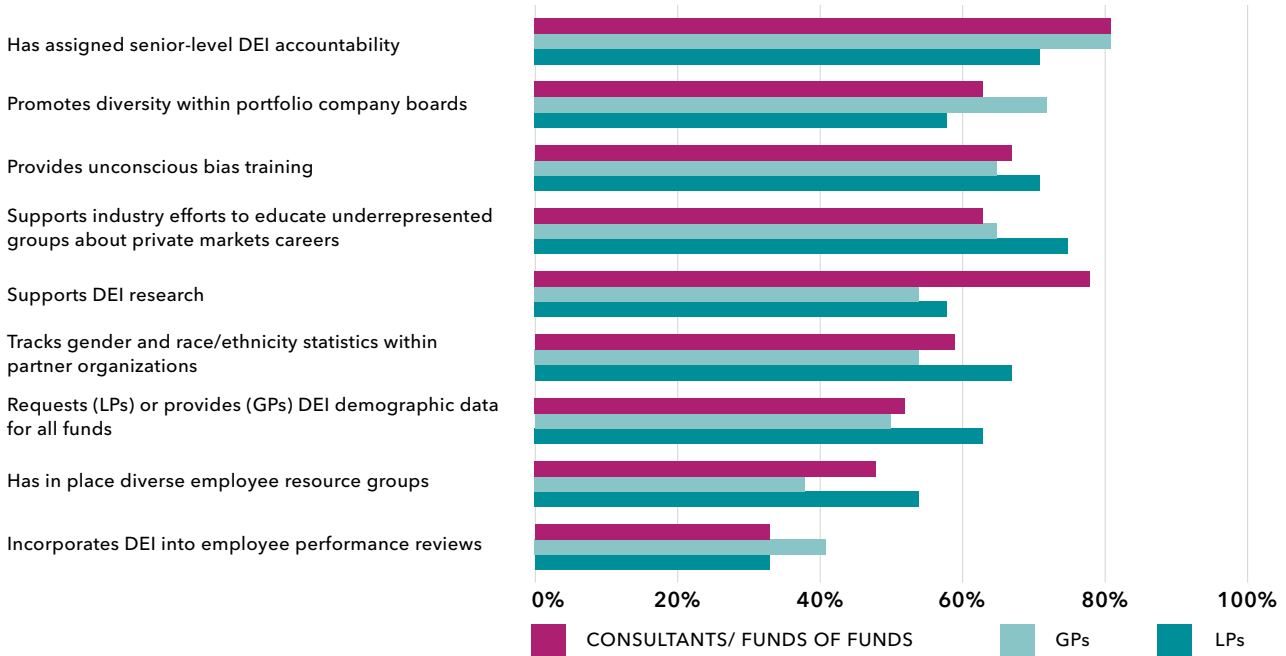
²ILPA. (2021). *Diversity in Action Signatory Submission Analysis*.

Signatory Snapshot²

WHAT ACTIONS ARE SIGNATORIES TAKING TO INTEGRATE DEI INTO ORGANIZATIONAL PRACTICES AND INVESTMENT STRATEGIES?

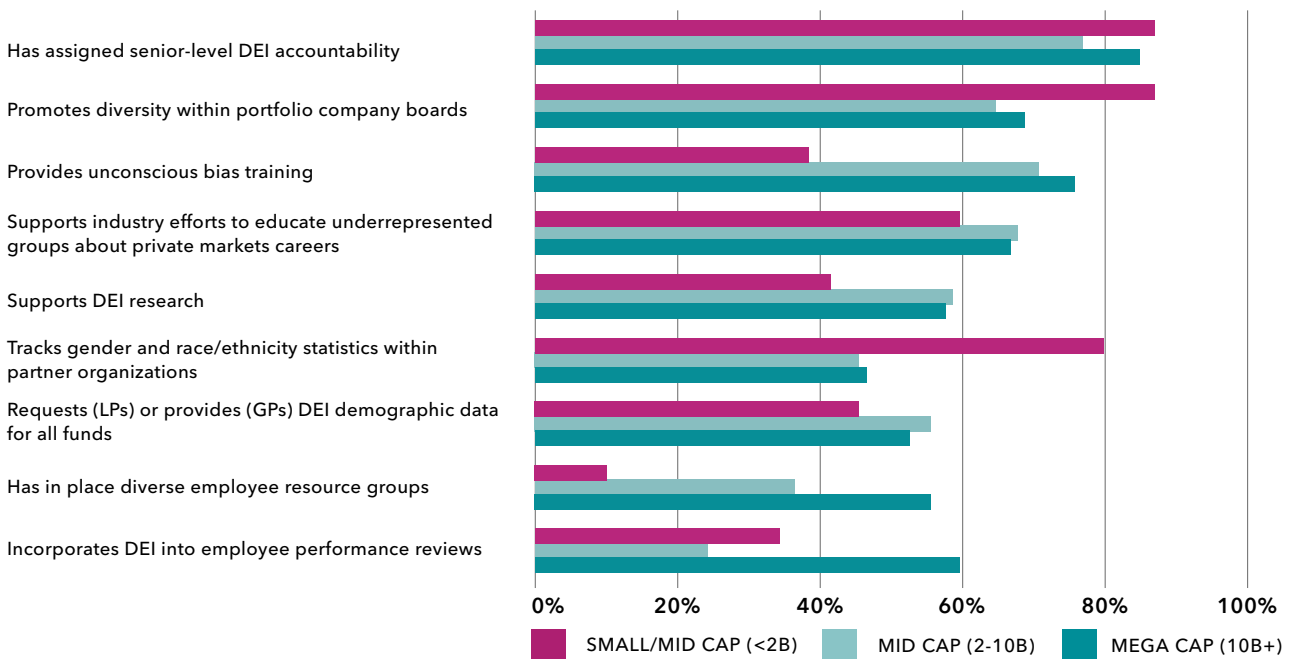
BY INSTITUTION TYPE:

Across all groups, assigning senior-level accountability remains a consistently adopted practice, while actions to create inclusive cultures, such as employee resource groups, continue to lag. Topping the list for GPs is promoting board-level diversity; LPs are prioritizing engaging underrepresented groups about private markets careers; and consultants and funds of funds are supporting diversity-related research.



ACTIONS TAKEN BY GPs, BY AUM, \$B:

Actions taken by GP size show meaningful differences in implemented actions. Employee resource groups and unconscious bias training are least prevalent among smaller GPs, but they seem to be tracking DEI metrics among portfolio companies more often than their larger peers. Board-level diversity is a priority across firms of all sizes.



² ILPA. (2021). Diversity in Action Signatory Submission Analysis.

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* [framework](#) and consider becoming a signatory. To learn more about becoming a signatory contact diversity@ilpa.org.

#

.406 Ventures
17Capital
35 South Capital
50 South Capital

A

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

B

Backstage Capital
Baring Private Equity Asia
Barings
Baylis Emerging Markets
BayPine
BC Partners
BDC Capital
Benhamou Global Ventures
BentallGreenOak
Berkshire Partners
BharCap Partners

Blackstone
BlackView Capital Advisors
BMO Financial Group
Bowmark Capital
Bow River Capital
Bridgepoint
Brightwood Capital Advisors
Brookfield Asset Management

C

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

D

Delta-v Capital
Disciplina Group LLC

E

EagleTree Capital
EmergeVest

F

Fisher Lynch Capital
Folklore Ventures
ForgePoint Capital

G

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

H

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

I

IFM Investors
IK Investment Partners
Illinois State Treasurer
Insight Partners
Invesco
Investcorp
Investure, LLC

J

J.P. Morgan Asset Management
John D. and Catherine T. MacArthur Foundation

K

Kayne Anderson Capital Advisors, L.P.
 Kelso & Company
 Keyhaven Capital Partners
 KKR
 Knox Lane
 Kohlberg & Co.
 The Kresge Foundation

L

L Catterton
 LACERA - Los Angeles County
 Employees Retirement Association
 Landmark Partners
 Leonard Green & Partners, L.P.
 Lexington Partners
 LGT Capital Partners
 LLR Partners
 Long Ridge Equity Partners

M

M&G Plc
 Macquarie Asset Management
 Madison Dearborn Partners
 Investment Division of
 the Maryland State Retirement
 & Pension System
 McRock Capital
 Mesirow Financial
 MetaProp
 Metlife Investment Management
 MiddleGround Capital
 MidOcean Partners
 Monroe Capital LLC
 Montagu Private Equity
 Morgan Stanley Investment
 Management
 MSA Capital

N

Neuberger Berman
 New Mountain Capital
 The Office of the New York City
 Comptroller on behalf of the New
 York City Employees' Retirement
 System and the Teachers' Retirement
 System of the City of New York
 Northleaf Capital Partners

O

Oak Hill Advisors, L.P.
 Onex

P

Palladium Equity Partners, LLC
 Panoramic Growth Equity
 Park Square Capital
 Pathway Capital Management
 Pemberton Asset Management
 Permira Advisers
 PGGM
 PineBridge Investments
 Polaris Partners
 Portfolio Advisors, LLC
 Providence Equity
 PSP Investments

Q

Quantum Energy Partners

R

RCP Advisors
 Reinventure Capital
 Revelstoke Capital Partners
 Reverence Capital Partners
 River Cities Capital
 RockCreek
 Roundshield

S

Sarona Asset Management
 Searchlight Capital Partners
 Silver Lake
 Silverton Partners
 Siris Capital Group
 Sixth Street
 SK Capital Partners
 Starwood Capital Group
 Stellex Capital Management
 StepStone Group
 Stone Point Capital
 Sundance Bay

T

TA Associates
 Tailwind Capital
 Teacher Retirement System of Texas
 Thoma Bravo
 TowerBrook Capital Partners L.P.
 TPG
 Trilantic North America
 Turning Rock Partners

U

UC Investments

V

Värde Partners
 Vestar Capital Partners
 Virginia College Savings Plan (VA529)
 Vista Equity Partners

W

W Capital Partners
 Warburg Pincus LLC
 Welsh, Carson, Anderson & Stowe
 Whitehelm Capital
 Whitehorse Liquidity Partners Inc.
 Wind Point Partners
 W.K. Kellogg Foundation
 WM Partners



Get Involved

WEIGH IN

[COMMENT ON REVISIONS TO ILPA DDQ AND DIVERSITY METRICS TEMPLATE](#)

ILPA is proposing changes to several sections within the ILPA DDQ, which was last updated in 2013. Among the improvements are expanded questions on DEI and ESG, as well as enhancements to the ILPA Diversity Metrics Template. Comments are welcome from all industry participants through September 24. To submit feedback, please contact DDQfeedback@ilpa.org.



GATHER

[Next Roundtable for DIA Signatories](#)

On September 23, DIA signatories will gather for a third quarterly roundtable focused on accessing diverse talent and cultivating inclusive cultures. The roundtable will build on themes identified at the May roundtable focused on integrating DEI into organizational practices and investment strategies. Participation is invitation-only and limited to *Diversity in Action* signatories

[ILPA-NAIC Diverse Managers Roadshow - December](#)

ILPA and NAIC will partner for a second diverse manager roadshow in early December. Our first joint roadshow in July drew participation from 17 LPs and 26 diverse GPs across a series of one-on-one meetings

[NAIC LP MeetUp October 7](#)

NAIC will host its biggest annual gathering for LPs to convene with NAIC members on October 7

[GCM Grosvenor Small + Emerging Managers Conference, October 12 and 14](#)

GCM Grosvenor's 15th annual gathering connects LPs with small, emerging and diverse managers

DISCOVER

[ILPA's ESG Assessment Framework](#)

The ILPA ESG Assessment Framework, launched in July 2021, is a resource to help LPs evaluate a GP's ESG integration on a relative maturity scale (not present, developing, intermediate, advanced) across five categories: policies, governance, diversity metrics, recruiting and employee engagement. The Framework includes supplements specific to DEI and climate

[Creating a More Inclusive Economy: Practical Insights from Global Institutional Investors \(ILN's\)](#)

[The Missing Element of Private Equity: Creating Long-term Value Through Portfolio Company Board Diversity \(FCLT Global\)](#)

LISTEN-IN

[Voices of Private Equity](#)

Season 2 of Voices of Private Equity will premier fall 2021 and feature conversations with industry experts on topical issues including ESG and DEI