27four DEI Index Framework

Objective

The 27four DEI Index aims to measure, benchmark, and promote DEI within the South African asset management industry. By evaluating firms against a set of well-defined criteria, the Index encourages the adoption of DEI best practices and fosters meaningful transformation across the sector. It provides a standardised framework for asset managers to assess their DEI performance, while also serving as a tool for investors to screen asset managers on DEI criteria. With growing evidence that diverse teams deliver superior financial performance, the importance of DEI is increasingly recognised as both a social and economic imperative.

Alignment with Global Standards

Designed with South Africa in mind, the Index takes into account the local environment and practices while aligning with internationally recognised frameworks, such as the 2X Challenge[1], to ensure its relevance and applicability both locally and globally.

Framework

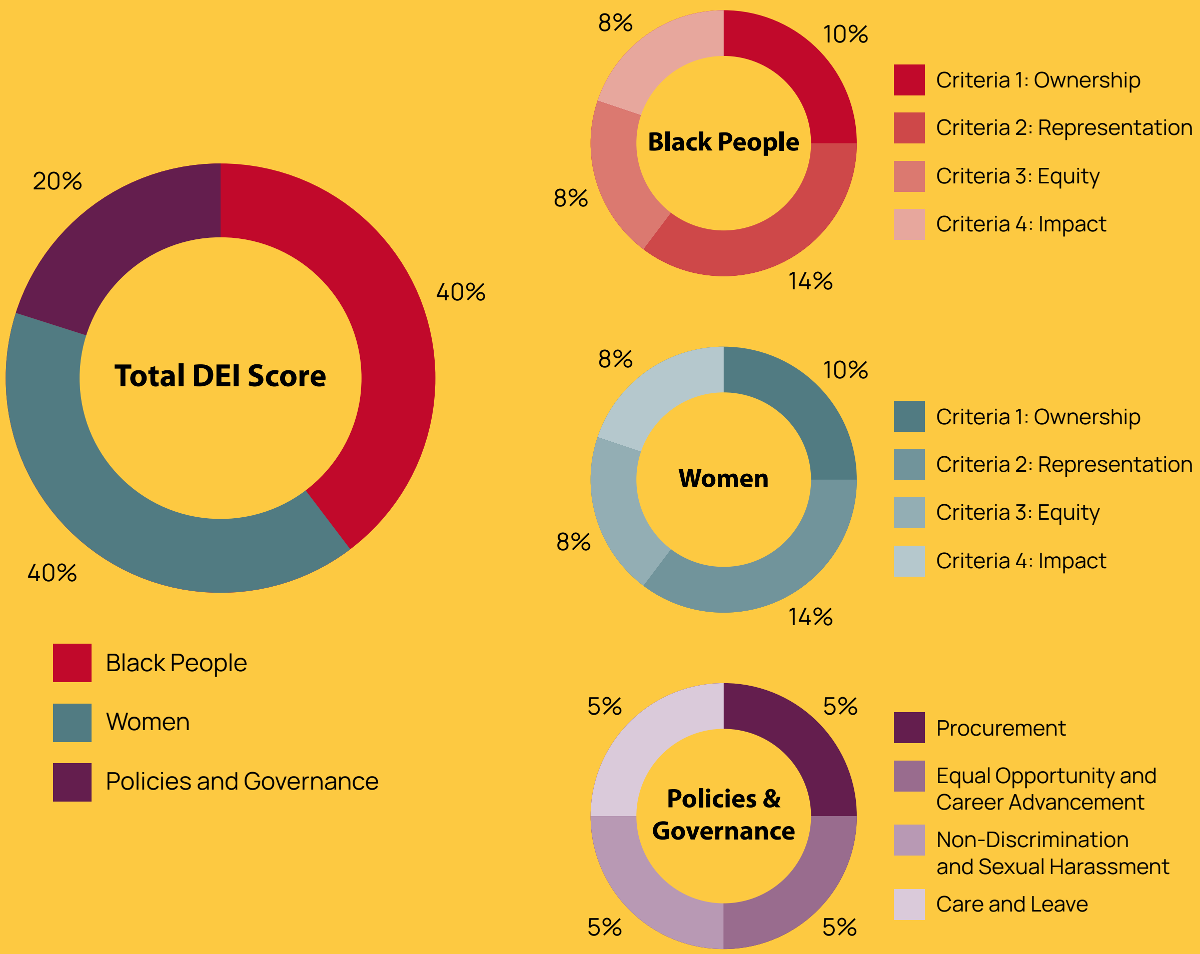
The Index is structured to address five key dimensions of DEI:

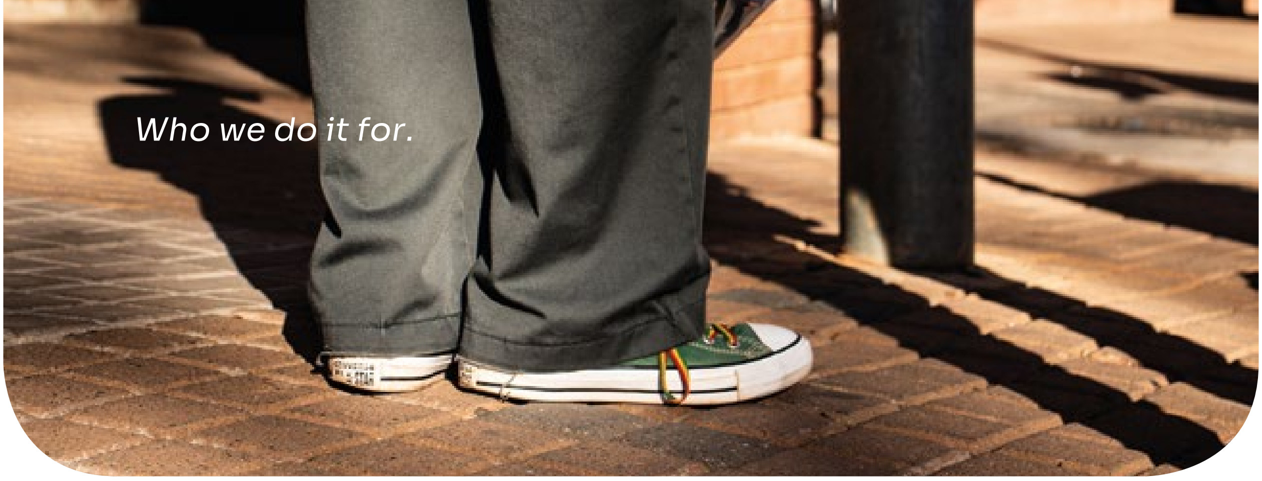
1. **OWNERSHIP:** This criterion ensures that historically marginalised groups have a meaningful economic stake in the sector, thereby promoting broader economic inclusion.
2. **REPRESENTATION:** Focused on leadership diversity, this criterion evaluates the presence of black people and women in key roles, including the board of directors, C-suite, and key investment decision-makers. It ensures that diverse perspectives are represented at the highest levels of decision-making.
3. **EQUITY:** This criterion promotes equal compensation, career progression, and the retention and hiring of black people and women, fostering an environment where all employees have equal opportunities to succeed and thrive.
4. **IMPACT:** This criterion encourages active stewardship by addressing racial and gender disparities through proxy voting and direct engagement with portfolio companies, including investing in companies whose business activities enhance the well-being of black people, women, and girls in the economy. This criterion also promotes diversity within portfolio management teams.
5. **POLICIES AND GOVERNANCE:** This criterion requires firms to implement robust policies that promote equity in supply chain procurement, integrate DEI metrics into executive performance evaluations, provide clear career progression guidelines, commit to pay equity, uphold fair recruitment and retention practices, enforce stringent sexual harassment policies, and prohibit discrimination based on disability, gender, race, ethnicity, political affiliation, religion, or sexual orientation.

[1] *https://www.2xchallenge.org/*

Scoring Methodology

The scoring methodology provides a transparent framework for assessing and benchmarking DEI performance. Each criterion is weighted, contributing to a total score of 100%, which represents the highest possible achievement. The DEI scores for black people and women each contribute 40% to the overall score, while policies and governance account for the remaining 20%. Within some criteria, sub-categories collectively determine the score for that criterion. Specifically, for policies and governance, firms are required to submit supporting evidence, which is reviewed and scored. This structured approach ensures a balanced evaluation by reflecting both the quantitative and qualitative aspects of DEI.





Sub-Categories

Each category is sub-divided into sub-categories and scored.

Criteria	Sub-Criteria
Criteria 1: Ownership	Levels of ownership are evaluated
Criteria 2: Representation	Four sub-criteria are evaluated: a. Leadership: Chair, CEO and CIO b. Board of Directors c. Portfolio Managers/Carry Participants d. Analysts
Criteria 3: Equity	Four sub-criteria are evaluated: a. Pay Parity b. Promotions in the Last Year c. Leavers in the Last Year d. Joiners in the Last Year
Criteria 4: Impact	Two sub-criteria are evaluated: a. Stewardship Activities to Advance DEI b. AUM Managed by Diverse Teams
Criteria 5: Policies and Governance	Four sub-criteria are evaluated: a. Procurement b. Equal Opportunity and Career Advancement c. Non-Discrimination and Sexual Harassment d. Care and Leave

Connect With Us

The 27four DEI Index is designed to be a catalyst for positive change within the South African asset management industry. By offering a clear, actionable framework, it aims to inspire firms to integrate DEI principles into their core practices. The Index is intended to be widely adopted, becoming a cornerstone in the collective effort to build a more inclusive and equitable industry that reflects the diversity of the society it serves.

We invite market participants to connect with us to explore how the Index can enhance your DEI efforts, and we look forward to collective engagements on driving meaningful impact across the sector.