



We invest in Diversity, Equity and Inclusion

Good Practices Handbook

Organized by



DIVERSIDADE

INSTITUTO
**LOCO
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BRASIL
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We invest in DE&I

Good Practices Handbook

ORGANIZED BY:

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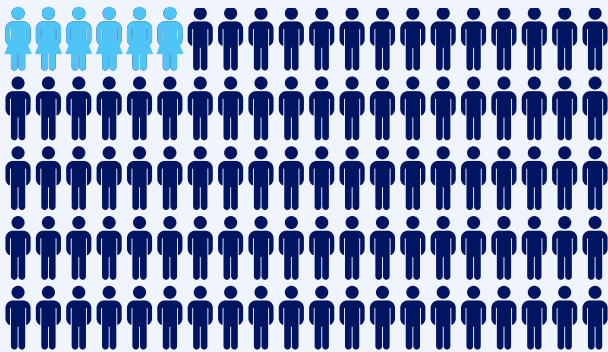
Comply or Explain

A diverse group of business professionals in a meeting. A woman in a blue dress is pointing at a document with a line graph. Other people are looking at the document and talking. The background is a bright office with large windows.

A handbook to help you develop your **DE&I** strategy

In recent years, the debate on the topics of diversity, equity and inclusion in corporations gained new perspectives, as much as within companies as in society and among investors. Although far from being new news, some numbers help to understand how urgent and non-negotiable is the debate. A B3 study shows that out of a group of 100 companies with stock traded in the Brazilian Stock Exchange, only 6 have 3 or more women in statutory management positions, and 61 have no women among this group of executives.

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This data, despite illustrating well the challenges to be overcome, refers only to gender disparity. When looking closely at all different angles of the topic, such as race and sexual orientation, it becomes evident how much we still have to evolve, always having in mind that bringing different people to be part of the social and intellectual capital of a company is strategic, and leverages the business.

A more diverse environment not only impacts performance, as a McKinsey & Company study shows¹, but it also brings intangible gains, such as the strengthening of the culture and purpose, the plurality of ideas and creativity. The sum of these attributes leads to making more informed decisions and the development of more innovative solutions.

¹ McKinsey & Company, [Most diverse companies now more likely than ever to outperform financially](#) (June 2020).

Building and amplifying diversity, equity and inclusion in companies is a complex exercise, and the more we debate and share good practices, the more the market will learn and improve, creating impact in society as a whole. As the foundation of the market, we have to wear two hats on this journey, seeking to consistently implement the best ESG practices (considering the Environment, Social and Governance areas), and also fostering and inducing the adoption of these initiatives throughout the market.

Therefore, this handbook is created within this concept and has the objective of helping Brazilian companies, independently of their size, to evolve in their journeys. Summarizing, our goals with this material are:

- **Strengthen** the agenda of diversity, equity and inclusion (DE&I) in Brazilian companies, clarifying its main benefits and challenges;
- **Leverage** the understanding that cherishing diversity is an ethical imperative that impacts the business. When different perspectives are brought together, companies add new points of view to the creative problem solving, evolve in risk analysis, innovate more and get better results;
- **Share** the trajectory of our own evolution in fostering DE&I, and share the acquired knowledge along the way in order to contribute in building references to companies that seek to pursue a path towards DE&I.

Promoting actions in diversity, equity and inclusion is an urgent and ongoing demand for organizations. We know that companies are at different stages of maturity in that regard. We want to assist everyone on this journey, always based on the different inside realities.



Diversity, Equity and Inclusion: now is the time

What is DE&I?

As we know, diversity, equity and inclusion are not new topics and they have continuously taken up space in public and corporate debates, becoming an urgent and unpostponable agenda. As it refers to an always changing theme, there is the need to strive for contemporary and updated perspectives on it.

This handbook is an invitation to a reflection about the paths to build an effective and systematic DE&I policy.

Shall we begin?

In an uncomplicated way, if we think of the path your company should follow, acknowledging diversity would be the starting point, and inclusion, the final destination where we want to arrive. The route, so important as our starting point and arrival destination, would be encouraging equity. Any initiative with the goal of developing the topic of diversity has to consider these three steps.

But what do each of these concepts mean?

DIVERSITY

In Brazil, in the early 2000s, a public debate began to gain strength when claiming the acknowledgement of identity as an important concept, so important as the debate of social classes, in order to make understood the differences among social groups and their inequalities.

When these debates emerged from social movements and the academia, gaining importance among the most diverse segments of civil society, they became part of a specific topic of interest, known since then as Diversity.

The term diversity refers to a set of social markers of difference that allows social groups to be identified and set apart. These

markers are many and can have more or less importance according to historical or political circumstances. Currently, in our society, the most prevalent social markers of difference when reflecting about diversity in the organizational context are: race/ethnicity, gender/gender identity, sexual orientation, disabilities and age brackets, also referred to as generations (or “gens”, for short).

Differences that make up diversity should not be biased by value judgement, but even so, they are. The attribution of positive values to a specific social group to the detriment of other makes these differences to become inequalities, for example, having different opportunities in education, access to the job market, access to citizenship, among others.

In this context, talking about diversity is acknowledging these social markers of difference and how much attributing values to differences may lead to inequalities for specific groups of the population. This is a process that impacts on society as a whole, including organizations, our focus in this handbook.



EQUITY

When we realize that people and social groups have different characteristics, making them experience journeys that are specific and individual, and at times, imprinted with inequalities, equity becomes crucial.

Equity, in this context, is a set of actions and policies to promote fair and equitable treatment, with the objective of offering the same opportunities to the different groups that comprise diversity.

To debate equity within the corporate context, is to acknowledge the responsibility that organizations have in encouraging development, participation and advancement of individuals belonging to underrepresented groups in their organizational actions and roles, in order to offer the same opportunities to all.

INCLUSION

Once we recognize diversity and the impacts of inequality, it is necessary to reflect on how open and prepared is the corporate world to welcome people who are part of the underrepresented groups working in these corporations, so they all feel safe, have a sense of belonging and are able to achieve their potential.

Processes, policies and practices that foster a healthy environment where differences can coexist constitute the concept of inclusion.

A corporation is diverse when its workforce reflects, in a balanced way, the demographics of the population in which it operates. But this very same organization will only be inclusive when their employees - mainly those who belong to the underrepresented groups - feel safe enough to be at the different spaces and share their thoughts without the concern of being judged, and have the same equitable opportunities for professional growth and advancement in their careers.

Decoding Terminology

Diversity:

Acknowledging differences which many times result in inequality of opportunities

Equity:

Encouraging fair and equitable treatment among the various social groups and individuals, with the objective of providing equal opportunities to all.

Inclusion:

Development of processes, practices and policies that foster social-demographic representativeness and an environment of safety and warmth so different groups can coexist and flourish.

How can the adoption of DE&I strategies change your business?

When we talk about diversity, equity and inclusion, we consequently mean respect, empathy and the acceptance of differences. In organizations, the impact on adopting DE&I practices goes beyond the dimension of interpersonal relations.

Different people bring different formative contexts, worldviews and analytical skills, what contributes to a substantial debate and improvement in organizational climate. A motivated workforce tends to offer more creative contributions, fostering an innovative environment. The result of this equation can be seen in the quality of products and services offered by the company, and in the increase of competitiveness in the market segment it operates.

Fostering DE&I strategic actions is essential for companies seeking to maximize results and competitively positioning themselves in the market. Initiatives such as these

are not an end in themselves but tools to promote workforce/consumers engagement, continuous innovation, more productivity and consequently, greater profits.

Why adopt DE&I practices?

The adoption of DE&I practices in a company tends to be motivated by two broad sets of reasons. The first set has ethics as focus - promoting equal, respectful treatment and being against any type of discrimination and prejudice is a fundamental role of all: individuals and corporations. In an unequal country such as Brazil, debating about social responsibility is necessarily, debating about DE&I.

The second set of reasons is focused on the business itself. DE&I in this scenario becomes an essential management tool, and there is already agreement about the perspective that sees DE&I practices as a competitive edge.

Research studies conducted in the last 12 years, globally and in Brazil, point out many competitive edges that a company that invests in DE&I has when compared to those companies that make no investment. Below is some of this data^{2,3}:



Companies that have more gender diversity in their executive teams are **21% more likely to achieve profitability** above average;



Companies that are more ethnically and culturally diverse are **33% more likely to make more profits** than their competitors;



Companies with little ethnic and gender diversity are likely to make **29% less profits** than their industry peers;



Companies that invest in diversity and inclusion have **employees who are 17% more engaged** in the goals of the organization;



Companies that bring together diversity and inclusion actions are likely to see **fewer inside conflicts**, they increase talent retention, improve organizational climate and create spaces for the development of creativity and innovation.

It is important to point out that ethical motivations and those focused in management and business are not mutually exclusive, on the contrary, they complement one another. Organizations of all sizes and regions throughout the country must get engaged and acknowledge their role in order to advance the debate about equity in the workplace, especially in a country so unequal like Brazil. On one hand, understanding the importance of DE&I in the culture and strategy of corporations also favors investments and the adoption of policies for inclusion and equity that are better aligned to a more sustainable, contemporary and adequate ESG agenda, far beyond what some people consider “just a fad”.

When a company has a **leading role** in the DE&I agenda, there is:

 <p>Good debate</p>	 <p>Improvement in the organizational climate</p>
 <p>A workforce that is motivated and innovative</p>	 <p>Competitiveness in its respective industry</p>
 <p>Understanding of the particularities of groups</p>	 <p>Quality in products and services offered</p>

² Source: McKinsey & Company. A diversidade como alavanca de performance.

³ Source: TAQE. Diversity, Equity & Inclusion in Businesses (e-book).



Diversity dimensions: the social markers of difference

When designing programs and inside policies related to DE&I, it is important to understand what are the social markers of differences that identify and specific to the different groups, so they can advance seamlessly. Next, five main markers most used by DE&I policies in the organizational context: race/ethnicity; gender/gender identity; sexual orientation; disabilities; and age/generation.

Race and ethnicity

Although the majority of the Brazilian population is black (55%⁴) they are underrepresented in certain areas of society, such as public universities, politics or leadership and management positions in companies, just to mention a few examples.

Why is this so?

Brazil, as much as it is a multiethnic country has systemically given the leading role to the white European people throughout its history, and has offered supporting roles to the black population and indigenous people.

In Brazil, slavery of the African population and their descendants lasted for 300 years; we were the last country in the Americas to free them. And when we did it, we limited ourselves to a formal abolition, not adopting any policies to include the former slave in the Brazilian society as a citizen.

On the contrary, right after abolition, the Brazilian government adopted a series of policies and laws that reaffirmed and amplified the exclusion of the black population. The policy of replacing black workers with white people by the means of laws and incentives to the European migration waves in the late 19th and early 20th centuries is a good example; the objective was to increase the white population in Brazil since blacks were already the majority, therefore with time, the nation would become whiter through miscegenation.

The lack of educational policies aimed at the black population and the 1941 Vagrancy Law,

⁴ Source: Instituto Locomotiva based on PNAD (NATIONAL HOUSEHOLD SAMPLE SURVEY) 2021, 16+ population.

criminalizing cultural and social practices of this population are other examples of the exclusion process led by the Brazilian Government; their impacts can still be felt in our society.

The consequence of this historical past is a country deeply marked by racism.

But What is Racism?

Racism refers to a historical and political process of domination that takes place among specific social groups classified according the concept of race. Race is a system for classifying and hierarchizing human beings, and it is characterized by three key characteristics:

Race is a system of **hierarchization** of human beings defined by three key characteristics:

01

Race is always relational; each racial group defines itself only in relation to another racial group. For example, whites define themselves only in relation to blacks, and vice versa

02

Race is always historical; categories used to classify and hierarchize social groups are related to political and historical processes which change along time

03

Race always implies domination; the hierarchization of groups defined by race happens when value judgement takes place, creating at all times dominating groups on one hand, and on the other, the subordinate groups



The idea of race originates within unequal relations, and under this perspective it reflects conflicts and disputes experienced throughout history. To understand the different racist expressions of our daily life we need to understand that it is not an ethical or psychological deviation of a few isolated individuals or groups, but a reflection of structural inequalities in our society.

To better understand this idea, we bring some of the most frequent ways racism takes place in the daily life of companies:

RECREATIONAL RACISM

One of the most common forms of racial discrimination, the idea of recreational racism is linked to the cultural expression of racism, revealing itself through humor grounded on the notion that some underrepresented groups have characteristics that make them intrinsically inferior, thus being associated to caricatural contexts and stereotypes.

INSTITUTIONAL RACISM

These are operational, normative, and systematic mechanisms that organize the internal operations of public and private institutions which, by their very formulation, produce and reproduce the attribution of privileges and prejudices based on the criterion of race. That is to say, institutional racism manifests itself when the logics of how a company operates works enables and perpetuates racial inequality, even if indirectly.

SYSTEMIC RACISM

The operating rationale of corporations, to a large extent, reflects the operating rationale of society itself. When we say systemic racism, we are referring to how social relations - those that organize society, economy and political life - are based on discriminatory assumptions and practices that marginalize black people, making it impossible for them to take leading roles and be equally included in the different environments.

Racism



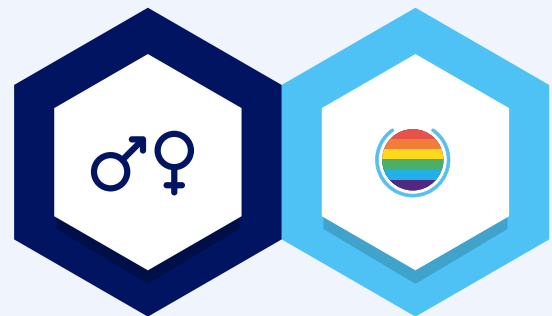
Racism refers to a historical and political process of domination that is established among specific social groups classified according to the concept of race.

Race is a system for classifying and hierarchyzing human beings that can be based in physical characteristics (e.g.: skin color or hair texture), cultural traits, religion, among others

which seek to address inequalities stemming from gender-related matters, we've noticed there is a general tendency to refer to issues that revolve around the inequalities presented among cisgender men and women as "gender issues", or the "gender agenda", while matters pertaining to inequalities experienced by virtue of a person's trans, nonbinary or gender non-conforming identity are commonly associated with LGBTQIA+ issues, alongside matters related to the spectrum of non-heteronormative romantic and/or sexual orientations.

The LGBTQIA+ acronym has been used since the 90's to refer to a community that encompasses sexual orientations and underrepresented gender identities. As other gender identities and sexual orientations were acknowledged, the acronym, which was originally LGB (Lesbians, Gays and Bisexuals), expanded.

To name inequalities among cisgender men and women: "gender agenda"



To name non-normative gender identities and sexual and/or romantic orientations: "LGBTQIA+ agenda"

Gender, gender identity and sexual and/or romantic orientation

Human bodies and their differences are important elements in building identity and indicate one's belonging to different social groups. Beginning with biological differences associated to genitalia, hormones, chromosomes, among others, to sexual and/or romantic orientation, many different elements related to the body have been used to express differences and hierarchize them.

While reviewing the varied approaches that inform DE&I strategies in corporate settings

The expansion of the acronym and the explicit mentions to the different underrepresented groups that make up the LGBTQIA+ spectrum is an answer to the historical demands of the community for more visibility, acceptance and confirmation of their identities. Naming these identities is therefore essential, so we can actively acknowledge their existence, distinguishing them from other experiences for their uniqueness.

When naming the different LGBTQIA+ identities, we give opportunities so other people can see similarities among their sexual and/or romantic experiences and gender expressions. When taking hold of a terminology that can describe these characteristics, they can identify others who share the same diversity markers, fostering a sense of community and enabling a fight for common interests.

Next, we present some of the most addressed categories in DE&I practices in the corporate world, focusing on their specificities and how they are linked to the concepts of gender and sexual and/or romantic orientation.

SEX, GENDER E GENDER IDENTITY

The idea of biological sex classifies individuals in categories that are based in a set of morphophysiological characteristics identified at birth (genitalia, hormones, chromosomes, etc.). In general, three classifications are used to refer to biological sex: female, male and intersex - the latter being used to describe people who at birth, show characteristics that are not exclusively male or female.

In our society, historically, the female and male sexes have been considered the norm, while intersex individuals were deemed "anomalies", which escaped these normative categories. For decades, the medicalization of intersex identities produced various distortions in the form of institutional discrimination, thus victimizing, violating, and mutilating diverse bodies in order to have them conform to a biological binarism.

The term "gender" is a concept that emerged in 70's, strongly influenced by the feminist movement and it aimed at making the differences between the inequalities of the biological dimension (sex) and the social dimension (gender) visible, as they stem from the hierarchization of men and women. It poses a challenge to the idea that this inequality has a purely biological foundation and as such, should be considered natural.

While the morphophysiological and genetic characteristics of the human body are related to biological sex, gender is a social construct, which varies historically and politically, and defines socioeconomic roles to be played by men and women.

The attribution of child and home care as predominantly female tasks, while men should provide for the family, are good examples of how the gender dynamics lead to inequalities that shape our interpersonal relations, as well as the broader market dynamics and work relations. We have another example shared by most people: professions associated to caretaking, such a teaching young kids, nursing and secretarial work, would "naturally" be women's professions, whereas those associated with the use of logical-mathematical reasoning, such as engineering, software development and information systems management, would be dominated by men.



With the advance of gender studies, the concept was broadened to embrace inequalities affecting most of all, the non-normative identities, those that do not belong to the male-female dichotomy. As a result, other gender identities have been recognized, cherishing diverse expressions and experiences.

Currently, cisgender, transgender and non-binary are the most commonly acknowledged gender identities. But what do each of these terms describe?



Cisgender

refers to people who identify with the gender they have been assigned at birth.



Transgender

refers to people who identify with the opposite gender they have been assigned at birth.



Non binary

refers to people whose gender identity and expression cannot be placed in the male/female binarism. It is important to understand this is an “umbrella” term, embracing multiple identities – such as gender fluid, agender and neutrois.

SEXUAL AND/OR ROMANTIC ORIENTATION

Sexual orientation refers to romantic and sexual attraction that individuals feel for each other. The term “orientation” is used to point out that it is not a choice but an involuntary disposition.

The sexual and/or romantic orientation possibilities are many and they do not refer to a closed system, where all expressions have already been named and classified. Next, some of the most addressed orientations under the of DE&I umbrella in the organizational context.

<p>Heterosexual a person who feels romantic and/or sexual attraction for opposite gender individuals;</p>	<p>Homosexual: a person who feels romantic and/or sexual attraction for the same gender individuals, like gays and lesbians;</p>
<p>Bisexual: a person who feels romantic and/or sexual attraction for both, many or all genders;</p>	<p>Pansexual: person who does not correlate their romantic and/or sexual attraction to their partners' gender identity or gender expression;</p>
<p>Queer: terminology used in many languages to refer to people who do not identify with the binary gender standard and believe that labels can restrict the range and the experience of sexuality and gender identity;</p>	<p>Asexual: people with partial, complete or conditional lack of sexual and/or romantic attraction for others.</p>

Gender identity VS. Sexual orientation



Gender identity:
It is how a person relates to the gender they identify with.

Sexual orientation:
It is about the attraction one feels for others, both romantic and sexual.

In Brazil...



Women are 43% of the economically active population (EAP), which characterizes the country's supply of labour for the production of economic goods⁵



7.4% of the population identify themselves with non-heterosexual romantic and/or sexual orientations⁶



3.5% of the population identify themselves as trans and/or non binary⁷

52%
of the population are women



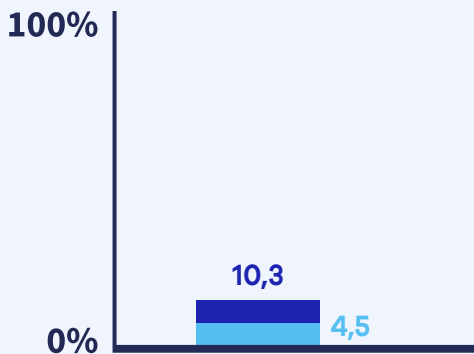
5 Source: Instituto Locomotiva based on PNAD (NATIONAL HOUSEHOLD SAMPLE SURVEY) 2021, 16+ population
6 Source: Datafolha. Survey on Pride (Pesquisa do Orgulho), 2021.
7 Source: Datafolha. Survey on Pride (Pesquisa do Orgulho), 2021.

People with Disabilities

Disability is viewed as any and all characteristics that affect the physical, cognitive, or psychosocial integrity of a person, requiring specific adaptations to enable their locomotion, coordination of movements, communication, understanding, spatial orientation, or perception and contact with other people.

Disabilities are part of the various particularities that make up our identity and should not be perceived as limitations or impediments to the full participation of the person with disabilities in all spheres of social life.

In Brazil...



10.3% of the population has some type of disability



This corresponds to 4.5% of the economically active population⁸

TYPES OF DISABILITIES

There are diverse disabilities and they can be experienced in correlation. The Brazilian Law of Inclusion from 2015 describes people with disabilities as those who have “long-term physical, mental, intellectual or sensory

impairment”. In the organizational context, disabilities more commonly seen are:

Visual disability

characterized by the partial or total loss of the visual acuity in one or both eyes, it ranges from subnormal (or low) vision to blindness according to clinical criteria adopted by World Health Organization (WHO).

Hearing disability

Characterized by partial or total auditory loss due to genetic causes, damage to the structures of the auditory system, or even as part of the various processes associated with aging.

Intellectual disability

Characterized by modes of functioning and/or adaptive behaviors that do not correspond to clinical standards considered compatible with normalcy, it can be either congenital or acquired.

Physical disability

Characterized by total or partial impairment of mobility, motor coordination and/or speech, due to disfigurement or anatomical loss impacting one or more bodily systems, which might have been caused by genetics or lesions.

Multiple disability

Characterized by the association of two or more impairments in the same individual.

⁸ Source: PCD among population 18 years and older from the 2019 National Health Interview Survey.

ABLEISM

It is a prejudiced and discriminatory attitude or action that sees a person with a disability as unable to take care of their own life and as unfit for work.

Ableism contributes to deny people with disabilities access to rights and human dignity, establishing inequalities and injustices. The consequence is social exclusion.

Laws were passed to reduce social exclusions imposed on people with disabilities, granting them their rights to access education, health, transportation, leisure, culture and work.

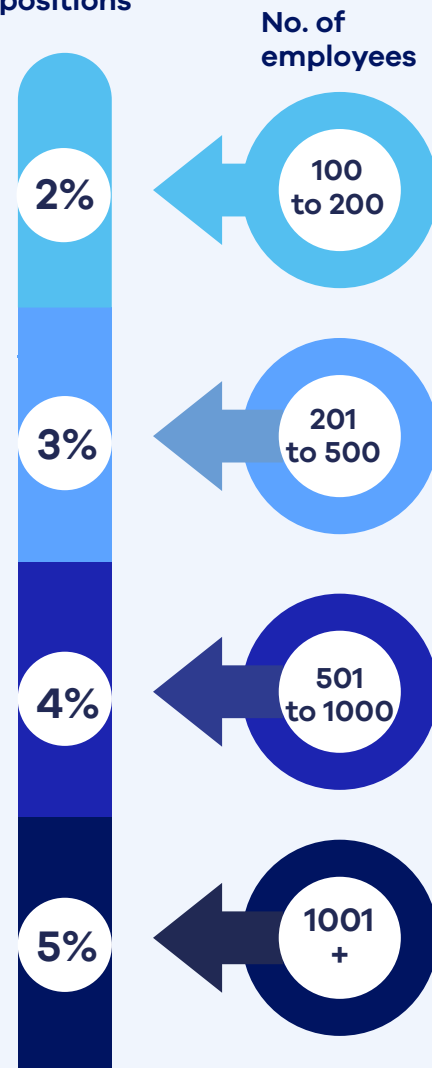
The Brazilian Law of the Inclusion of People with Disabilities, dated July 6, 2015, aims at ensuring and promoting on equal terms, the practice of fundamental rights and the freedom to people without disabilities, so they can experience absolute inclusion in their social lives.

In addition, we also have in our legislation, the Affirmative Action Law for People with Disabilities (PwD), which rules that in companies with 100 to 200 employees, the legal quota of jobs is 2% for those with disabilities; from 201 to 500, 3%; from 501 to 1.000, 4%; and those with over 1.000 employees have to set apart 5% of their positions for the PwD group.

As important as the compliance to the legislation in including people with disabilities in the job market, is the development of actions and campaigns that help them to be integrated, and companies are those who carry this responsibility. These actions range from adapting the space to grant accessibility and mobility, to the adoption of inside policies and communication strategies to curb ableism in the organizational culture.

Brazil's Affirmative Action Law for PwD

Set-aside PwD positions



Tips for non-ableist communication i

Don't use:

- ✘ "turn the blind eye" when you want to say something should be ignored;
- ✘ "a paralysed economy" when referring to a sluggish economy;
- ✘ "institutions running on crutches" when you want to say business is slow;
- ✘ "falling on deaf ears" when you say someone or something is being disregarded or ignored;
- ✘ "you are acting bipolar" when you want to say the person is seems lost on a hectic work day.

that has become a red flag as a consequence of low self-esteem resulting from professional devaluation.

There are quotas to be met with regard to the younger population, just like those for people with disabilities. Companies have to hire between 5% and 15% young apprentices (14 to 24 of age), as established in Article 429 of the Brazilian Labor Relations Code. That done, it is also necessary to implement training and career plans with the goal of integrating these youngsters in the company ecosystem.

To obtain actual progress and encourage new points of view, it is important that companies give room and create mechanisms so intergenerational dialogues take place.

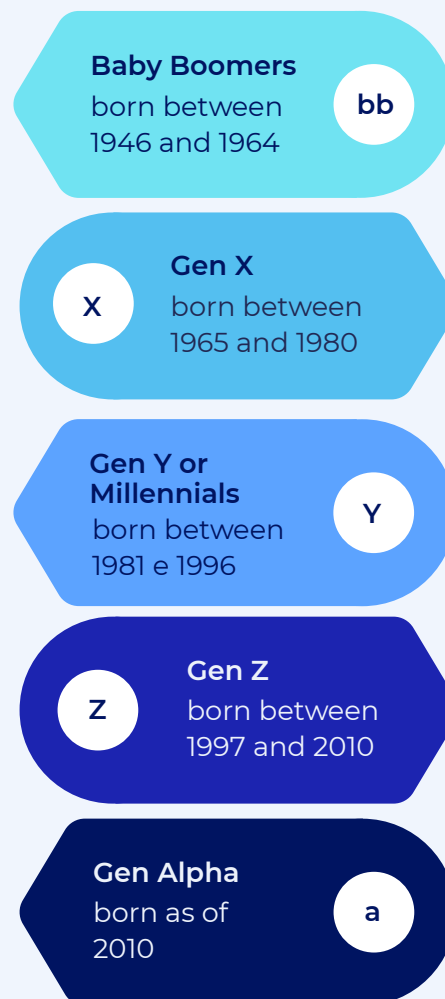
Generation or age bracket

Companies encouraging youth and the inclusion of people 50+ fight ageism, which is prejudice, discrimination or hostility toward people of certain ages.

For the working people in their 40s and 50s, the lack of opportunities in the job market is a fact, but the need of these populations goes far beyond. Once employed, it is necessary to offer continuous updates and develop contemporary inclusion processes so that these employees feel that their contribution is appreciated.

Many people at this age bracket are heads of their household, therefore laying off this target also hurts the economy, impacting society as a whole, corporations included. Another important topic for all ages, but even more relevant for the 40+ and 50+ is mental health,

The Different Generations



Ageism



Prejudice, discrimination and hostility towards people of certain ages.

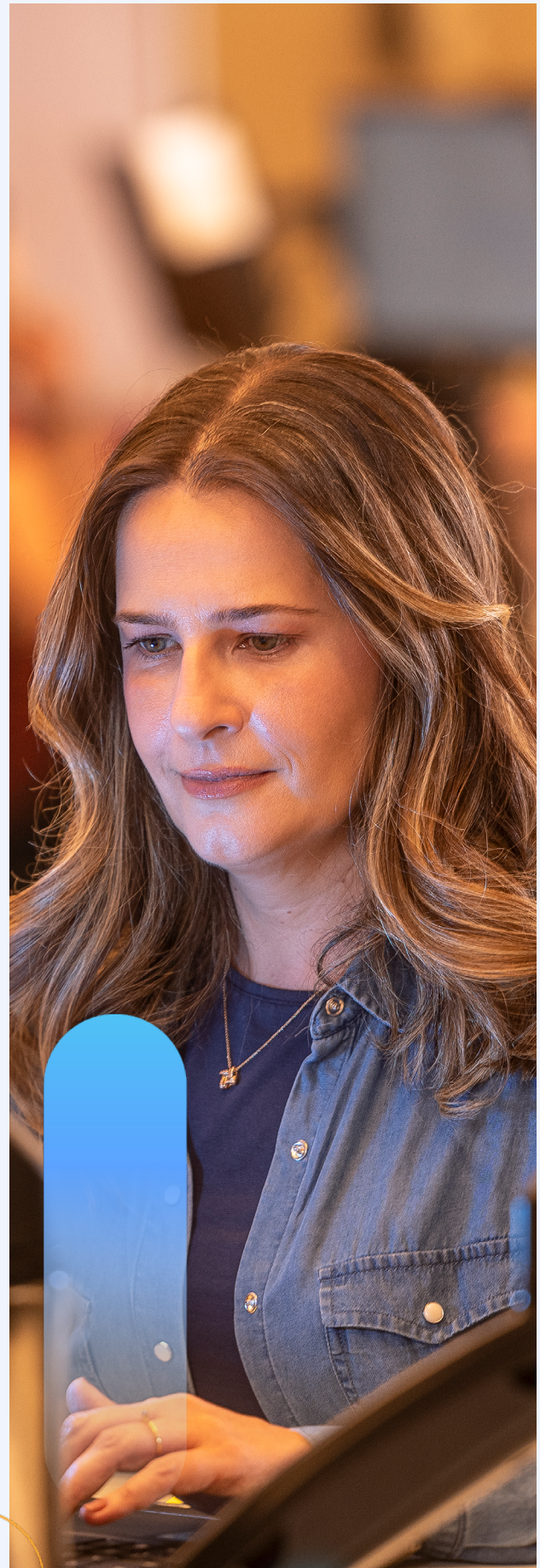
Intersectionality

Does an upper middle class white woman experience gender diversity the same way a black low class woman from the periphery does? And does a gay man who lives in a big urban center face the same challenges of a gay man living in the countryside?

People are unique and have their identity marked by several social markers of difference. So, how do we make sense of all that? How should we deal with diversity in this context?

As a result of this complexity, intersectionality has to be considered when conceptualizing diversity, that is, we have to consider which are the dimensions of diversity that constitute the identity of each individual, and how these characteristics interact with one another, impacting on the person's life trajectory and either facilitating or limiting their access to opportunities.

Understanding diversity and its intersectionality is crucial to design DE&I actions and policies that bring equity of opportunities.





Putting it in practice: implementing DE&I in organizations

In the first part of this guide, we went through the concepts of diversity, equity, and inclusion, and delved deeper into the social markers of difference that make up diversity in order to better understand their specificities, and why they are today at the core of DE&I actions.

Now, we invite you to reflect about the practice, and think of the challenges that the development, implementation, and tracking of DE&I actions and policies pose to organizations.

It is important to point out that there is no ready-made path, nor a single route. Each company has their own structure and inside culture, what makes the road to developing and implementing DE&I practices unique. Although, it is possible to think of practices that help in this trajectory.

Next, we present some of these practices taking these steps into consideration:

- **Building consensus;**
- **Knowing your company's reality;**
- **The employee journey;**
- **Mindset change;**
- **Brand and product;**
- **Governance, compliance and code of conduct;**
- **Institutional relations, communication and crisis management.**

Building consensus

The diversity agenda and its demands can enter a company by different paths. They can stem from a group of employees who are getting organized, from the perspective of a certain department (such as People Management or Sustainability), from external pressure - be it the market or stakeholders, or even from a verticalized process in which the top leadership learns about new diversity management practices and gets interested in

implementing them, seeking the competitive advantages that these practices provide.

Independently where the demand originates, to make diversity into a structured policy, that is long-term and transversal throughout the organization, it is necessary to create consensus among the leadership team with regard to why a DE&I policy should be adopted and where the company wants to go with this policy.

Not reaching consensus and agreement, DE&I cannot withstand the performance and productivity demands of everyday life or the eventual changes that may occur in leadership.

Not reaching consensus and agreement, DE&I does not become part of the organization culture, a core element so all efforts made bring noticeable results and reach the full potential of benefits these initiatives can bring to the company and to society.

To create consensus is fundamental that leaders are sensitive to the topic and have an understanding about the positive impacts of diversity, both from the perspective of social responsibility and business.

In this context, the different types of literacy programs and training resources aimed at leaders, as well as reverse mentoring (people from the underrepresented groups mentoring the leadership team), gain importance and are increasingly widespread practices for speeding up DE&I processes.

The learning process and being in contact with different people, through courses and resources focused on DE&I sensitivity and literacy, enable leaders to acknowledge their own biases and prejudices, and encourage them to take a more proactive posture with regard to the organization everyday life. Leaders' commitment and decisions are fundamental for the adoption and continuity of DE&I policies in companies

CASES

B3

Be together

Be Together was created to encourage the expansion of female representation in the financial market. It is an initiative that brings together women who represent B3 clients at various management levels in major financial institutions. In giving the opportunity for mutual learning and sharing of good practices in companies, we foster an environment that is fairer, more diverse and more egalitarian for women.

In the market

Reverse mentoring with focus on race and ethnicity

A Beauty and Personal Care company operating in the market since 2020 conducts a mentorship program that has as focus race and ethnicity themes. In this program, leaders encourage black employees to develop their skills so they can advance in their careers. On their side, black employees give feedback on racial issues to leaders.

understand challenges of representativeness and acceptance because without it it is not possible to set strategies to promote equity and inclusion.

Besides the census, organizational climate surveys can also be important instruments in tracking DE&I. The inclusion of DE&I indicators in climate surveys make possible to identify if diversity, equity and inclusion are among values mentioned by employees, and moreover, see if there are any feelings of exclusion.

It is possible to establish priorities, set goals and build action plans once you have information about the reality of the organization and the maturity level of agendas among employees, based on qualitative and quantitative data.

SETTING GOALS AND ACTION PLANS

It is very common, for example, for companies to set goals aiming at representativeness. Census surveys in general, tend to unveil that despite that many large companies mirror the sociodemographic of their surroundings, the gaps in the representativeness of organizational hierarchies - especially in middle and senior leadership - are huge. But are these companies ready to accept and embrace people being hired or promoted to leadership positions, so representativeness goals are met?

Representativeness and inclusion have to walk hand in hand so diversity is expanded and results in actual equity. In this manner, acceptance metrics and goals have to follow representativeness metrics and goals.

Leaders, besides being role models, have the responsibility to offer support and guarantee that policies designed based on the census and climate surveys are implemented and goals are met. As in any DE&I program trajectory, consensus, agreements and goals must be constantly monitored and revised so the desired results are achieved.

Knowing your Company's Reality

Once it is agreed that **diversity is strategic for the company**, it becomes necessary to understand where we want to get with this strategy and how. That is, the reality of the company has to be known and key indicators and goals have to be established. It is vital to know who is part of the collaborating team; the first step towards learning what is the real status of a company is to conduct a census survey. The company census is an important tool to map the organizational reality and

CASES

B3

ESG Corporate Goal

Aligned to the set of efforts aimed at implementing our DE&I strategy, B3 has since 2020 established with the Board of Directors, a corporate organizational goal related to diversity, equity and inclusion. The goal consisting of the increase in representativeness of the underrepresented targets, and in the advancement of all other initiatives related to the DE&I agendas impacts on the variable compensation of not just the CEO, but the whole company. Beside the corporate goal, we adopt individual goals, and diversity is part of every manager's goals, from coordinators to executive leaders. Integrating specific goals in DE&I was decisive, so the agenda could evolve consistently and continuously at B3.

IMPLEMENTING TRANSVERSAL AND INTEGRATED ACTIONS

To create actual results, an intelligent DE&I strategy needs to reach the whole workforce of a company, always paying attention to operational specificities of each department, the stakeholders they interact with, and the impact of their activities on the business. When implementing DE&I actions, adopting a transversal and integrated approach mitigates the possibility of continuity ruptures when disseminating the organizational culture that is being encouraged. Among the various initiatives that are part of a DE&I strategy, three are absolutely crucial: implementing literacy programs and training that raise awareness and educate for diversity; having spaces where experiences can be shared in view of certain diversity dimensions, so it is possible to identify challenges and elaborate on actions to overcome them by creating affinity groups; and also having spaces where noncompliance or violation of the ethical guidelines and conduct set by the company can be reported without fear of retaliation, offering anonymous

and independent reporting channels.

LITERACY AND TRAINING PROGRAMS

Enabling the ongoing training of leaders and workforce from all departments is critical in the journey towards the construction of an organizational culture that is truly inclusive and anti-discriminatory. Educating for diversity promotes engagement and helps to overcome resistance towards agendas, contributes to the production of cultural intelligence and mitigates the risks of interpersonal conflicts.

Diversity literacy programs are the most common practices in a company to build awareness and to promote respect. Here at B3, we are committed in offering training and courses, working on several fronts to expand the offer of opportunities so our people can thrive. Since 2020, we have implemented a mandatory DE&I training, covering 100% of the organization.

But in order to be effective, these initiatives must be followed by practices that encourage the construction of a safe environment for those who are part of the underrepresented groups. Let's learn more about it.

AFFINITY GROUPS

Creating spaces where employees can listen and share experiences, where they can talk about theirs and listen to each other; all very important tools to build this 'safe space' and expand the feeling of belonging; affinity groups are solutions frequently used for that.

Affinity groups are networks in the company, usually made up of volunteers who group themselves around purposes or common interests such as gender, race, LGBTQIA+ identities, people with disabilities, among others. These groups have the objective of connecting people, facilitating the sharing of experiences and collaborating with DE&I initiatives that are being designed at the company.

CASES

B3

Diversity centers

As part of the strategies implemented to promote the engagement of employees and guaranteed that they are heard, we created five Centers of Diversity in 2019. They are formed by people from different departments and positions; each of these groups represent one of the five priority fronts at B3: race and ethnicity, gender, LGBTQIA+, people with disabilities and generations. In December 2021, more than 300 employees were engaged in the activities of these centers.

In the market

LGBTQIA+ affinity group

The LGBTQIA+ affinity group from a major electronics e-commerce multinational was formed in 2020, and it has members from Brazil and from four other Latin America countries (Argentina, Colombia, Mexico and Uruguay).

Among the most inspiring evidences that the initiative was effective is the action implemented in response to a demand presented by the committee: benefits for the trans employees. The company started to provide financial help to gender affirmation surgeries, covering up to 70% of the cost for the procedures.

Besides, it also started to offer legal support to trans people in their workforce so they change their documents; and it started paying surety insurance on home rent to help overcome any discrimination barriers that this underrepresented group may face.

REPORTING CHANNELS

Anonymous reporting channels are another very important practice. Prejudice and discrimination experienced at the workplace have to be reported and reviewed so educating measures (and if needed, punitive measures) can be taken. Employees have to trust the effectiveness of all implemented mechanisms, and understand that any act of discrimination and prejudice will not be tolerated at the company.



Knowing the reality of the company is a key starting point to design an action plan that facilitates the implementation and development of systematic DE&I practices, one that dialogues with the culture of the organization. Census and organizational climate surveys are critical tools to achieve that.



CASES

B3

Career acceleration program

The program focused on Career Acceleration and Development was created in 2020 and it is a pioneer B3 initiative seeking to attract youth engaged with the brand, attempting to bring them closer to our culture and business. We carry out an inclusive selection process, looking closely to multiple dimensions of diversity.

Different from an internship or a trainee program, the selection process is structured around a digital journey of knowledge, offering opportunities for the development of the candidates beginning with their first contact with B3.

In its first edition, the program attracted more than 4 thousand applications from people nationwide. The unique methodology of the selection process was highly praised by candidates.

In the market

Pride skill

PrideSkill is a movement among citizenship projects that was launched by a consumer goods multinational in partnership with an advertising agency and the LGBTQIA+ Business and Law Forum. The objective of this initiative is to increase the inclusion of LGBTQIA+ employees in companies.

To tackle challenges faced by LGBTQIA+ people in the job market, Pride Skill encourages them to add the word "pride" among their skills when writing their professional profile. The moto for this campaign is "Because being proud of who you are is also a skill."

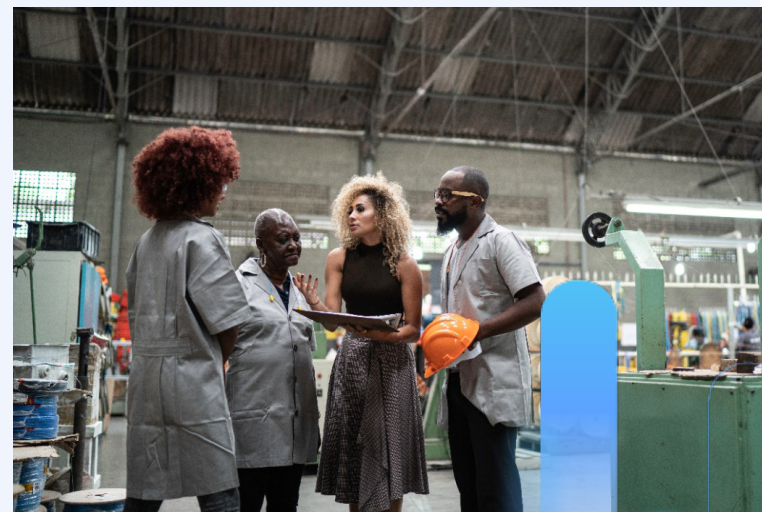
SELECTION

Selection processes are seen by professionals working with DE&I as major barriers to increasing representativeness in companies. The reason is that some historically consolidated prerequisites used to define the profile of candidates that companies are looking to hire are excluding factors for a significant number of candidates in underrepresented groups.

Among established assumptions that exclude diversity is the criteria that equates excellence to very few universities, the criteria of selection based on needed skills (such as being fluent in the English language) and all biases recruiters themselves have. All these contribute to a workplace that is little diversified.

For that matter, selection processes must be intentional - that is, organizations have to reflect and adopt selection policies that are aimed at underrepresented groups, so positions in strategic departments (middle and high management or those previously identified as having excessively uniform profiles.)

Among practices of intentional selection used by companies, some stand out: offer of affirmative quotas, internship programs targeted at the underrepresented groups, talent database focused on diversity and partnerships with NGOs and specialized consultancies so that communication reaches the representative audiences of the targeted dimensions of diversity.



CASES

B3

Secret resume

One of the most relevant challenges companies have when furthering their DE&I strategies is creating mechanisms to minimize the impact of biases—perceptions and thoughts patterns we create based on our cultural and social experiences, those that reflect many prejudices and stereotypes we have assimilated - to a greater or lesser extent - throughout our lives.

A tool that can be used to reduce the impact of bias is the use of the so called “Secret Resume”, an approach to selection processes where some of the information about the candidate to a specific position is hidden, thus highlighting just what is essential for that job opening, such as education, skills and professional background.

B3 has been using this strategy in their recruitment processes since 2021 and the results we've achieved are impressive. In recruitments taking place between September 2021 and August 2022, diversity hiring went up from 53% to 80%.

In the market

Trainee programs exclusively for black people

In September, 2020, a large retail company announced a trainee program aimed at exclusively black people. The decision was taken after conducting a company census and realizing that 53% of the workforce was made up of black people, but they only represented 16% of the company's leadership. The company survey also showed that the program was the shortest path to leadership, but just one or two people finished the cycle.

To succeed in their goal, the company had to undergo changes in their recruitment process such as: increasing the time

frame between graduation and date of recruitment to 3 years; no previous experience needed, nor proficiency in English; important partnerships, hiring specialized consultancies to help in the design of the program, and not less important, having a black majority interacting with candidates; leaders who are mostly white, took black literacy courses so they could warmly welcome the new hires.

As a result of all these adjustments, about 22.5 thousand people applied for the 10 available positions. As there was a large number of excellent level candidates, the trainee program expanded to 19 people.

DEVELOPMENT AND CAREER

The challenges in DE&I are not just restricted to getting into a company. The underrepresented groups after being hired face review processes, as well as opportunities to build and develop in their careers, which are also impacted by prejudice - either conscious or unconscious.

At this point, it is important that promotion indicators are intendedly revised so these employees have fairer chances to be rewarded based on their contributions. Some practical examples are: encouraging the adoption of diversity criteria in the processes of promotion; specific mentorship plans to foster leadership among people in underrepresented groups; and mapping employees' potential and development by the different levels of management to focus on succession plans.

CASES

B3

Mentorship programs for women in leadership

The study “Women in Action” published by B3 in December 2022, showed that 61% of listed companies trading in the Brazilian stock exchange have no women among their statutory directors, and 37% have no women in their Board of Directors.

One of the B3 most important initiatives to change this reality is our internal program “Mentorship for Women in Leadership”, aimed at employees who are senior analysts or coordinators. Launched in 2021, at every program edition, 50 women are selected to be mentored - considering the necessary skills to advance in their careers - and to participate in knowledge trails for leadership development.

In the 2022 edition, 50% of the available openings were offered to black women, aiming at speeding up the advancement of employees who belong to this gender and race intersectional target.

In the market

Career acceleration program

A large group in the beauty and personal care industry has a career acceleration program aimed at professionals who declare themselves to be black or brown. Its objective is to speed up the growth process of black people working in the group.

To participate in the project, you must be black, live in Brazil and be one step away from reaching a managerial position. The program began to be structured in 2021 and is part of the commitment taken on by the group, which envisions at least 30% of people from diversity groups in leadership positions by 2030.

RETAINING TALENTS

High turnover, unmotivated employees and a feeling of not belonging are some of the main hurdles to retain talent in a company regardless of the DE&I theme. Moreover, these are situations that affect more those employees who are part of the underrepresented groups and put in jeopardy all efforts made by DE&I, impacting results.

Talent retention in DE&I is essential for investments to be reverted in sustainable growth. Today, employees are increasingly looking for affinities between their personal values and those of the companies they work for. In this context, actions that demonstrate and reinforce companies' commitment to DE&I, especially inclusion and equity practices, are allies in the internal talent retention processes.

Creating affinity groups and building effective communication channels that reassure a place where one can vent and feel welcome, added to the adoption of parental support groups, are examples of actions being implemented in the corporate world.

CASES

B3

Variable compensation policy

Beginning 2020, B3 and our Board of Directors established a corporate goal linked to DE&I and the payment of Employee Participation in Profits (EPS), based on the overall results of the organization and individual results.

In 2021, the company established a percentage target for the representativeness of specific audiences – among them, black people. In 2022, the goal was linked to the commitment to increase the representativeness of women in leadership positions, of race, and of people with disabilities, at all levels of the organization.

Moreover, 100% of the senior leadership team at B3 had their individual goals contracts amended to include targets related to representativeness of diverse audiences in their teams.

In the market

Parental leave extension program

In 2021, a large group in the beauty and personal care industry adopted an extension for their parental leave extension program, for both men and LGBTQIA+ couples. It went up from 20 to 120 days, allowing these people to stay home and dedicate themselves to be parents, be it of biological or adopted children, and still get their salaries.

The objective with the program is to encourage both parents to have a more balanced parental experience, therefore fostering more equalitarian bonds and care taking among genders. This program is part of the diversity set of goals for 2025, established by the group.

Mindset change

Mindset changes are long term challenges and demand not just focus but a careful look at how the company and their leadership get organized, at disseminating knowledge transversally, at fomenting DE&I actions and policies throughout the productive chain, and at last, at the adoption of institutional commitments.

It is by investing in these four dimensions that DE&I policies are institutionalized in the company and provide mindset changes that are necessary to reach social and business goals.

Next, some practices developed by companies that work to bring about and strengthen mindset changes that have a strategic focus on DE&I.

ORGANIZING THE STRUCTURE OF THE COMPANY AND THEIR LEADERSHIP

The performance of executives is crucial in bringing about mindset changes; it is their responsibility to lead processes and build new structures in the company, so governance and distribution of responsibilities are achieved. With regard to DE&I, the inception of committees, sponsorships and allies is a common practice in companies.

Diversity committees are made up of people who represent the different dimensions of diversity and work at the different departments of the company. These committees are usually formed voluntarily and among their roles is that of tracking and stimulating DE&I actions: if they are being implemented and if their goals are being reached.

To ensure everything is working properly, there has to be governance, organization, the split up of tasks, planning and leadership. The internal team is also responsible for defining an action plan, establishing deadlines and metrics, as well as following up the performance of results.

Having a member of senior leadership as a supporter and active in the committee

guarantees initiatives have more visibility within the company as this sponsor has access to other executives and can speed up the agenda in this decision-making level.

On the other hand, employees informal leadership, even if they are not in management positions, brings contributions and collaborations.

The diversity committee is a great partner in people management and a well aligned project can bring excellent results that contribute to mitigating discrimination in the company.

There are companies that besides having their internal diversity committees, also count on external and independent committees. These are made up of experts in the different dimensions of this topic, and one of their responsibilities is to guide and suggest actions and practices to the internal committee.

Some companies have a Chief Diversity Officer and this position can be occupied exclusively or simultaneously with another existing position. The goal of this initiative is to institutionalize and give visibility to DE&I policies.

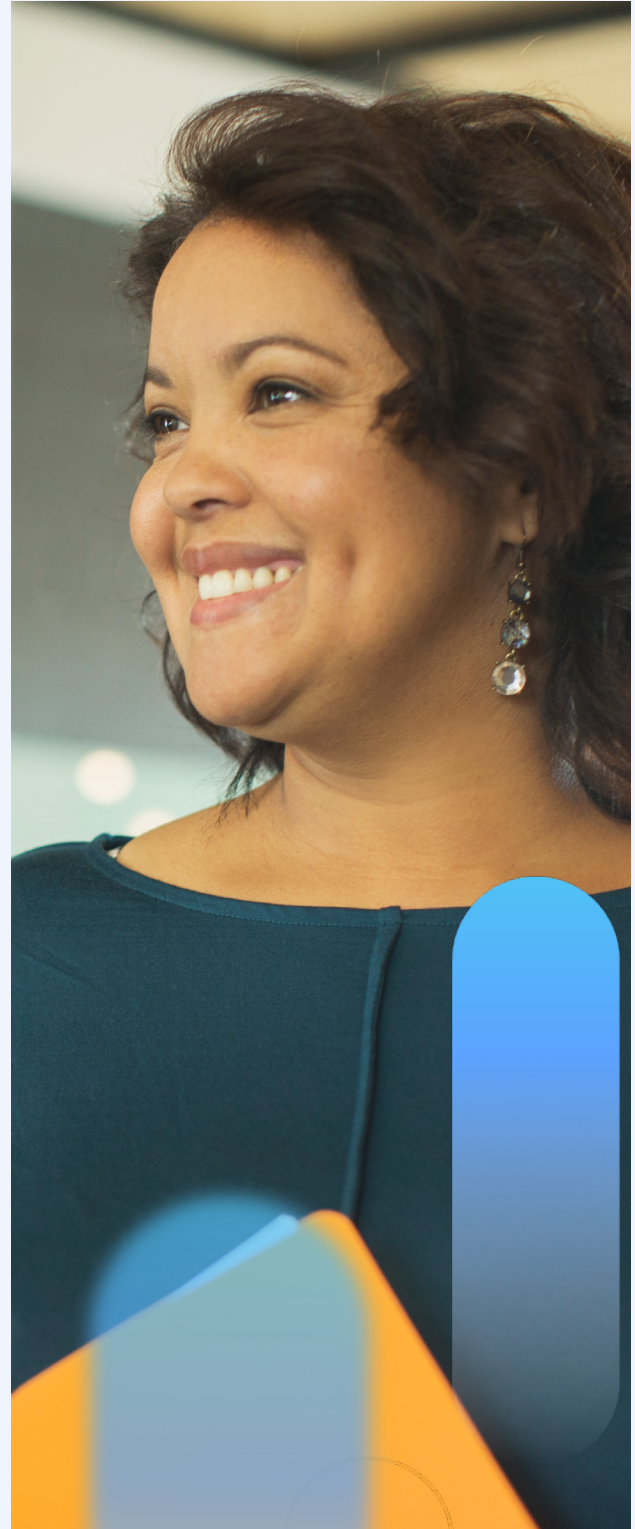
To encourage the company leaders to champion the DE&I policies, some organizations have also embraced variable compensation that include performance goals linked to DE&I.

Another practice that has been spreading, even though slowly, is hiring consultancies that have expertise in DE&I. These consultancies help companies with the offer of intelligent training and literacy appropriate to the various internal targets (leaders and employees), so awareness and the furthering of skills have significant impacts on the design and implementation of initiatives that are truly effective, specially those related to mindset change.

Specialized consultancies can also support the internal committee with reference to:

- **Identifying opportunities for improvement;**
- **Recognizing the impacts of discrimination;**
- **Increasing engagement in DE&I actions;**

- **Ease of access to innovative practices existing in the market place;**
- **Contributing to the quick crisis management based on previous experiences.**



CASES

B3

Racial equity programs in the Board of Directors

A survey carried out in 2021, among the 73 (seventy-three) companies participating in the selection process of our Corporate Sustainability Index (ISE B3), showed how much progress was needed in the racial agenda: about 80% (eighty per cent) of these companies declared having between 0 (zero) and 11% (eleven per cent) of black people among their directors and top management positions.

In that regard, B3 as a catalyst of good practices in the market, closed a partnership in 2022 with Instituto Brasileiro de Governança Corporativa (IBGC - Brazilian Institute for Corporate Governance) and the civil organization Iniciativa Empresarial pela Igualdade Racial (Corporate Initiative for Racial Equality) to create the first edition of the Program for Racial Equity in Boards of Administration. The initiative is sponsored by many big local companies.

Designed with the main objective of increasing the presence of black people in the decision-making level of companies, the program aims to fill a gap in the labor market and promote racial inclusion in the senior management of listed companies.

The faculty is formed by black professionals, women and other underrepresented groups, in addition to instructors from the regular Course for Counselors, offered by IBGC. In compliance with the equitable practices to promote gender equality, 50% (fifty per cent) of the available openings of the course were filled by women.

From a practical perspective, the program trains professionals to act as member in boards of directors, encouraging the use of good corporate governance practices. It also promotes experiences on topics related to decision making and board monitoring, preparing the audiences for collegiate decisions through the debate of behavioral and relationship aspects

that influence the entire decision-making process.

On November 21, 2022, the graduation ceremony of the first class of black directors at B3 was held with the event known as "ringing the bell". The event enabled the interaction among graduates and guests, including clients and headhunters, with the objective that the majority of graduates could be soon enough taking their chairs in board of directors as of 2023, when new assemblies are established.

TRANSVERSAL DISSEMINATION OF KNOWLEDGE

One of the greatest challenges that get in the way of a consistent change in the mindset of companies is the lack of balanced and transversal dissemination of knowledge and of the DE&I practices that are used in organizations.

The most common practices are: making access to DE&I knowledge more democratic within companies and fostering debate throughout the year with lectures and holding a diversity week. Regardless, they can and should be complemented with internal and institutional communication initiatives to help promote DE&I knowledge and its daily practice.

CASES

B3

We invested in DE&I

Since 2020, our diversity, equity and inclusion program became one of the development trails that are part of the mandatory training modules here at B3. It reaches 100% of the organization, and all employees must complete the training at least once.

Besides this focal initiative, DE&I education is part of the onboarding process for new hires. They have to complete their training in up to 30 days after being admitted to the company, and apart from that, this theme is also addressed in the continuing development actions.

In the market

Literacy program on diversity

To disseminate values that the company exercises with regards to their DE&I agenda throughout its commercial chain, a group in the beauty and personal care industry is investing in the implementation of an extensive Literacy Program on Diversity, with focal learning trails that approach ethnic-racial equity and anti LGBT-phobia.

Available both on the group's website and on all their consumer brands social media profiles, the trails are mandatory training activities for all the 23000+ employees who work in their more than four thousand nationwide stores.

very few companies do in the Brazilian corporate context. Moreover, some companies with a more advanced degree of maturity in DE&I are already presenting proposals for the development and expansion of these actions.

Overall, these actions are aimed at the production chain and their goal is to bring about an encompassing change in the mindset, one that oversees the entire chain where the company is inserted.

Among some examples of actions are: diversity literacy offered to suppliers and partners; using DE&I criteria to choose among partners and suppliers whenever possible; fostering entrepreneurs initiatives and start-ups led by people in the underrepresented groups; adding compliance clauses focused on diversity in contracts with suppliers and partners.



FOR THE PRODUCTION CHAIN

Fostering the adoption of actions and practices outside organizations is something

CASES

B3

DE&I Bootcamp

On our 2021 gender equity bell ringing ceremony, we announced the launch of our DE&I Bootcamp. The initiative is part of our actions aimed at supporting companies in their journey to develop and implement their DE&I strategies.

Completely free and online, the program brings together experts and partners to share knowledge and market best practices, as well as tips on tools for tracking metrics and results. The shared content is aimed at leaders in the areas of Diversity, Human Resources, and Sustainability at banks, brokerage houses, and companies listed on the Exchange.

In the market

Supplier Recruiting

To encourage diversity in its supplier ecosystem, a beverage industry group held an event in 2022 to recruit suppliers in the city of Salvador, capital of Bahia, a northeastern Brazilian state, prioritizing black, indigenous, LGBTQIA+, and women professionals. Besides having the opportunity to interact directly with the group's purchasing team, the entrepreneurs that participated in the event were able to present solutions aimed at the operational demands of the company's different fronts.

customer. For the connection to take place, the brand and product must speak to the needs - objective and symbolic - of the consumer.

According to the survey "Diversity in the 21st century: a brief overview on the relevance of diversity in Brazil", conducted by the Locomotiva Institute, 2 out of 3 Brazilian consumers say they prefer brands or companies that have values similar to their own. Although cost-benefit is very important, 55% of Brazilian consumers say they look for a balance between purpose and cost-benefit in brands.

It is important to note that, although the topic of DE&I refers to socially underrepresented groups, when it comes to demographics, these groups represent an important percentage of the national population. For example, women, who account for 52% of the Brazilian population, and the black population, which represents 55%⁹. In addition, even though they do not form majorities, the LGBTQIA+ population represents about 11% of Brazilians¹⁰ and people with disabilities, about 10%¹¹.

In this context, DE&I helps brands and products to get closer to these consumers, since it provides innovation, awareness of the needs of consumers who comprise diverse groups, and it also gives a careful look at the development of products targeting these audiences, among others.

⁹ Source: Instituto Locomotiva from PNAD-2021 (filter 16 years or more).

¹⁰ Source: DataFolha, Survey on Pride (Pesquisa do Orgulho), 2022.

¹¹ Source: PCD among population 18 years and older from the 2019 National Health Interview Survey

Brand and product

The brand is what connects the product to the



CASES

B3

Catalyzing credibility

Four years after the merger that gave rise to the B3 brand, we were successful in integrating and improving the organizational culture. As part of the process of consolidating this culture, we have redefined the role of our brand, built around the concept of “Catalyzing Credibility”.

We leverage the trust we have established with the market and investors to drive and accelerate transformation and development. Providing security to the market, while supporting its growth, is part of B3’s essence.

In the market

DE&I and Product

A large Brazilian group from the beauty and personal care sector has adopted a series of public commitments on ESG, with defined goals and deadlines. Among these commitments, those focused on product development with a focus on diversity stand out:

- To develop 100% of products with the participation of people who identify with underrepresented groups
- To offer an inclusive and diverse product portfolio, considering different lifestyles.

Governance, compliance and code of conduct

As the sector responsible for identifying and

mitigating regulatory risks, the Compliance and Governance area plays a key role in the implementation and development of DE&I policies.

A company that wants to effectively incorporate DE&I practices into their culture will need to build a code of conduct with internal rules for the respect for diversity, prohibiting prejudice and discrimination, and being in compliance with the legislation of the country.

In addition to the code of conduct, it is necessary to implement inspection practices and governance mechanisms that monitor compliance with the internal rules and ensure that all employees act in accordance with the company’s guidelines.

A company with nondiscriminatory values needs to structure a focal area within their organizational framework that analyzes, detects, and prevents any risks linked to situations of prejudice and discrimination, whether in interpersonal relationships or in the structure of the institution.

CASES

B3

Hello, compliance!

To ensure that our organizational environment is guided by standards of conduct with integrity and in line with B3’s culture, we have a formal, legally protected reporting channel, totally independent and segregated from the company, the *Hello, Compliance!* channel, which is managed by a specialized outsourced company. This channel can be used by all the different audiences that make up our stakeholder ecosystem, on an ongoing basis.

The complaints reported in this channel can be made in an identifiable or anonymous manner, at the discretion of the complaint’s author. Through it, we can collect reports on conduct by managers, employees, interns, and/or legal representatives that are not in compliance with the company’s Code of Conduct and Ethics, with internal guidelines and policies, or with the legal

norms and regulatory provisions in effect.

The use of the reporting channel is also reinforced during two of the mandatory training courses taken by all B3 employees, the Anti-corruption and Code of Conduct and Ethics trails - which consider, among other issues, provisions against discrimination due to gender, affective and/or sexual orientation, race, color, and other forms of prejudice against underrepresented groups.

In the market

Integrity Channel

A technology company stands out as an example of how to navigate a complex ecosystem of employees, suppliers, and partners with excellence. To convey its values throughout the entire production chain it mobilizes, the company has developed two codes of conduct - one aimed at the internal staff, and another focused on third parties - and a guidebook on Respect and Equality.

The materials are widely disseminated and made available online to all network members. To ensure that the defined guidelines are actually followed, the company has also created a specific portal for handling complaints about conduct that deviates from their ethical principles, violates their internal regulations, or infringes current legislation.

With both online and phone services, the channel is operated by a partner company, that specializes in risk management and compliance. On top of making possible to send reports and follow up on complaints, the portal also presents content aimed at resolving questions about the protection of the data submitted through the Integrity Channel, reinforcing the safe and confidential nature of this space.

Institutional relations, communication and crisis management

74%¹² of Brazilians believe that it is the role of brands and companies to support diversity. Moreover, consumer demand for actions with purpose and sincerity on the part of companies is high. However, 79%¹³ of Brazilians believe that many brands take advantage of the fight against prejudice just to advertise and that they have no concrete actions to change this reality.

Publicly assuming their commitments related to DE&I, participating in forums and events related to the theme, and establishing partnerships with associations and movements aimed at promoting Equity and Inclusion are ways for companies to publicly assume their positioning and reinforce to their external and internal public their seriousness and commitment to these agendas.

The public disclosure of the commitments to the DE&I guidelines marks the internal maturity of the organizations, enforces the constant challenge of improving their practices, and strengthens the brand's reputation with the consumer public.

Still on internal communication, its importance is reinforced in the dissemination of information, keeping the entire organization informed about the progress of the company's DE&I actions, the programs discussed in the diversity committee, and the code of conduct, so that they can identify the company's culture.

By addressing values such as ethics, equality, and social inclusion, the internal culture has a major impact on the public's view of the organization. In addition, employee participation in policy building is also a great gateway for engaging initiatives and prioritizing respect for differences.

The lack of a comprehensive look at diversity in any area of the company, or in their relationships, leaves the brand vulnerable to

¹² Source: iO Diversity and Locomotiva Institute. The Lack of Inclusion and the Risks to Organizations, 2022.

¹³ Source: Locomotiva Institute Diversity in the 21st Century: A brief history of the relevance of diversity in Brazil, 2022

reputational crisis; risk management tends to be more efficient and cost-effective than crisis management. However, crises can still occur, and when they do it is necessary to act quickly and accurately in order to minimize their negative effects.

Important actions during reputation crisis management



- 01** Get the facts and actively listen to those involved;
- 02** Prioritize fast responses and always have a spokesperson prepared to handle the situation;
- 03** Any public statement must be sincere, empathetic, and supported by facts and evidence;
- 04** Monitor social media;
- 05** Hold special meetings with the diversity committee to map out the next steps;
- 06** Disclose the calendar of actions and commitments to the internal and external public;
- 07** Research and analyze the causes of the crisis in its entirety, striving to identify possible causes and correcting breaks in continuity in the actions and policies implemented, so that the problem does not happen again.





The Future of the DE&I Agenda

The last three years were of intense transformations and significant advances for the DE&I agendas. From a subject previously restricted to the Human Resources area, it is now a topic of interest for top leadership teams, investments, and the development of DE&I practices in large companies has grown in this period.

With this growth came new demands and trends; we have tried to list some paths for the future of these agendas:

1. **Career and succession:** with the increase in the hiring of people from diverse groups, the preparation of these employees to advance their careers and take on leadership positions will increasingly become a sensitive agenda within organizations, which will be compelled to create systematic development trails for succession.
2. **Increased representation of transgender people:** transgender people are one of the main targets of marginalization, intolerance, and various forms of violence in Brazil. In recent years, the organization of social movements pressuring society for the inclusion of transgender people in the labor market has grown; in addition, in the election of 2022, there was a significant increase of transgender members of Congress in the National Congress, which may influence the specific agendas for this community in the public and private sectors.
3. **Diversity in the production chain:** the growing awareness of large companies regarding the importance of boosting commitments with DE&I among their partners should encourage the expansion of practices in this direction, conditioning commercial and institutional relationships.
4. **The mental health of people from underrepresented groups:** The Covid-19 pandemic has brought issues related to mental health and work to the center of the conversation. This theme should continue as a trend in 2023 and bring into focus the mental health impacts of DE&I on employees who are part of underrepresented groups.
5. **Expansion of diversity on Boards of Directors:** B3 has presented a

proposal for listed companies to provide transparency about their practices related to gender diversity and the presence of underrepresented groups on boards of directors and statutory management. The rules, if approved by the Securities and Exchange Commission of Brazil (CVM), anticipate an adaptation period of 2 to 3 years, from their effective date, and are based on a model known as “comply or explain”, through which companies must provide evidence of the adoption of the measures proposed by B3 or an explanation for their non-implementation; with this, a great positive impact on the diversification of companies’ top leadership is expected.

B3

Looking to the future

In 2021, B3 became the first stock exchange in the world to issue a Sustainability Linked Bond (SLB) worth \$700 million, committing itself financially to meeting sustainability-related targets.

SLBs are debt instruments which purpose is to make the issuer achieve sustainability goals, monitored periodically. These securities may have their financial characteristics changed depending on whether or not the pre-established goals are met on the dates established for verification. This means that if the targets are not met, the investor will receive a higher remuneration than the one agreed upon when the bond was launched, thus increasing the cost to the issuer.

The SLB issued by B3 - a fixed-income security linked to sustainability - will be target only at qualified institutional investors residing abroad. The bond is worth \$700 million, has a ten-year term, and has two goals tied to diversity and inclusion:

- Creation, by 2024, of a market index to measure the performance of companies that have good diversity metric;

- To reach, by 2026, 35% of women in leadership positions at B3 (managers, superintendents, and directors, which also includes the C-level). The progress of each of the goals is published every year in B3's Annual Report, which is independently audited and also provides information on the company's other ESG practices.

COMPLY OR EXPLAIN

B3's decision to propose a rule with DE&I elements to systemically encourage the expansion of diversity in the top management of listed companies was based on realizing how much this agenda needs to advance in the scope of the companies listed on B3. A study by the Brazilian Stock Exchange in 2022 found that among the 423 listed companies, 61% have no women among their statutory directors, and 37% have no women in their board of directors.

Regarding the racial issue, a survey conducted in 2021 among the 73 companies participating in the selection process of the Corporate Sustainability Index (ISE B3) revealed that 79% said they had between 0% and 11% black people in executive positions, and 78% said they had between 0% and 11% black people in C-level positions.

The results of these surveys showed the need for Brazilian companies to advance on the ESG (Environmental, Social, and Corporate Governance) agendas. To encourage this process, B3 has developed a proposed rule with the objective of inducing the adoption of diversity-related practices among listed companies.

In this process, B3 examined affirmative measures and new ESG transparency rules adopted by stock exchanges and regulatory bodies in international markets, with the goal

of mapping the regulatory measures adopted around the world on the subject.

In addition, it took into account national regulatory changes, such as the approval of Resolution No. 59 by the Securities and Exchange Commission of Brazil (CVM), which proposed a more robust disclosure regarding information of an ESG nature and even introduced a demand for data indicating the diversity and inclusion scenario in publicly traded companies in the Reference Form, a document disclosed to the public annually.

From the studies on national and international regulatory movements, B3 created, with the due adaptations to the Brazilian reality, a rule proposal with DE&I elements based on the "Comply or Explain" model, an approach widely implemented in other markets around the globe.

This model demands that companies present evidence of the adoption of the proposed practices or the justification for not implementing them. In this sense, B3's proposal contributes to market transparency on the companies' DE&I data and actions.

One of the measures that are part of the proposal demands, in the "Comply or Explain" model, that listed companies have at least one woman and one member of an underrepresented community (black, brown, indigenous people, members of the LGBTQIA+ community, or people with disabilities) on their board of directors or statutory management.

Another measure concerns the inclusion of diversity criteria in the nomination procedure or policy for members of the management of companies, with the goal of enabling the company to commit more effectively to work on diversity matters in the composition of their management bodies.

If approved by the CVM, companies will be given a period of 2 to 3 years to either adapt or present a justification to the market and investors for not adopting the practice. Any justifications must be presented in specific fields of the companies' Reference Form.

CVM RESOLUTION NO. 59

With the approval of CVM Resolution no. 59, new information related to DE&I will be required in the reference form. Here are some examples:

Management and supervisory board bodies:

- 1- Total number of members, grouped by self-declared gender identity;
- 2- Total number of members, grouped by self-declared identity of color or race;
- 3- Total number of members grouped by other diversity attributes that the issuer deems relevant;
- 4- If any, specific goals that the issuer has regarding the diversity of gender, color or race, or other attributes among the members of its management bodies and its fiscal council;
- 5- Main performance metrics taken into account in the indicators that make up the compensation (including, if applicable, indicators linked to ESG matters).

Board of directors:

If any, established channels for critical matters related to ESG topics and practices and compliance to be brought to the attention of the board of directors.

Human resources:

Number of employees, total and by groups, based on the activity performed, the geographical location, and diversity indicators that, within each hierarchical level of the issuer, cover: self-declared gender identity; self-declared color or race identity; age group; and other diversity metrics that the issuer deems relevant.



[B]³

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