



# 2021 DEI Progress Report

April 2022





# Foreword

NEPC's 2<sup>nd</sup> annual DEI Progress Report is a comprehensive accountability document communicating our actions and results related to Diversity, Equity and Inclusion in 2021. But this report also paints the broader context of NEPC's long journey of taking concrete steps toward what we now call DEI.

As you will see in this report, NEPC has been committed to this journey for more than three decades. Our progress has not always been measured in a straight line and, indeed, the pandemic and Great Resignation were challenges for us in 2021. We are proud of our achievements but realize that we still have miles to travel.

NEPC is anchored to the tenet that "you can't manage what you don't measure." It is our intent to set a standard of transparency that will challenge other investment consultants, asset managers and investors to set, pursue and report on their goals for DEI and the maximization of talent.

Our goal at NEPC is to be an advocate for the democratization of access. We believe that the current and future success of our clients, employees and communities hinges upon access to the best talent. Contrary to the worry about being "too big to fail," our industry has not yet faced up to the danger of being "too narrow to succeed." We have committed to put in the thoughtful work required to source, engage and invest in extraordinary people and businesses that are currently underrepresented in the investment industry.

Our founder, Richard Charlton, had a long track record of bold action on inclusion, a fact that has been recognized in the creation of the Charlton Center for Responsible Investing at the University of Detroit/Mercy. His vision has filtered throughout our workplace and enriched our workforce. Now we want to take more steps to be leaders within our broader marketplace.

To that end, NEPC is leading the planning for the Investment Diversity Advisory Council (IDAC) National Summit on DEI on September 14<sup>th</sup> in Atlanta, GA. We hope you will join us in Atlanta to make a definitive public statement that our industry is taking practical steps to become a leader on DEI.

A handwritten signature in black ink, appearing to read 'Sam Austin', is positioned above a small portrait photo of the same individual.



**Sam Austin**

*Partner & NEPC Governance Board Member;  
Manager, Western U.S. Public Funds Team;  
Chair of NEPC's Diversity, Equity & Inclusion Board*

## NEPC DEI MISSION STATEMENT

At NEPC, diversity, equity and inclusion are critical to help our clients meet their investment goals and objectives by building a firm that attracts, develops, excites and retains exceptional people.





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## Key Takeaways

**58%**

of all **2021 new hires**  
come from **diverse**  
**backgrounds**

**37%**

of all **2021 new hires**  
are **gender diverse**,  
**up 6%** from 2020

**30%**

of our **partners**  
are from **diverse**  
**backgrounds**

Launched an **MBA Rotational Program** focused on recruiting diverse candidates  
- an initiative that will shift the profile of our workforce in the next 5 years

Completed or exceeded 3 initiatives from our 2021 Diverse Manager Policy 2.0

- ✓ Increased number of diverse firms on public markets Focus Placement List to 11% by year-end 2021, exceeding goal of 10%
- ✓ Completed a total of 315 meetings with diverse firms, surpassing the goal of 132 interactions over the past 2 years
- ✓ Launched Explorer Program to assure a steady pipeline of quality diverse firms being introduced to NEPC Research

**59%**

of **NEPC clients**  
utilize **diverse**  
**managers**

**\$40.7B**

in **client assets**  
are with  
**diverse firms**

**188**

**client strategies**  
managed by  
**diverse firms**





# OUR DEI COMMITMENT



# Our Commitment at the Highest Levels



## University of Detroit Mercy

### The Charlton Center for Responsible Investing

On October 24, 2021, NEPC founder and Chairman Emeritus Richard Charlton joined the University of Detroit Mercy for the formal grand opening of the Charlton Center for Responsible Investing, a new program that combines his passion for investing with his values. The Charlton Center's mission is to offer students an innovative, experiential education to prepare for careers as socially responsible leaders in the financial services industry, and to expand the pool of well-qualified and diverse investment professionals.



*The Charlton Center "seeks to do the better good by promoting diversity in the investment profession along with sustainable, ethical investment practices"*

Richard Charlton, Chairman Emeritus

To learn more about the Charlton Center for Responsible Investing, please visit: <https://business.udmercy.edu/centers/charlton.php>

# A DEI Strategy Rooted in Longstanding Values

## Organization Values

NEPC Values,  
Vision & Mission



## DEI Business Case

Diversity Equity &  
Inclusion Board sets DEI  
Vision, Mission and  
Business Case



## DEI Strategy

Diversity Equity &  
Inclusion Board  
articulates  
DEI Strategy

### NEPC DEI Ecosystem implements DEI Strategy across three arenas



#### WORKFORCE

*Demography of  
recruiting, development  
and retention*



#### WORKPLACE

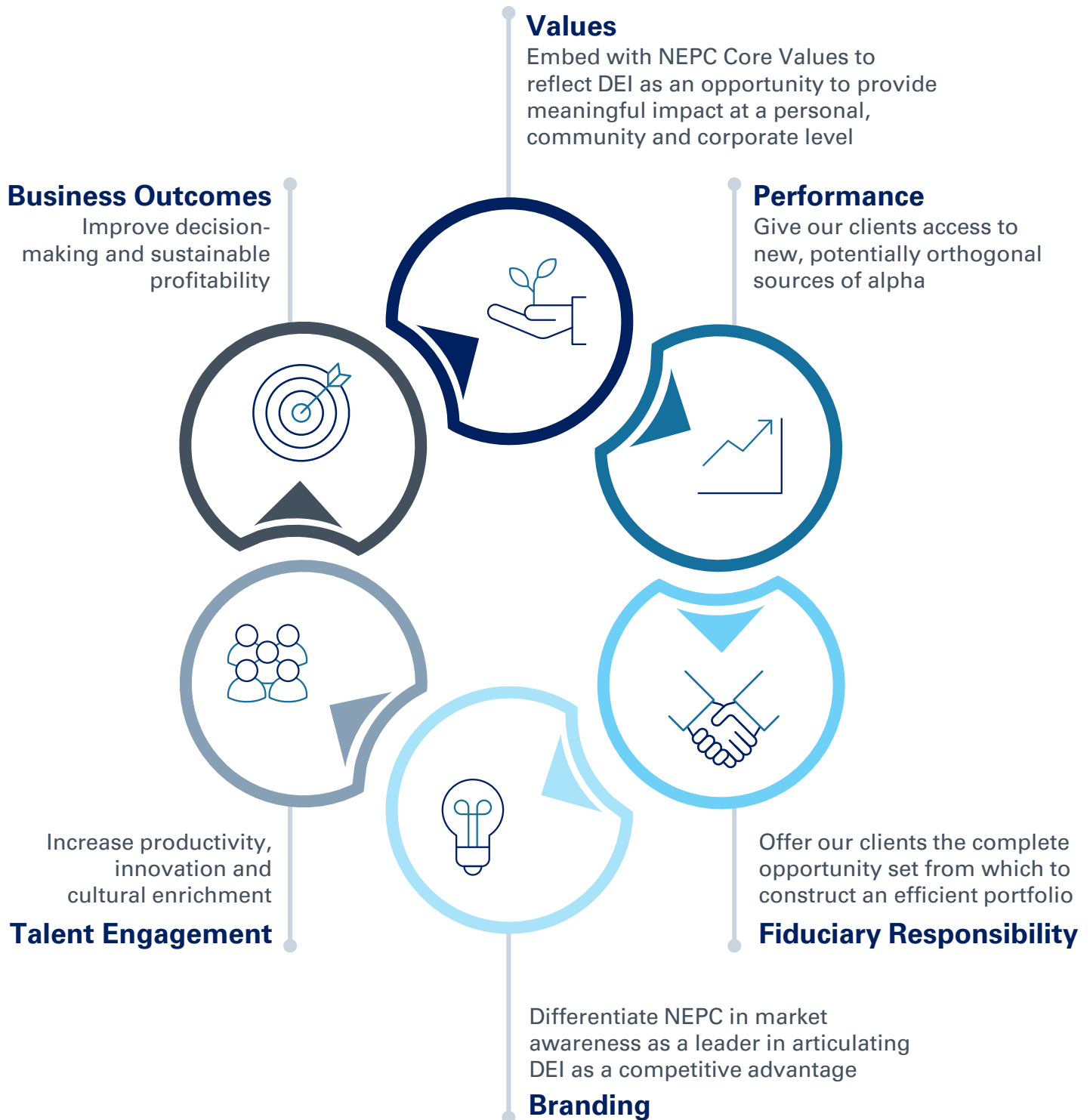
*Sustainability of an  
equitable and  
inclusive culture*



#### MARKETPLACE

*Engagement with  
clients, managers  
and community*

# How Diversity, Equity & Inclusion Drives Better Outcomes for Our Clients





# DEI Strategic Initiatives

## WORKFORCE



1. Firmwide Goals & KPIs
2. Recruiting, Retention & Development
3. Leverage Networks for Candidate Sourcing

## WORKPLACE



4. Support Voluntary Employee Resource Groups
5. Leadership & Firmwide DEI Training
6. HR Resources
7. Employee Survey Feedback on DEI
8. Firmwide Town Halls and Cultural Engagement

## MARKETPLACE



9. Diverse Manager Policy Applied to Discretionary Assets
10. Proprietary Diversity Score Applied to Manager Due Diligence
11. Develop Robust Underwriting of Diverse Managers
12. Support Community & Industry Organizations that Train Diverse Talent for Investment Careers



# Timeline of DEI Accomplishments at NEPC





# Definitions

## INHERENT DIVERSITY

Gender, race, age, religious background, socioeconomic background, sexual orientation, disability, nationality/ethnicity

*This is what people typically think about when one refers to “diversity”*

## ACQUIRED DIVERSITY

Cultural fluency, generational savvy, gender smarts, cross-functional knowledge, global mindset, language skills, educational attainment

*Less commonly thought-about aspects of “diversity”*

## EQUITY

The quality of being fair and impartial; giving as much advantage, consideration, or opportunity to one individual or group as you would another; justice

*Commonly misinterpreted as “equality” but rooted in justice and fairness*

## INCLUSION

The act or state of being included within an organization or structure; universal acceptance of everyone, everywhere

*Centered around idea of feeling safe to show up as one’s authentic self*

For the purpose of this Progress Report, NEPC has adopted the definitions of Racial/Ethnic backgrounds used by the U.S. Department of Labor Statistics



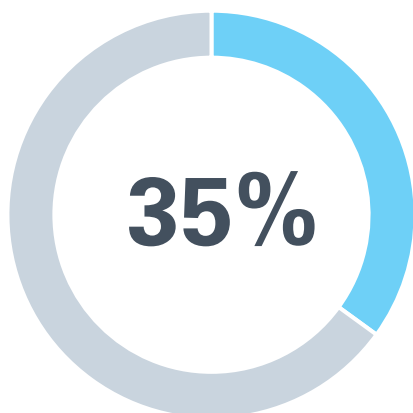
# WORKFORCE

DEMOGRAPHY OF RECRUITING,  
DEVELOPMENT AND RETENTION

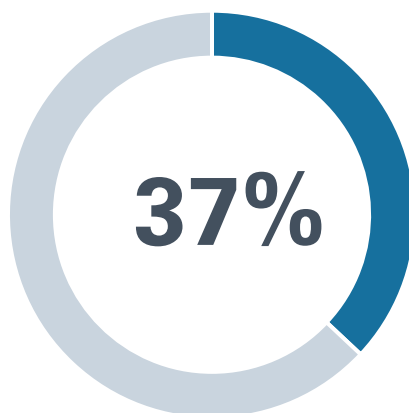
**We are continuing to build a diverse  
workforce by keeping accountable to  
our firmwide goals & KPIs**



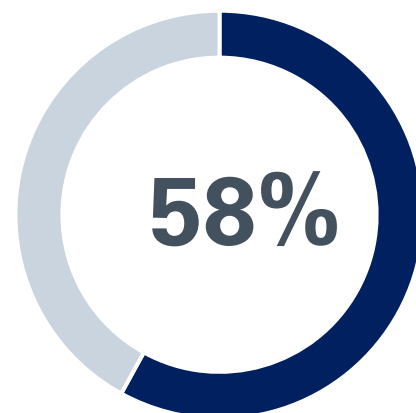
# 2021 Diversity Update



**Racially Diverse**  
hires in 2021



**Gender Diverse**  
hires in 2021



of all **2021 new hires**  
**were diverse** based  
on gender, ethnicity  
or race



*Diversity is essential in building great portfolios and equally important for building great companies. We value the different viewpoints and perspectives that come from a diverse workforce where people feel empowered to be their best selves. NEPC continues to be a work in progress; however, we are proud of the progress we have made across the board on our DEI initiatives.*

*Our DEI efforts are focused on three aspects: building greater representation in our employee base, becoming a more inclusive culture, and expanding our knowledge and use of diverse managers. In 2021, 58% of all hires were diverse, we held our inaugural class of diverse MBA students, and we introduced our new Explorer Program to expand the list of diverse-led firms that we profile for clients.*

*We remain committed to being an industry leader in DEI and look forward to continue sharing our progress with you.*

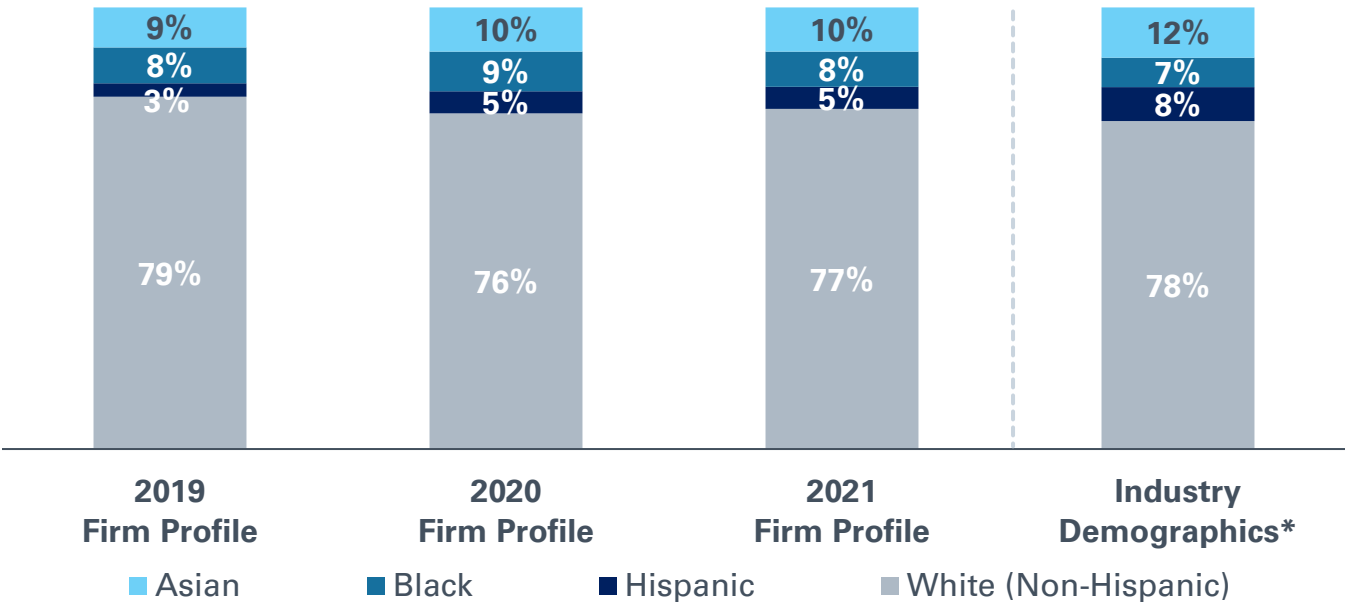
Mike Manning, Managing Partner



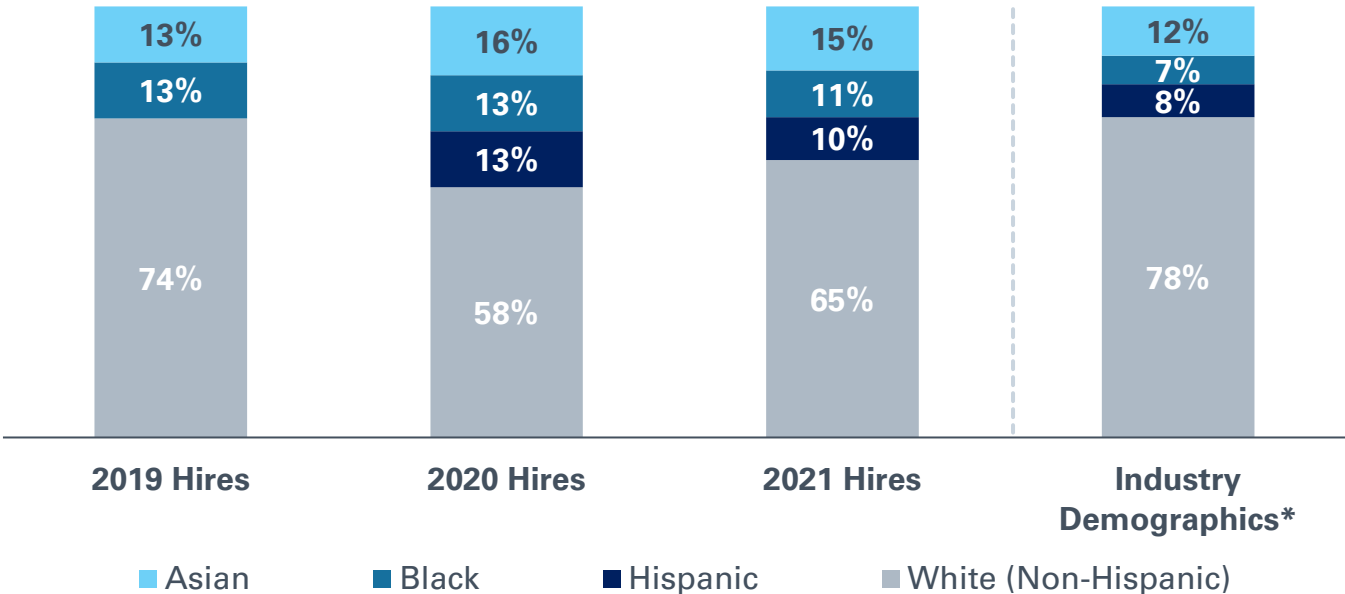
# 2021 NEPC Racial/Ethnic Diversity Profile

*NEPC employees that identify as Black versus the industry (8% vs. 7%) are represented at higher levels than industry average, while people of Hispanic/Latinx (5% vs. 8%) and Asian (10% vs. 12%) heritage are underrepresented.*

## NEPC Employees by Race/Ethnicity vs. Industry

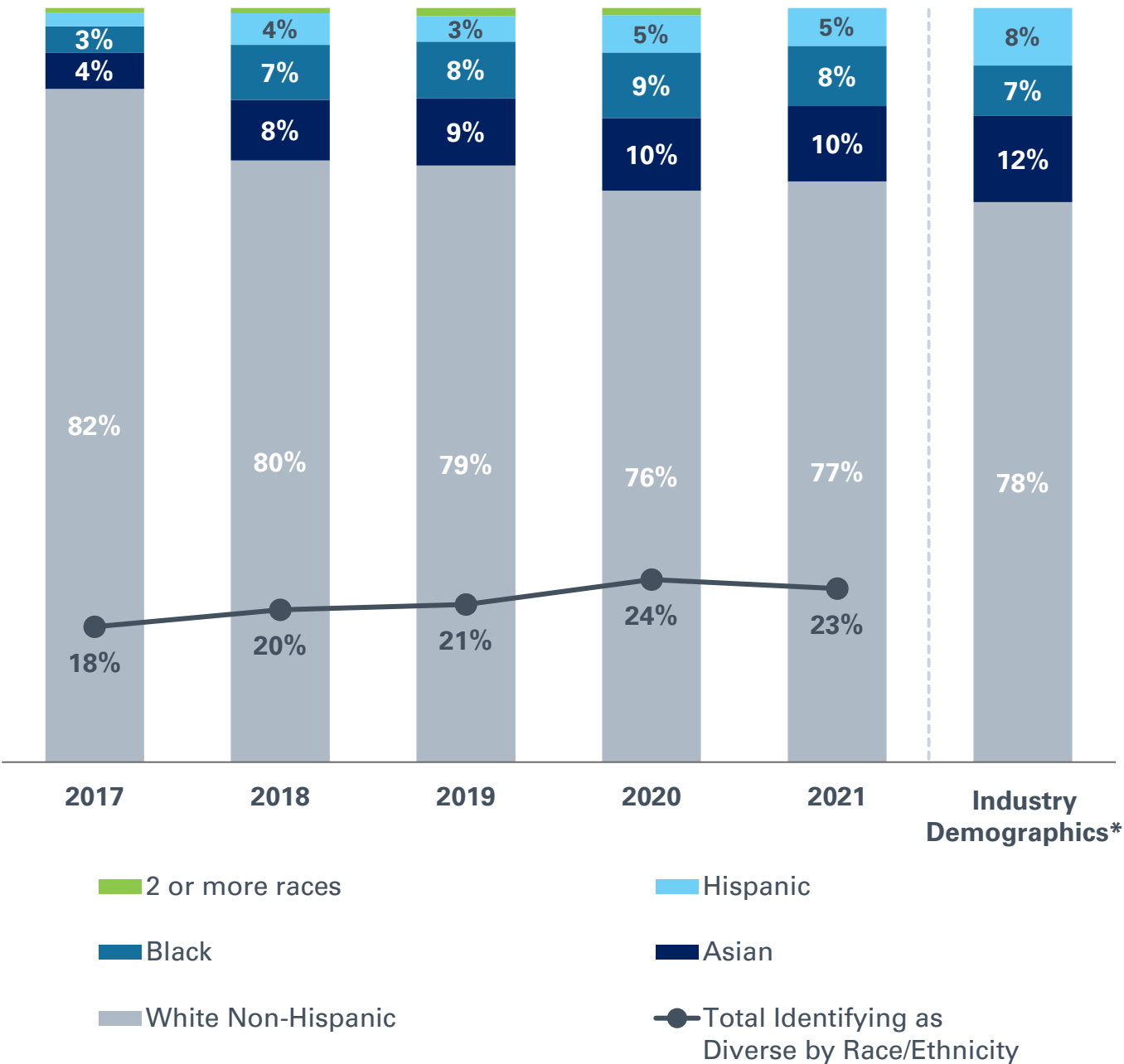


## Hires by Race/Ethnicity vs. Industry



\*Note: Industry demographic data (White, Black or African American, and Asian) adds up to 105% because data are not shown for all races. Persons whose ethnicity is identified as Hispanic/Latinx may be of any race and could be double counted. (Dept of Labor Statistics from the Current Population Survey - (Securities, commodities, funds, trusts, and other financial investments))

# Five Year Ethnic/Racial Diversity Trend at NEPC



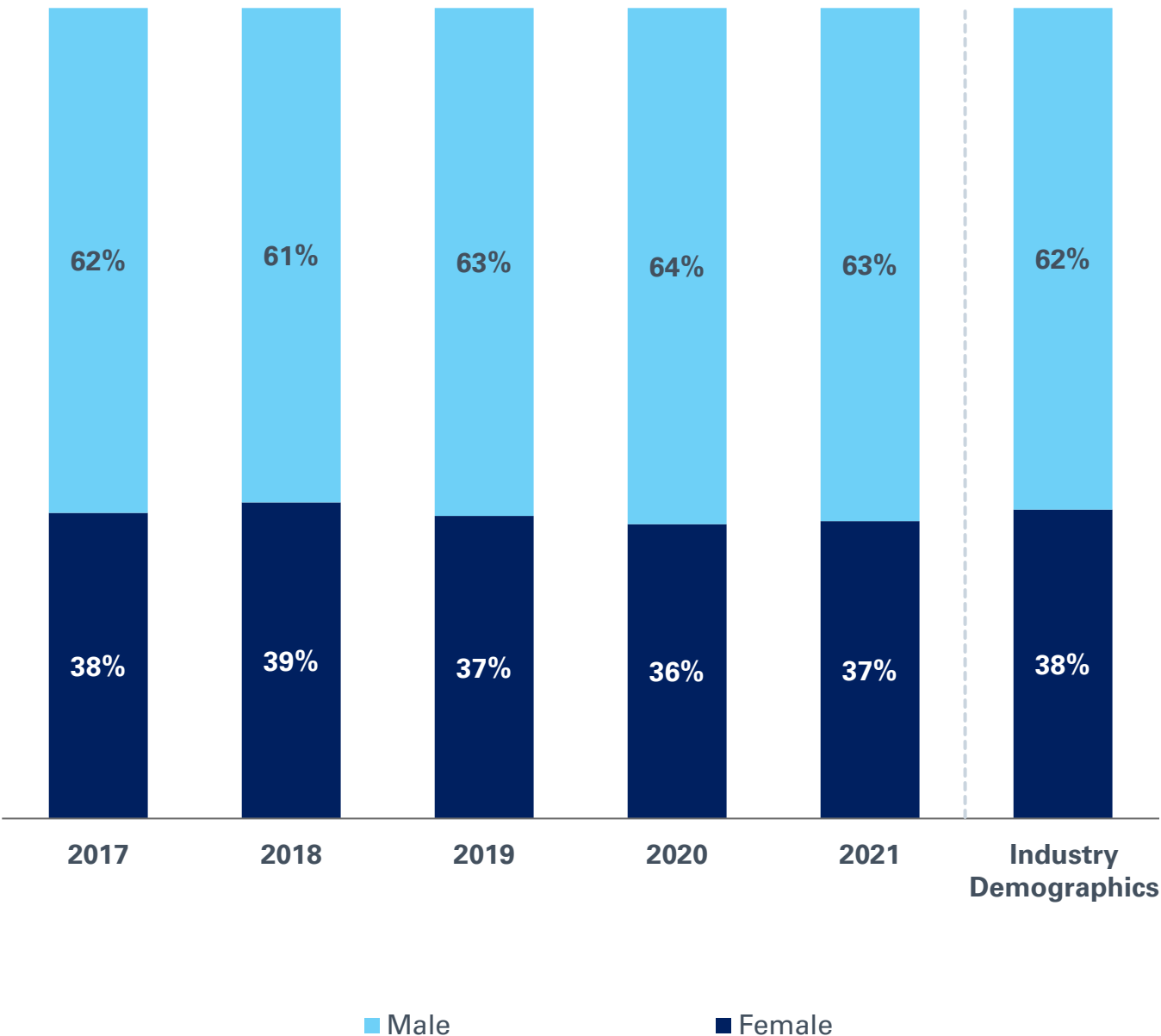
*In 2021 our make-up of racially and ethnically diverse employees remained relatively flat, and we continued to recruit 35% of all new hires from racially or ethnically diverse backgrounds.*

\*Note: Industry demographic data (White, Black or African American, and Asian) adds up to 106% because data are not shown for all races. Persons whose ethnicity is identified as Hispanic/Latinx may be of any race and could be double counted. (Dept of Labor Statistics from the Current Population Survey - (Securities, commodities, funds, trusts, and other financial investments))



# Five Year Gender Diversity Trend at NEPC

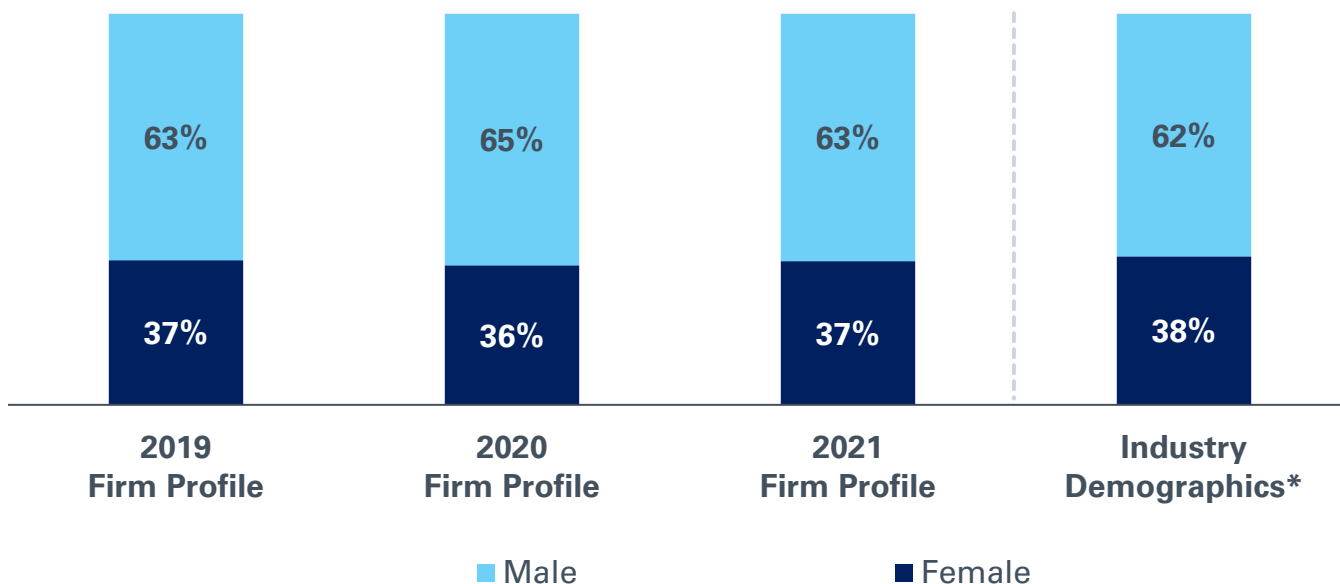
*Gender diversity has been relatively stable.*



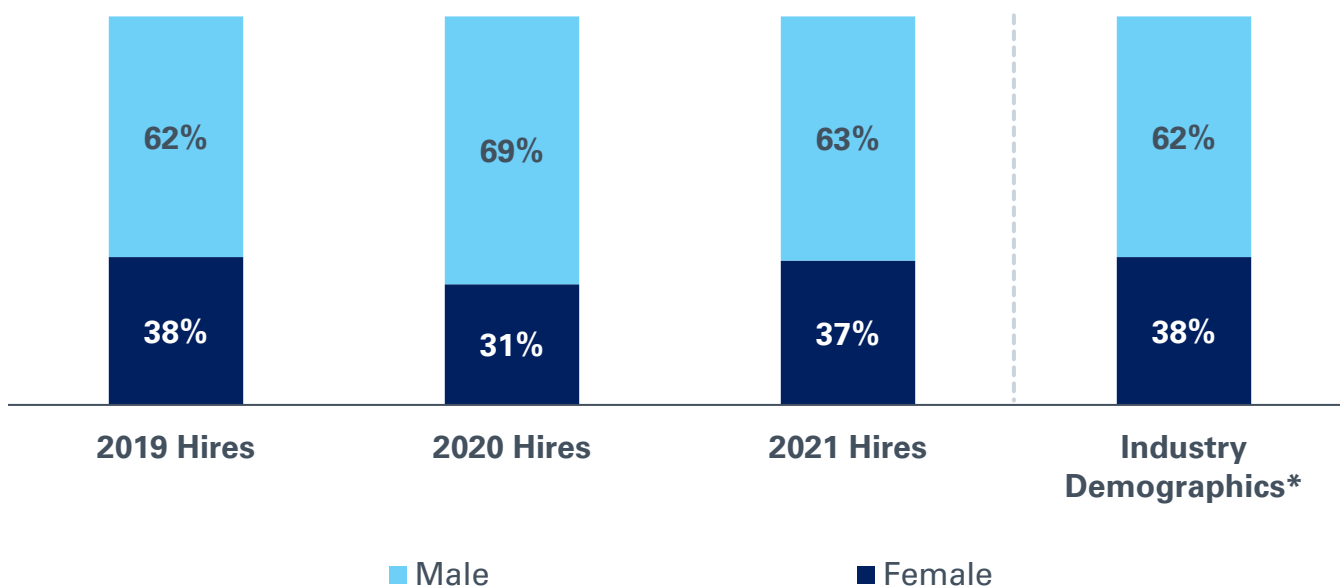
Note: Dept of Labor Statistics from the Current Population Survey - 2020 (Securities, commodities, funds, trusts, and other financial investments)

# 2021 NEPC Gender Diversity Profile

## NEPC Gender Population vs. Industry



## 2021 Gender Hires vs. Industry



*NEPC employees that identify as female are slightly underrepresented compared to industry average (37% vs. 38%).*

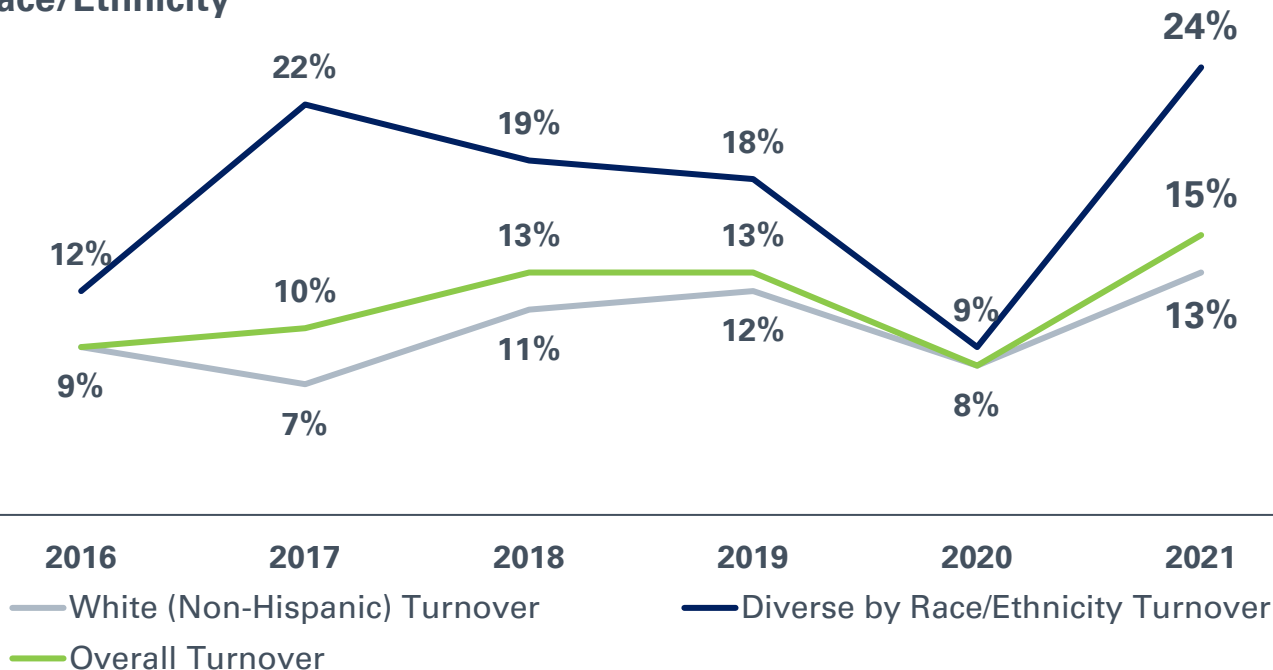
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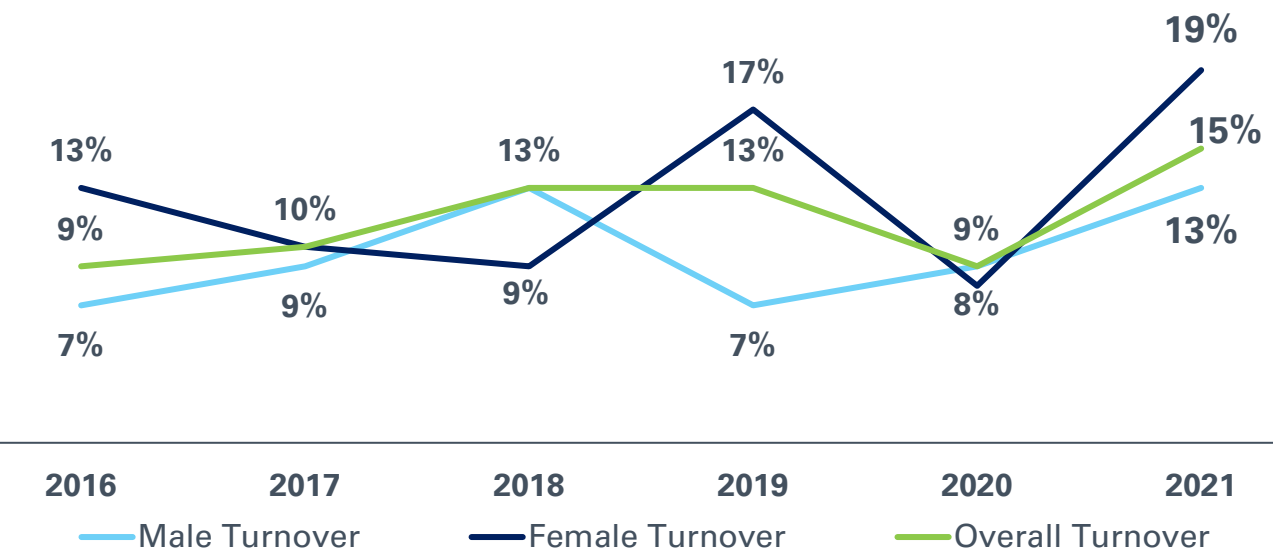
# Workforce Turnover

*Like many other firms, NEPC saw a spike in turnover in 2021 due to a competitive job market and the effects of the Great Resignation wave. Fortunately, we were able to attract almost 60 new employees, and we continued to enhance our firm with people that offer diverse backgrounds and experiences.*

## Race/Ethnicity



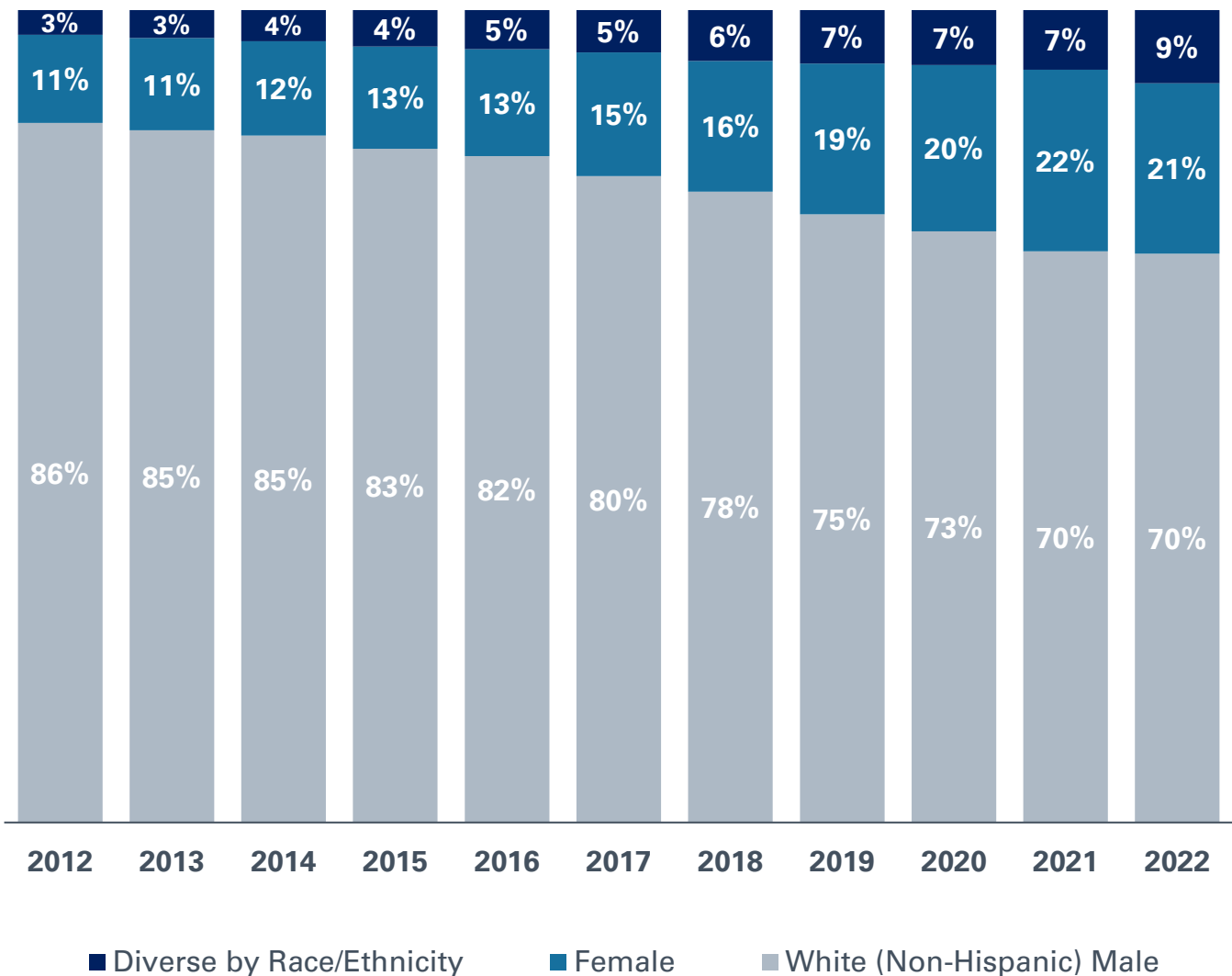
## Gender



# NEPC Ownership Diversity Trend

*Diverse Partners own a 30% interest in the firm.*

## NEPC Ownership Diversity

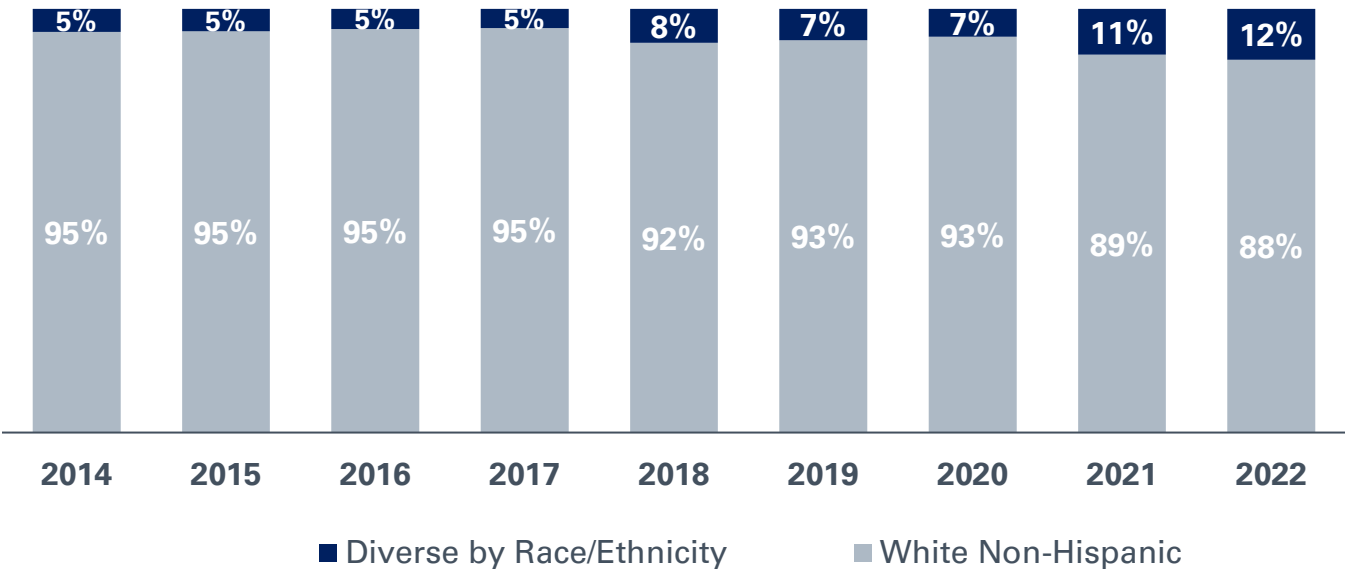


Notes: Data is of January 1<sup>st</sup> in each year and may not equal 100% due to rounding.

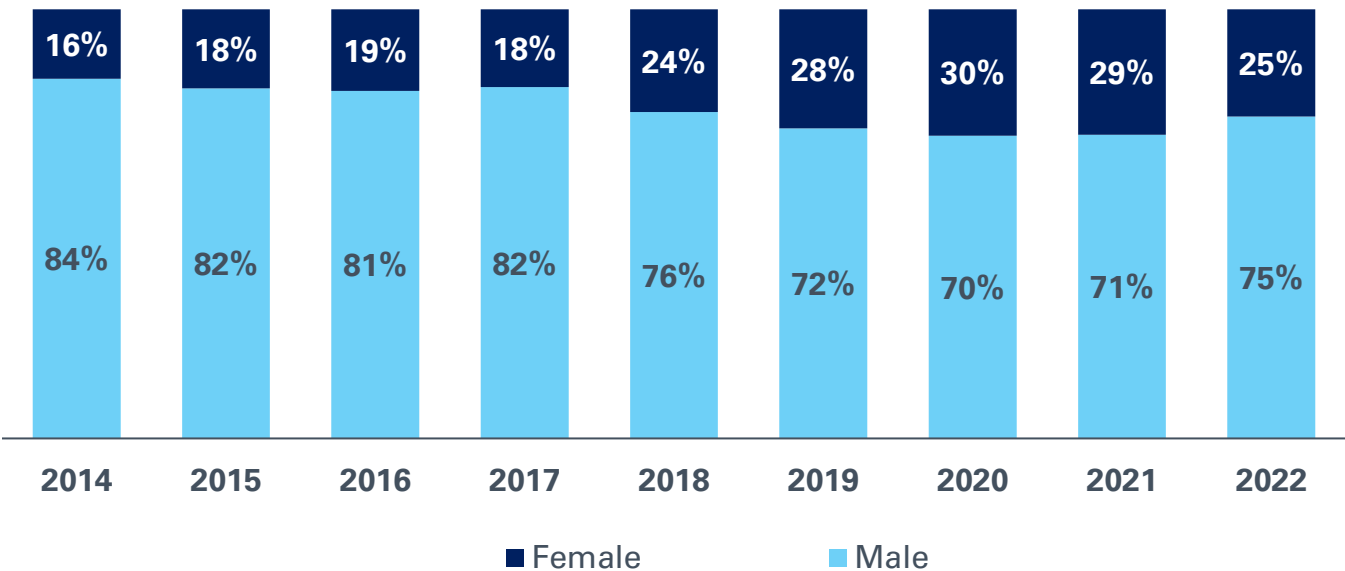


# Partner/Principal Diversity

## Race/Ethnicity



## Gender



*Partner racial and ethnic diversity improved in 2021. However, gender diversity dropped 4% with the departure of two female partners.*

# MBA Internship & Rotational Program

In 2021, NEPC launched an MBA rotational program focused on students of color as part of its larger DEI initiative. The program created a summer intern experience for these students that gave them exposure to various projects in the investment consulting world.

The program successfully brought in six interns to participate in areas including portfolio construction, ESG investing, diverse manager selection processes, and our public fund and healthcare practice areas. Three of these interns are joining NEPC permanently. One has already joined our Private Markets team while finishing his MBA at Tulane. The other two will join our investment rotational program this Spring.

We remain committed to investing in diverse talent and are in the process of hiring six new interns for the summer of 2022 program. Over the next five years, we believe this program can shift the profile of our workforce and increase diversity at more senior levels.



## The Rotational Program Gives Interns:

- Exposure to key business areas across the firm
- Technical expertise on assignments
- Project management responsibility for high-priority deliverables
- Opportunities to connect with senior leaders
- An understanding of NEPC investment theses and processes



*We are thrilled that we have successfully launched this new Sr. Investment Associate rotational program and look forward to our 2nd year of interns and potential hires. Our focus on attracting diverse candidates in this program and through our traditional recruitment process is enriching the NEPC brand.*

Judy Murphy, Partner, Head of Human Resources,  
Diversity Equity & Inclusion Board





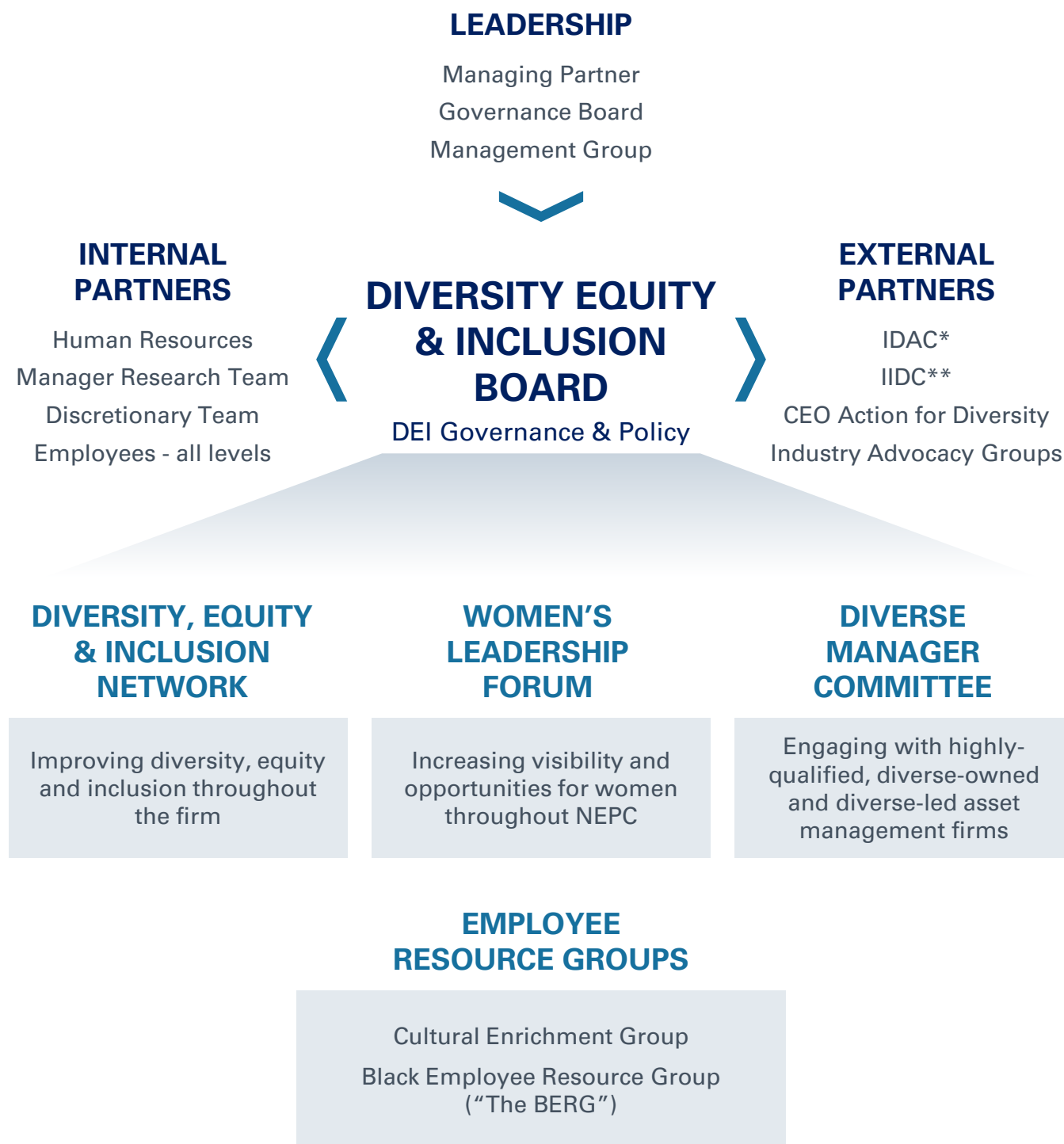
# WORKPLACE

SUSTAINING AN EQUITABLE AND  
INCLUSIVE CULTURE

**We give our team the resources they  
need to support our diverse talent  
through Employee Resource Groups  
and DEI training throughout the year**



# The DEI Ecosystem at NEPC



\* IDAC = Investment Diversity Advisory Council (Resource sharing among asset owners, managers and industry organizations)  
\*\* IIDC = Institutional Investing Diversity Cooperative (Data collaboration among investment consultants and asset owners)

# Leadership of the DEI Ecosystem at NEPC

## NEPC'S DIVERSITY EQUITY & INCLUSION BOARD

**Samuel Austin**, Partner,  
DEI Board Chair

**Judy Murphy**, Partner,  
Head of Human Resources

**Margaret Belmondo**, Partner

**KC Connors**, Partner

**Cathy Konicki**, Partner

**Scott Perry**, Partner

**Jay E. Roney**, Partner

**Sarah Samuels**, Partner

*The Diversity Equity & Inclusion Board reports to  
Mike Manning, Managing Partner*

## COMMITTEE CO-CHAIRS

### DIVERSITY EQUITY & INCLUSION NETWORK

**Chenae Edwards**  
Partner

**Devan Dewey**  
Principal, Chief  
Technology Officer

**Megan MacInnes**  
Digital Marketing  
Associate

### WOMEN'S LEADERSHIP FORUM

**Margaret Belmondo**  
Partner

**Lynda Dennen Costello**  
Principal, Sr. Research  
Consultant

### DIVERSE MANAGER COMMITTEE

**Samuel Austin**  
Partner

**Will Forde**  
Partner

**Nedelina Petkova**  
Senior Consultant

### CULTURAL ENRICHMENT GROUP

**Leah Tongco**  
Consulting Analyst

**Sunny Thayer**  
Executive Assistant

### BLACK EMPLOYEE RESOURCE GROUP

**James Fenton**  
Sr. IT Support  
Specialist

**Kim Kaczor**  
Sr. Consulting  
Specialist

**The Diversity Equity & Inclusion Network, Women's Leadership Forum, Diverse Manager Committee, Cultural Enrichment Group and the Black Employee Resource Group are made up of NEPC employees from all seniority levels**



# Diversity, Equity & Inclusion Board

## VISION FOR DEI AT NEPC

NEPC values the proactive inclusion of extraordinary human talent from a broad diversity of backgrounds. We believe this is a meaningful driver of long-term success in our own business as well as the investment organizations with which we collaborate. NEPC and our clients' investment programs benefit from the different perspectives and ideas that come from a diverse and inclusive workforce. As such, NEPC aspires to attract and retain a diverse and inclusive workforce to achieve superior business results. Our goal is to employ and develop the best and brightest from all walks of life and to create a culture of inclusion where all individuals have an opportunity to excel in their career, be respected, be treated fairly, and experience work-life balance.

## MISSION STATEMENT

At NEPC, diversity, equity and inclusion are critical to help our clients meet their investment goals and objectives by building a firm that attracts, develops, excites, and retains exceptional people.



*What I am so proud of in our DEI approach is that we go beyond working to find managers and to improve our own practices. We are intentional about being allies and true partners to others on this journey. We seek to share what we have learned, we communicate with managers on both ways to improve and to listen to them on their accomplishments and we actually have created new products for diverse managers for our clients. We aren't just checking the box – we are intentional advocates for ourselves and others so we can be a voice in the industry for change.*

KC Connors, Partner,  
Diversity Equity & Inclusion Board



# Diversity, Equity and Inclusion Network

## Scope of the DEIN

Building employee skills to promote an inclusive and equitable culture that values every individual and enables them to achieve their highest level of performance.

## 2021 Accomplishments

- Our theme for the year's programming was *Inclusion is a Skill*, building on the previous year's work.
- Partnered with HR to roll out mandatory Bystander Intervention training to help all employees learn about being an active ally in the workplace
- Hosted a firmwide event focused on Allyship, featuring Misti Burmeister and a panel of NEPCers
- Launched the R.I.C.H. Dialogues Workshops, small group workshops offering participants in-depth experience with engaging in challenging conversations
- Supported the Cultural Enrichment Group and Black Employee Resource Group
- Collaborated with the Cultural Enrichment Group to host an LGBTQ+ Pride watch party and guided discussion about Pride in 2021, allyship, and Pride at work

# Leading Through Conscious Inclusion Training

At NEPC, we believe developing leadership skills within our workforce positions us to serve the needs of clients better. Our clients reflect the rich diversity of geographies, sectors, genders, ethnicities and physical abilities that one finds in many communities. At the intersection of leadership development and diversity, we championed the rollout of *Leading Through Conscious Inclusion* to hone the cultural dexterity necessary to engage not only with our clients but also our colleagues.

Led by Performance Paradigm, the Leading Through Conscious Inclusion live virtual training sessions brought together leaders at all levels of the organization. We focused on moving leaders beyond awareness of the theoretical definitions of bias to building practical skills about how to think, act and decide with conscious inclusion at the forefront of our minds.

We recognize leaders must learn these skills to tackle challenges facing our increasingly

diverse firm and clients. These intensive sessions introduced the R.I.C.H. Dialogues™ framework, a type of communication that accelerates relationship management by acknowledging and exploring variations in points of view around race, identity, culture and heritage. We believe everyone at NEPC plays a critical role as a culture carrier to create a more inclusive environment. Through this training, we empowered leaders to seek out opportunities for deeper dialogue and to intentionally focus on fostering a sense of belonging for everyone. Our leaders voiced their feedback to delve more deeply into the R.I.C.H. Dialogues framework, so we are offering new sessions throughout the year. **We stand proud of our strides towards achieving a consciously inclusive organization and ready to demonstrate how leaders can embody these behaviors.**



*At NEPC, we believe that inclusion is a skill. It's not enough just to talk about inclusion, define it, measure it. We want to build the necessary skills throughout the organization, to create a truly inclusive and equitable culture that values every individual. The conscious inclusion training and R.I.C.H. Dialogues workshops are part of our strategy to build these skills.*

Devan Dewey, Principal,  
Co-Chair, Diversity Equity and Inclusion Network



# Inclusion is a Skill

*To build employee skills that promote an inclusive and equitable culture that values every individual and enables them to achieve the highest level of performance.*

On April 7, 2021, as part of NEPC's Day of Understanding, the DEIN hosted a dynamic panel discussion on allyship. Award-winning author, entrepreneur & innovator Misti Burmeister hosted a panel of leading NEPC voices to explore allyship and its impact on a culture of inclusion. Employees Kim Kaczor, Brian Parnell, and Neil Sheth shared their stories and discussed their challenges. The event provided real-world examples of how allyship can be demonstrated and under-

scored how curiosity can cultivate greater understanding among individuals and groups with diverse backgrounds and experiences. Attendees gained a better understanding of the meaning, context, opportunities, and benefits of allyship in the workplace and in society at large, and were encouraged to understand their own personal privileges, be curious about differences, and become proactive allies.



Misti Burmeister,  
Author, Speaker and Coach

NETWORK  
INCLUSION  
EQUITY  
DIVERSITY

## INCLUSION IS A SKILL

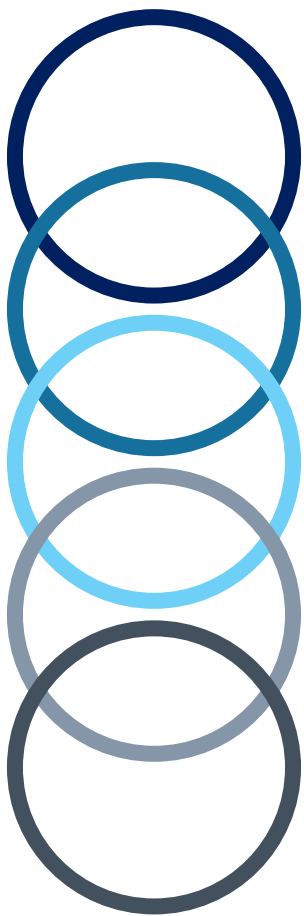
DIVERSITY  
EQUITY  
INCLUSION  
NETWORK



# R.I.C.H. Dialogues Small Group Sessions

In October 2021, we launched the R.I.C.H. Dialogues small group sessions, a series of workshops that continues in 2022. The DEIN leveraged 2020's Leadership with Conscious Inclusion to develop a hands-on workshop to equip employees with tools to engage in meaningful dialogue and face multi-faceted discussions on gender, race and cultures with authenticity, empathy and perspective. The R.I.C.H. (Race, Identity, Culture, Heritage) Dialogues framework provides a model for

engaging in challenging conversations. The workshop introduces the concept, provides examples, and then incorporates hands-on, skills-based training with real-world scenarios to allow participants to apply the R.I.C.H. Dialogues framework in a safe environment. Employees can use these skills to further expand our inclusive workplace environment. In 2022, we are expanding the program to offer training to more employees.



**CONSIDER** – Reflect on the topic and your own point of view. Explore the origins of your perspective and take responsibility for your biases and emotions.

**ENGAGE** – Be present, mindful and focused totally on the humans you are talking to. As you dialogue, be empathetic and demonstrate you genuinely care about each other and the outcome. Listen.

**COMMIT** – Show commitment by honoring diverse perspectives and gaining clarity on any social contracts moving forward. Acknowledge learnings discovered and commit to engaging in future interactions.

**CALIBRATE** – Take time to process by aligning your mindset and behaviors, calibrated against the lived experiences of others. Honesty is key to managing your potential new truth as you focus on moving forward.

**EXPAND** – Flex your ability to understand other views and lived experiences. View perspectives through a wider human-centered lens and expand your comfort zone.

# Women's Leadership Forum

## Scope of the Women's Leadership Forum

The mission of the Women's Leadership Forum is to increase visibility and opportunities for women throughout NEPC by influencing policies and practices that drive gender equality. We aim to attract, retain and engage women at all stages of their career through training, mentoring and networking so that NEPC become an industry leader in gender diversity.

## 2021 Accomplishments

- New Allyship Program focusing on Men as Allies
  - 22 Sponsors and 35 proteges participated
  - 2 motivating book club sessions
  - Communication Skills for Women in Financial Services
  - Mock presentations
  - Perfecting your Elevator Pitch
  - 1:1 Relationships
- Gender bias training for leadership and managers by Lori Mackenzie from Stanford University
- Unique 6-week Health Series with certified health coach Elizabeth Erna

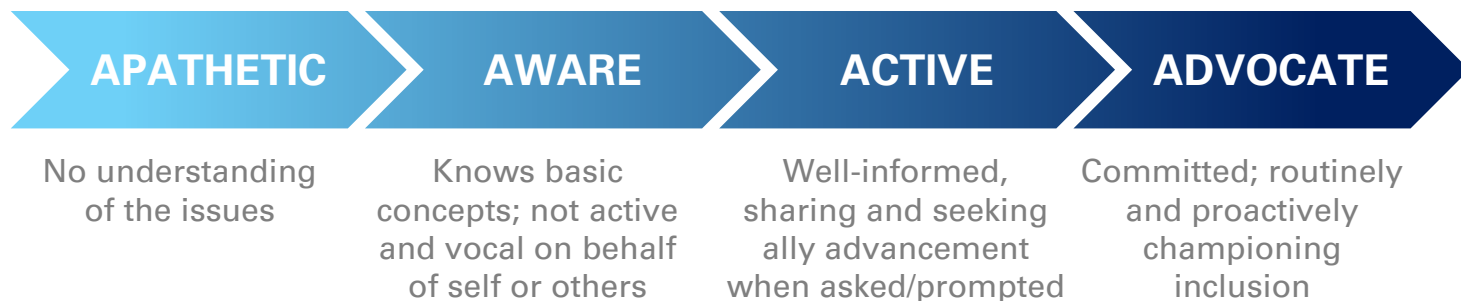


*It is an honor to co-lead the Women's Leadership Forum at NEPC. Over the past year, we have seen the makeup of the Forum and the objectives shift to be more inclusive by involving men and introducing philanthropic goals. Additionally, the new Allyship program built an active platform to create advocacy and build genuine relationships. As we look forward, the Forum will continue to build on our past successes in conjunction with our Diversity, Equity and Inclusion Board, as well as the entire leadership team.*

Margaret C. Belmondo, Partner,  
Co-Chair, Women's Leadership Forum

# Allyship Program

## ALLY CONTINUUM



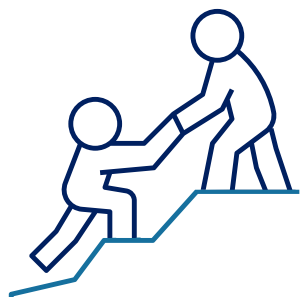
### ALLY

Seeking to understand perspectives other than your own



### MENTOR

Providing Advice



### SPONSOR

Taking an active role in aiding someone's career progression



# Diverse Manager Committee

## Scope of the DMC

The purpose of the Diverse Manager Committee is to collaborate with NEPC Research to identify and engage with highly-qualified diverse-owned and diverse-led asset management firms who can best fulfill the goals, risk parameters and financial objectives of our clients. The DMC can also assist clients in building Diverse Manager Programs or otherwise integrating diverse managers into their portfolios.

## 2021 Accomplishments

- Partnered with Research to exceed our 10% target to diverse managers across our public markets Focus Placement List
- Collaborated with Research to successfully launch the Explorer platform which included the rating of 17 new diverse strategies
- Hosted annual Equitable Manager Participation Day that engaged with more than 100 diverse firms
- Concluded beta-testing of our groundbreaking work on providing clients a systematic way to rate diversity across their investment managers

# Cultural Enrichment Group

## Scope of the CEG

The Cultural Enrichment Group strives to promote understanding and appreciation of underrepresented cultures. Programs bring attention to the variety of lived experiences represented within NEPC through engaging events and discussion. Exposure to various cultures can grant different perspectives to better approach clients and work together. Aligned with the mission and values of NEPC, the CEG will support company culture and promote diversity and inclusion.

## 2021 Accomplishments

- Book club discussion of *The Vanishing Half* by Brit Bennett in recognition of Black History Month
- Hosted virtual trivia for the 2021 Week of Understanding. Trivia covered history, food, NEPC facts, and other items of interest related to diversity and inclusion within the organization
- Co-hosted the DEIN “LGBTQ+ Pride Watch Party and Discussion” where we watched a TEDx Talk, “What it’s like to be a transgender dad” with LB Hannahs:  
[https://www.ted.com/talks/lb\\_hannahs\\_what\\_it\\_s\\_like\\_to\\_be\\_a\\_transgender\\_dad](https://www.ted.com/talks/lb_hannahs_what_it_s_like_to_be_a_transgender_dad)

# Black Employee Resource Group

## Scope of the BERG

NEPC's Black Employee Resource Group is a voluntary, employee-led collective of individuals that seek to improve the equity and inclusion of Black employees and other individuals of color throughout NEPC and beyond.

## 2021 Accomplishments

- Launched first BERG meeting for Black History Month with membership open to all interested employees
- Branded BERG with participation and feedback from growing membership pool
- Hosted The Destruction of Black Wall Street - 100<sup>th</sup> Year Anniversary Event (featuring external speaker Gail Perry-Mason)
- Cultivated BERG participation via TEAMS channel communication





# MARKETPLACE

ENGAGEMENT WITH CLIENTS,  
MANAGERS AND COMMUNITY

**We continue to push the industry  
forward with diverse manager policy,  
proprietary diversity scoring, and robust  
underwriting of diverse managers**



# Client Engagement Activities in 2021

- Approximately 59% of NEPC clients use diverse managers in their portfolios and we assist several dozen clients in maintaining Diverse Manager or Emerging Manager policies
- Conducted numerous manager searches that included diverse managers across our client base
- NEPC began planning DEI National Summit to be hosted by Investment Diversity Council (IDAC) in September
- Participated in one-on-one meetings with diverse managers at several client-sponsored conferences
- Testified on DEI at Illinois Legislative Hearings alongside Chicago-based Public Fund client
- Provided board education and assisted with program design and manager implementation for a number of clients across client types
- Worked alongside NEPC's Impact Investing Committee to develop Investment Policy Statement language and worked with several Endowment & Foundation and Healthcare clients to incorporate policy language around their commitment to DEI and ESG
- Assessed the portfolio of another Foundation client, with an eye toward diverse ownership and leadership of its investment partners
- Composed an "inventory" of our diverse manager utilization across our Healthcare clients
- Responded to numerous requests for information regarding diverse managers or DEI at NEPC

# Case Study: The Denver Foundation

## Partnering with Clients on Mission-Driven Mandates



The Denver Foundation (TDF) is a community-focused nonprofit that seeks to strengthen the Denver area by reducing racial disparities and promoting more racially diverse leadership. TDF is a high-energy organization that is determined to challenge old ways of thinking. What they needed was a partner who could put their capital to work to seed new opportunities that transform their community and the wider investment industry.

NEPC began a partnership with TDF in 2020, embracing the opportunity to commit resources and creativity toward racial equity strategies. As we considered solutions for TDF, we decided it would be wise to incorporate additional partners that had specific expertise to suit TDF's

mission. Beginning with an existing preferred manager in Xponance (who is known for customized mandates), we also reached out to As You Sow, an industry leader in tracking proxy voting, diversity information, and other ESG data. As You Sow had recently released DEI data on many of the largest U.S. corporations. Brainstorming among the three firms led to the creation of a new investment product using the As You Sow data.

TDF provided input along the way and ultimately seeded the product as its first investor. This is a great example of a successful collaboration that will impact not just TDF, but the entire investment industry.



The Denver Foundation

*In choosing to work with NEPC, TDF has picked an investment consultant that understands the importance of diversity, equity, and inclusion, that has an internal commitment to this, and that seeks out diverse asset managers, both in terms of the individuals building investment portfolios and the owners of the firms that employ them.*

Daniel Lee, Chief Financial Officer, The Denver Foundation

Read more about NEPC's partnership with The Denver Foundation here:

**[The Denver Foundation: Aligning Mission with Vision](#)**



# How NEPC Defines and Tracks Diverse Exposure

Consistent with industry trends, we source both diverse-owned and diverse-led firms/strategies. We've enhanced our ability to track and report our diverse exposure in two ways:

**Diversity Tags:** *tag a firm as diverse-owned or diverse-led*

**Diversity Identifiers:** *choose from a list of underrepresented groups to identify the way in which a firm qualifies as being diverse*

## DIVERSE-OWNED

A firm that's at least  
**50% owned** by an  
**underrepresented group**

## DIVERSE-LED (Significantly Diverse)

A firm that's  
**33%- to- 50%-owned** by an  
**underrepresented group**

## UNDERREPRESENTED GROUPS

- Black/African American
- Hispanic/Latinx
- Asian/Pacific Islander
- American Indian/Alaskan Native
- Women
- Disabled Persons
- Veteran
- LGBTQ+






*As our roster of high conviction diverse-owned and –led firms continues to expand, we are now focused on meaningful ways for these firms to be included in client portfolios and our own OCIO accounts. Expanding our relationships with diverse firms is critical to our success moving forward.*

Will Forde, Partner,  
Co-Chair, Diverse Manager Committee

# 2021 Progress Toward Diverse Manager Policy 2.0 Goals

The Diverse Manager Committee is responsible for overseeing diverse manager engagement across the firm. 2019 marked the launch of our Diverse Manager Policy. **Our Diverse Manager Policy focused on several goals and we are happy to report that we have successfully completed all.**

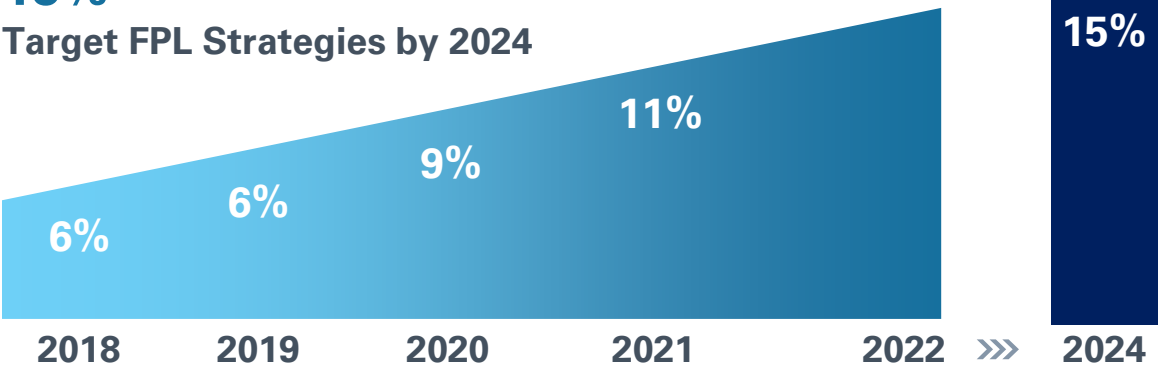
DMC GOAL/ INITIATIVE	STATUS	COMMENTS
<b>10% target</b> to diverse firms on public mkt. FPL <b>by YE 2021</b>	 <i>Completed</i>	10% of our recommended strategies are represented by diverse firms
Conducted <b>390 interactions</b> with diverse firms in 2020/2021 (more than 3x the interactions in 2019)	 <i>Completed</i>	Over the last two years we have surpassed our goal on manager interactions, completing a total of 390 meetings with diverse firms
Increase <b>quality of data</b> related to diverse manager exposure	 <i>Completed</i>	New enhancements to help us to better identify and track diverse firms

# NEPC's Diverse Manager Policy: 2022

## Public Markets

**15%**

Target FPL Strategies by 2024



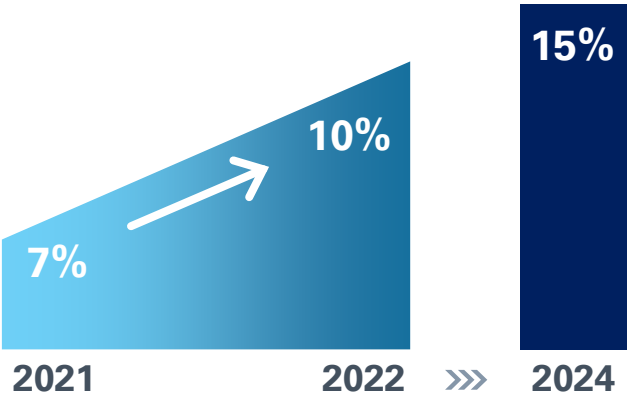
## OCIO

**10%**

Target Exposure for OCIO accounts by 2022

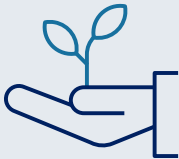
**15%**

Target Exposure for OCIO accounts by 2024



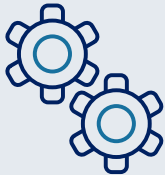
### Transparency

NEPC will publish an **annual DEI report** disclosing progress on its DEI efforts and targets



### Equitable Representation

NEPC is committed to **including a diverse manager in each search** where an appropriate manager is available



### New Pathways

NEPC's new **Explorer Program** provides an alternative way for diverse managers to engage with Research and receive a formal rating



# Diverse Manager Metrics Client Exposure

## How do we define a diverse firm?

### DIVERSE-OWNED FIRM

A firm with **>50% ownership** by underrepresented persons<sup>1</sup>

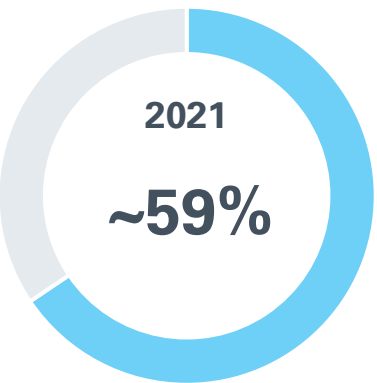
### DIVERSE-LED FIRM

(Significantly Diverse)

A firm with **33% to 50% ownership** by underrepresented persons<sup>1</sup>

## What's our client exposure to diverse firms<sup>1</sup>?

Percentage of NEPC clients who **utilize Diverse Manager(s)**<sup>2</sup>



Amount of client assets with Diverse Firms<sup>2</sup>



2021

Number of client strategies managed by Diverse Firms<sup>2</sup>



2021

## How are clients using diverse firms?

**Leveraging our 1- and 2- ratings:** additional flexibility for clients and consultants

**Explorer Program:** we have 17 additional diverse strategies representing a variety of asset classes on our platform

<sup>1</sup> NEPC recognizes U.S. domiciled firms able to certify ownership by persons identifying with following underrepresented groups: Black/African-American; Hispanic/Latinx; Asian/Pacific Islander; Native American/Alaskan Native; Women; Disabled Persons; Veterans; LGBTQ

<sup>2</sup> As of 12/31/2021

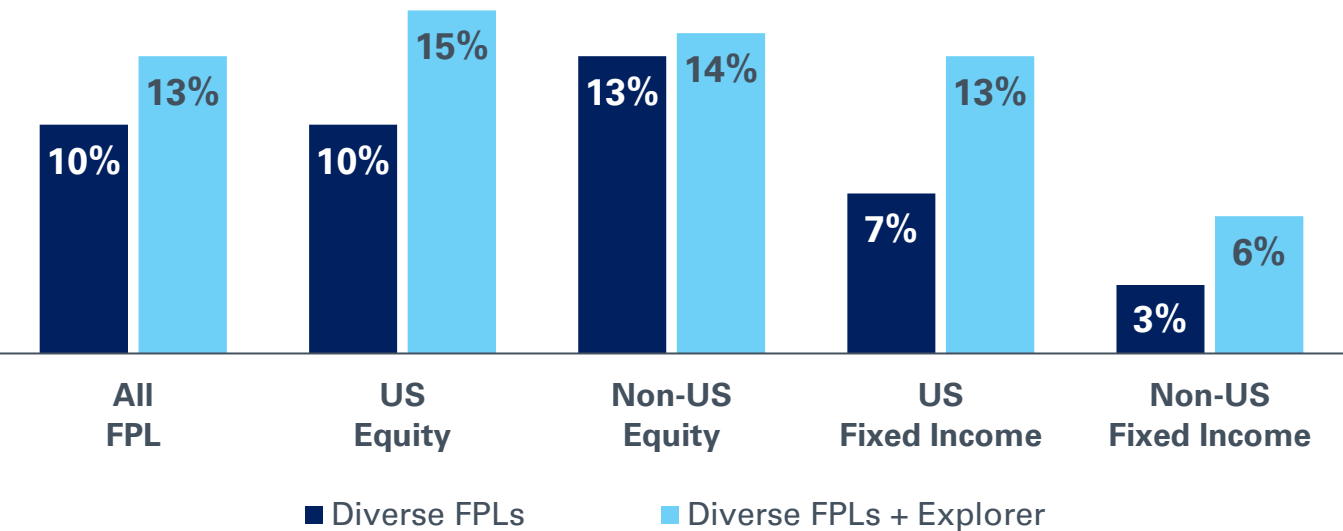
# Explorer Program

The goal of the program is to identify, engage with, and rate diverse-owned and -led firms of high conviction who are not currently 1- or 2-rated

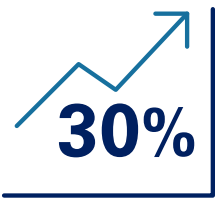


**Sourcing, vetting, and diligence of strategies on the Explorer program is exactly the same as our FPL strategies – fully vetted by our Due Diligence & Alternative Asset Committees**

## Diverse Manager Exposure by Asset Class

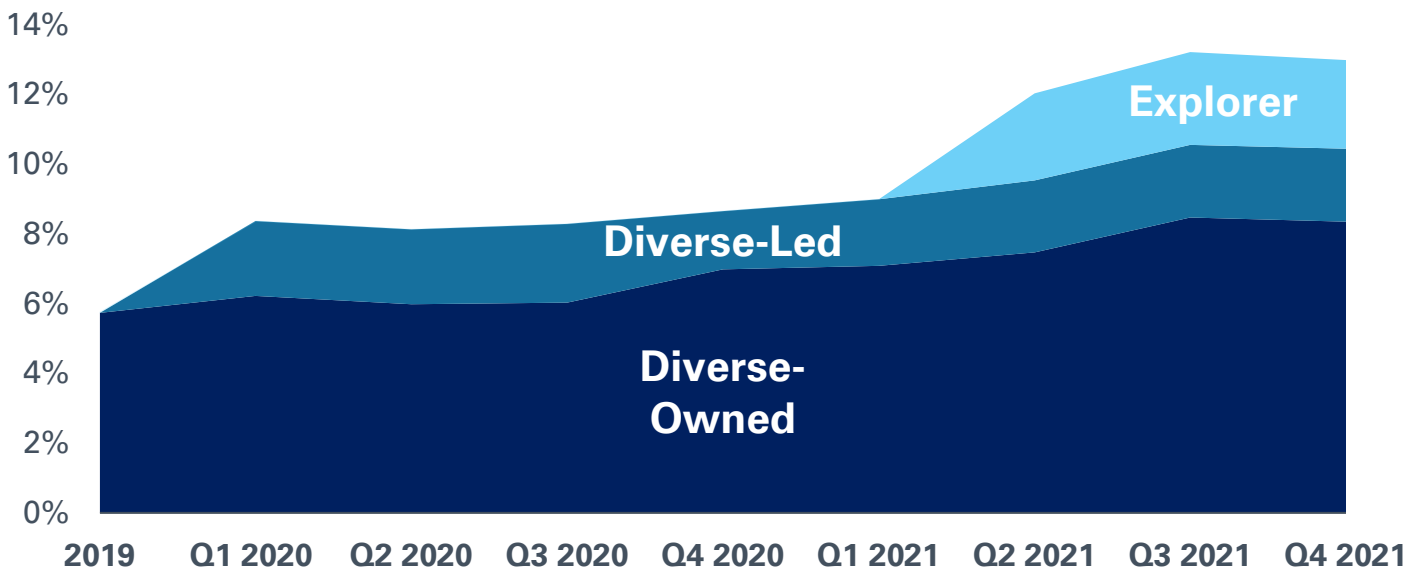


**Vetted diverse managers  
has increased nearly**

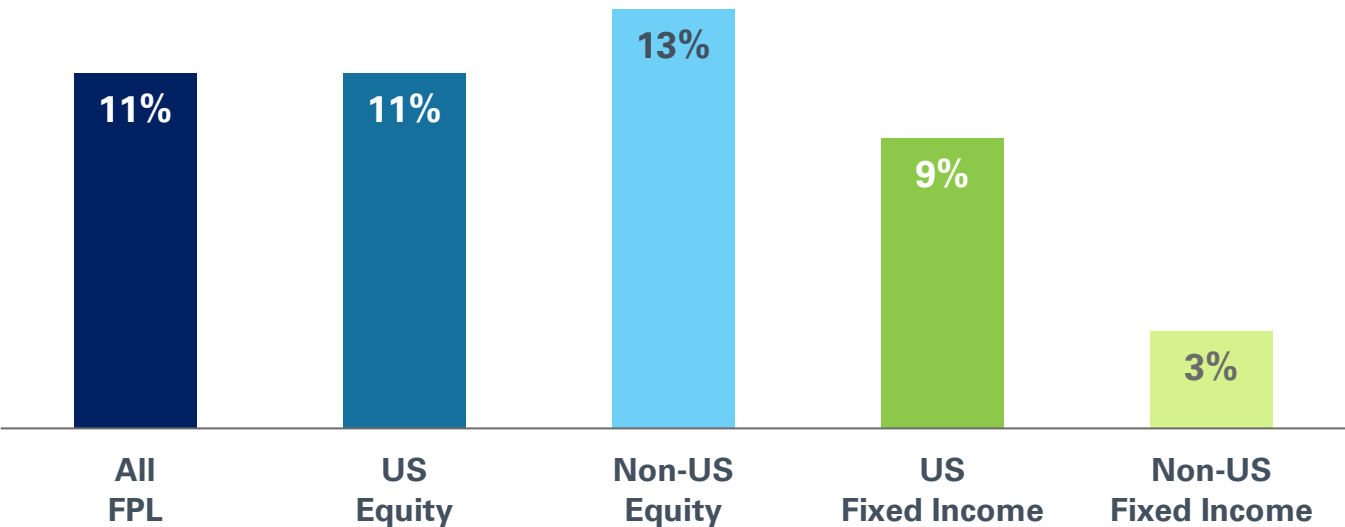


# Diverse Manager Exposure

## FPL and Explorer Exposure (Public Markets)



## FPL Exposure (Public Markets)



\*The above includes 1- and 2-rated as well as Explorer diverse-owned and -led managers

\*\*Diverse-led managers were not formally tracked prior to 2020

As of December 2021



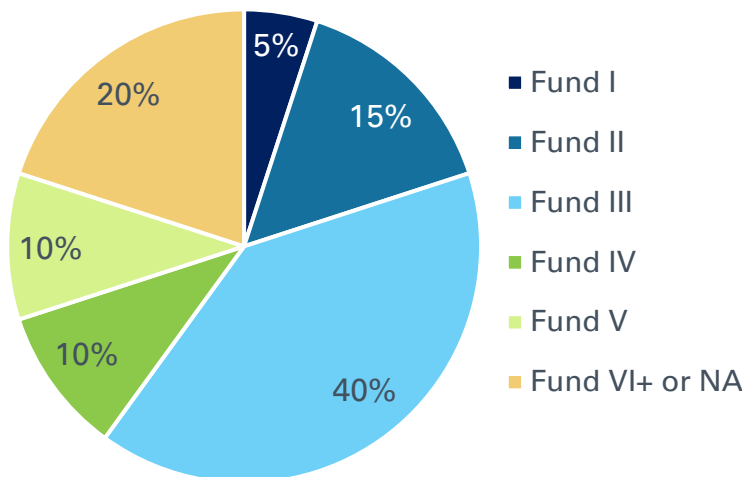
# Private Market Managers

In 2021 NEPC underwrote 8 funds that were either managed by diverse-owned and diverse-led General Partners or were focused on diversity-lens investments.

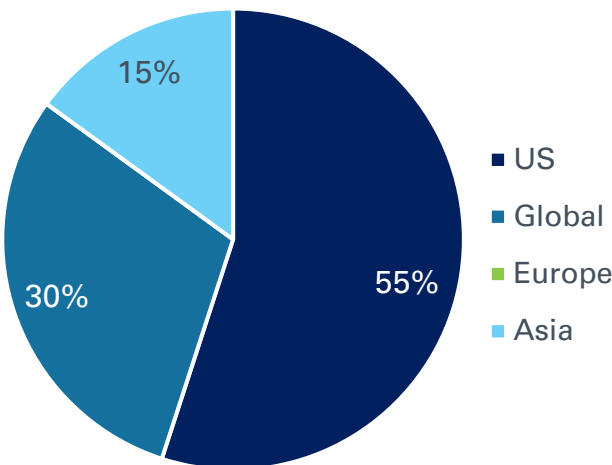
Because of the limited time window when private market strategies are in fundraising mode, the NEPC Diverse Manager Committee disseminates the “Managers in the Market” list published by the National Association of Investment Companies (NAIC) to our Research Teams for quarterly review.

## Broad Exposure of Strategies

Fund Number Exposure



Geographic Focus



# Engagement with the Communities We Serve

## Girls Who Invest

NEPC Partner and Head of Investment Manager Research Sarah Samuels is an Advisory Board member at Girls Who Invest, a non-profit organization dedicated to increasing the number of women in portfolio management and executive leadership in the asset management industry. Sarah Samuels also serves as a mentor for the program, along with fellow NEPC Partners Cathy Konicki, Krissy Pelletier, and Kristin Reynolds.



## NASP FAST Track Program

NEPC was a sponsor of the NASP Southern California Chapter "Day of Private Equity Education," which raises funds for the NASP SoCal FAST Track Program. This program supports the college education of underserved students at the Crenshaw High School Business Academy. NEPC Partner Sam Austin, who founded the first NASP FAST Track program in NYC in 1995, was asked to lead the 2022 launch of a new FAST Track Program for NASP NorCal, supporting Mission High School in San Francisco.



## Neighborhood Youth Association

NEPC was a sponsor of the Investors in Education event, which raises money for the Neighborhood Youth Association. NYA's after school program provides urban youth in Los Angeles with targeted, individualized academic support and empowers students to achieve 100% college placement.



## Toigo Foundation

For several years, NEPC has partnered with the Toigo Foundation, which is focused on fostering the career advancement and increasing the leadership of underrepresented talent throughout the finance industry. Our partners, employees and clients have attended the annual gala, a capstone event to celebrate Toigo's achievements and network with a diverse group of industry leaders. Our recruiting team has tapped Toigo's strong alumni network and MBA fellowship program as a pipeline for talent. We also collaborated to provide industry insights on "Investing in the New Normal," highlighting the evolution of capital markets in the midst of the pandemic and the finance industry's efforts to embrace diversity and inclusion.



## Tulsa Centennial Commission

NEPC was invited to speak at Economic Empowerment Day sponsored by Tulsa Centennial Commission in memorializing victims of 1921 Greenwood Race Massacre



## Year-Up Program

We have an ongoing relationship with YearUp, an organization that focuses on empowering urban talent to reach their full potential. Many of our partners and senior managers mentor YearUp students, get involved in mock interviews and job preparation workshops, and participate in fundraisers. We have further demonstrated our support for YearUp by hiring a YearUp intern every 6 months since 2014. We have hired several of those interns once their program was completed.



# Engagement with the Investment Industry

## **NEPC engaged in DEI conversations at the following industry forums in 2021**

GCM Grosvenor Consortium

GCM Grosvenor Small and Emerging Manager Conference

Investment Diversity Advisory Council

NAA Dealmakers Forum

NASP Annual Pension & Financial Services Conference

NEPC Client Conference

NEPC Equitable Manager Participation Day

New York State Insurance Fund Emerging Manager & MWBE Conference

SACRS Conference

Texas Emerging Manager Conference

## NEPC in the News

**Alternatives Watch:** [NEPC targets diverse managers via renewed research focus](#)

**Business Wire:** [NEPC Unveils Program to Identify, Support Diverse-Owned and -Led Managers](#)

**Emerging Manager Monthly:** [NEPC Sees Diversity Growth Following Policy Adoption](#)

**FIN News:** [NEPC Launches Program To Support Diverse Mgrs.](#)

**Fund Fire:** [NEPC Releases More Data on Staff and Manager Roster Diversity](#)

**Institutional Investor:** [Detailed Diversity is Hard to Find. Xponance Has a Solution.](#)

**Institutional Investor:** [NEPC Divulges 'the Good, the Bad, and the Ugly' in Diversity Report Card](#)

**NEPC Release:** [NEPC Publishes 1st Annual Diversity, Equity and Inclusion Progress Report in a Push for Radical Transparency and Accountability in Investment Industry](#)



# What's Next?



## Major Expansions of NEPC's Industry Leadership on DEI

### IDAC National Summit on DEI

Investment Diversity Advisory Council (IDAC) will host a National Summit on DEI on September 14, 2022 in Atlanta. The purpose is for allocators, managers, consultants, academics and industry organizations to collectively make a statement that taking practical steps on DEI to broaden and deepen the pool of talent is critical to our industry's ability to meet the financial objectives of our stakeholders.

### Roundtable Discussions on DEI

NEPC, in collaboration with like-minded allocators and managers, is staging regional roundtables around the U.S. to discuss DEI as a Driver of Excellence.

### NEPC's Proprietary DEI Ratings

NEPC has successfully concluded beta testing of the firm's proprietary DEI ratings. These ratings move beyond simply evaluating ownership diversity of managers to also examine DEI in the workforce, portfolio management, governance, policies, and community impact.



# Disclaimers and Disclosures

Past performance is no guarantee of future results.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

The information in this report has been obtained from sources NEPC believes to be reliable. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.

The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.



# 2021 DEI Progress Report

[www.NEPC.com](http://www.NEPC.com)

