



CLIENT SUMMIT
JUNE 24, 2021

RFP DISCUSSION NOTES

Responding to DEI/ESG Questions

A growing number of requests for proposals (RFPs) now include questions about diversity, equity and inclusion (DEI) practices, as well as environmental, social and governance (ESG) factors. At PurcellCom's most recent Industry Summit, we hosted a group of RFP professionals from some of the top asset management firms and leading wealth managers to discuss how they are responding to these questions, the challenges they are encountering and the trending interest in DEI and ESG among prospects.

Below are some essential highlights from the summit discussion as well as some comments from our own experience. Based on our own work with RFP content, here are the most important things we heard:

- **Interest is growing – fast.** We are still in the early stages of prospects focusing on these issues, but interest in DEI and ESG is here to stay and will continue to build.
- **These questions need robust responses.** Although some prospects may just be checking a box when asking DEI and ESG questions, others are keenly focused and paying close attention to the answers. It's important to have robust DEI and ESG responses ready for every prospect.
- **Investigate new sources of inputs.** Having good answers means building relationships and accessing new information. Many companies now have a dedicated ESG investment team responsible for ESG strategies and processes; others have a separate team responsible for voting proxies and corporate engagements. On the DEI front, you can reach out to a diversity lead such as a chief diversity officer, if one exists. Human Resources' input is often needed for demographic metrics.

DEI Essentials From Summit Participants

- Diversity questions are becoming especially more common in quarterly updates and due diligence questionnaires. Prospects want to know what companies are doing to promote DEI, how they're doing it, and what kind of data they have to support their claims.
- Many DEI questions are focused on your firm's demographic breakdowns, which presents several challenges. Sometimes Human Resource departments prefer not to disclose demographic information, citing privacy concerns. Even if you have usable data, sometimes it's better to focus answers on your firm's diversity intentions.

When discussing diversity on your team, think broadly – you can discuss recruiting efforts, employee resource groups, mentorship programs, and retention efforts. But back up your claims with measurements.

- Back up your claims with measurable goals and progress, as well as the resources you are creating to encourage and support diversity. For example, many companies have employee resource groups or mentorship programs for specific groups of employees and their allies, led by an executive sponsor.
- Hiring and recruiting are an important part of the diversity story as well. Other efforts to enhance diversity might include recruitment programs from historically black universities and colleges and internal hiring through retention and promotions.

ESG Essentials from Summit Participants

- Right now, ESG questions are mostly general. But prospects are asking for more information about the specific ESG factors your firm looks at — what data do you use and how do you use it? They're also looking at how nonfinancial analysis partners with financial analysis.
- Impact investing is a growing area of interest, but not everyone knows the difference between ESG and impact. As such, there is a significant need for education among both prospects and RFP respondents.
- In many cases, companies are rapidly implementing new ESG products and systems and trying to figure out how to tell their ESG story as they go. Explaining what they are trying to accomplish, how they are going about it, and how they are measuring it sometimes results in long, confusing narratives that may sound inauthentic.

ESG information is relatively new and frequently evolving. Our best advice: update your ESG answers frequently to tell a clear, believable, and up-to-date story.

If you –

- Have questions about your own RFP experiences.
- Have insights to share.
- Would like to find out about future Summits.

please email us at kpurcell@purcellcom.com.