

Office
of
Minority
and
Women
Inclusion

*Standards for
Assessing the
Diversity Policies
and Practices of
Regulated Entities*

*The Dodd-Frank Act
Section 342*



Why are diversity and inclusion important to businesses in banking and finance?

Section 342 of the Dodd Frank Wall Street Reform and Consumer Protection Act directed the Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) among others to establish the Office of Minority and Women Inclusion (OMWI). Jointly, with other federal financial regulatory agencies, the Board, FDIC, and OCC issued a Policy Statement on June 10, 2015, establishing standards for assessing the diversity policies and practices of the entities regulated by these agencies.

Diversity and inclusion (D&I) are strategic business imperatives. Key drivers of D&I in the financial services industry are:

Serving Diverse Consumers

The inclusion of women and minority consumers and decision makers in business-to-business and business-to-consumer markets is vital to the success of the financial services industry.

Being an Employer of Choice

The employer values diversity and fosters success in the workforce by attracting, engaging, and enabling women and minorities to excel at all levels in the organization. The employer develops business partnerships that include women and minorities.

Staying Competitive

Women and minorities bring knowledge, experience, and perspectives to the workforce and businesses, which contribute to the creativity and innovation needed for the financial services industry to be competitive in a global economy.

D&I is important – so how do we know where we are already successful and where we need improvement?

The OMWI agencies have identified leading practices in **five areas** that are important in advancing diversity and inclusion within the organizations they regulate.

1 *Organizational Commitment to Diversity and Inclusion – the active support of D&I by leadership through visible action*

The leadership of an organization with successful diversity policies and practices demonstrates its commitment to diversity and inclusion. Leadership comes from the governing body, such as a board of directors, as well as senior officials and those managing the organization on a day-to-day basis.

The following are steps that the leadership of an organization can take to demonstrate active support of diversity and inclusion. Organizations can:

- Include diversity and inclusion considerations as an important part of its strategic plan for recruiting, hiring, retaining, and promoting, as well as contracting.
 - Develop and implement a diversity and inclusion policy that the board of directors and senior management approve and support.
 - Provide regular progress reports to the board and senior management.
 - Regularly conduct training and provide educational seminars on equal employment opportunities and diversity and inclusion.
 - Engage a senior level official, preferably with knowledge of and experience in diversity and inclusion policies and practices, to oversee and direct the organization's D&I efforts. For example, this official may be an executive-level Diversity Officer (or equivalent position) with dedicated resources to support diversity strategies and initiatives.
 - Take proactive steps to promote a diverse pool of candidates, including women and minorities, in your hiring, recruiting, retention, and promotion, as well as in your selection of board members, senior management, and other senior leadership positions.
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2 *Workforce Profile and Employment Practices—actively recruiting a diverse workforce and acknowledge and reward those actions*

Many organizations promote the fair inclusion of minorities and women in their workforce by publicizing employment opportunities, creating relationships with minority and women professional organizations and educational institutions, creating a culture that values the contribution of all employees, and encouraging a focus on these objectives when evaluating the performance of managers. Organizations with successful diversity and inclusion programs also regularly evaluate their programs and identify areas to be improved. They use various analytical tools to evaluate a wide range of business objectives, including metrics to track and measure the inclusiveness of their workforce (e.g., race, ethnicity, and gender). Organizations that are subject to the recordkeeping and reporting requirements of the Equal Employment Opportunity Commission and the Office of Federal Contract Compliance Programs currently collect and maintain data and supporting documentation that may assist in evaluating and assessing their workforce diversity and inclusion policies and practices. (Specifically, organizations that file EEO1 Reports, as required under Title VII of the Civil Rights Act of 1964, routinely track and analyze employment statistics by gender, race, ethnicity, and occupational group. Organizations that develop and implement the affirmative action programs required under Executive Order 11246 also track and analyze employer-created job groups.) Some steps that an organization can take to recruit a diverse workforce include:

- Implementing policies and practices related to workforce diversity and inclusion in a manner that complies with all applicable laws.
- Ensuring equal employment opportunities for all employees and applicants for employment and not engaging in unlawful employment discrimination based on gender, race, or ethnicity.
- Having policies and practices that create diverse applicant pools for both internal and external opportunities that may include:
 - Outreach to minority and women organizations;
 - Outreach to educational institutions serving significant minority and women student populations; and

- Participating in conferences, workshops, and other events to attract minorities and women and to inform them of employment and promotion opportunities.
- Utilizing both quantitative and qualitative measurements to assess workforce diversity and inclusion efforts. These efforts may be reflected, for example, in applicant tracking, hiring, promotions, separations (voluntary and involuntary), career development, and retention across all levels and occupations of the organization, including the executive and managerial ranks.
- Holding management at all levels accountable for diversity and inclusion efforts; for example, by ensuring that such efforts align with business strategies and individual performance plans.

3 *Procurement and Business Practices (Supplier Diversity) – active outreach to minority and women owned businesses in the procurement process*

Companies increasingly understand the competitive advantage of having a broad selection of available suppliers to choose from with respect to factors such as price, quality, attention to detail, and future relationship building. A number of organizations have achieved success at expanding available business options by increasing outreach to minority-owned and women-owned businesses. Companies may use outreach to inform minority-owned and women-owned businesses (and affinity groups representing these constituencies) of contracting opportunities and procurement processes.

Prime contractors often use subcontractors to fulfill the obligations of various contracts. The use of minority-owned and women-owned businesses as subcontractors provides valuable opportunities for both the minority-owned and women-owned businesses and the prime contractor. Organizations may encourage the use of minority-owned and women-owned subcontractors by incorporating this objective in their business contracts. Some ideas to actively reach out to minority-owned and women-owned businesses include:

- Creating a supplier diversity policy that provides fair opportunities for minority-owned and women-owned businesses to compete for procurement of business goods and services. This includes contracts of all types, including contracts for the issuance or guarantee of any debt, equity, or security, the sale of assets, the management of

the organization's assets, and the development of the organization's equity investments.

- Using metrics and analytics to evaluate supplier diversity such as:
 - Annual procurement spending;
 - Percentage of contract dollars awarded to minority-owned and women-owned business contractors by race, ethnicity, and gender; and
 - Percentage of contracts with minority-owned and women-owned business subcontractors.
- Implementing practices to promote a diverse supplier pool, which may include:
 - Outreach to minority-owned and women-owned contractors and representative organizations;
 - Participation in conferences, workshops, and other events to attract minority-owned and women-owned firms and inform them of contracting opportunities; and
 - An ongoing process to publicize procurement opportunities.

4 *Practices to Promote Transparency of Organizational Diversity and Inclusion – publicly sharing information about D&I efforts*

An organization should be transparent with respect to its diversity and inclusion activities and make information available to the public on an annual basis through its website or other communication methods. Information to share may include:

- Diversity and inclusion strategic plan;
- Policy on its commitment to diversity and inclusion;
- Progress toward achieving diversity and inclusion in its workforce and procurement activities (which may include the organization's current workforce and supplier demographic profiles);
- Opportunities that promote diversity such as:
 - Current employment and procurement opportunities;
 - Forecasts of potential employment and procurement opportunities; and
 - The availability and use of mentorship and developmental programs for employees and contractors.

5 *Organizations Self-Assessment*

The OMWI agencies interpret the term “assessment” to mean self-assessment. Organizations that have successful diversity policies and practices allocate time and resources to monitoring and evaluating their performance under their diversity policies and practices on an ongoing basis. Organizations are encouraged to disclose their diversity policies and practices, as well as information related to their assessments, to their primary federal financial regulator and the public. Organizations submitting information may designate such information as confidential commercial information as appropriate, and the agencies will follow the Freedom of Information Act in the event of requests for particular submissions. Each organization is encouraged to:

- Use the Standards contained in the Policy Statement to conduct self-assessments of its diversity policies and practices annually.
- Monitor and evaluate its performance under its diversity policies and practices on an ongoing basis.
- Provide information pertaining to the self-assessment of its diversity policies and practices to the OMWI Director of its primary federal financial regulator.
- Publish information pertaining to its efforts with respect to diversity and inclusion.

The Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Regulated Entities became effective on June 10, 2015. These organizations are encouraged to conduct a self-assessment annually and submit the findings to their primary federal financial regulator as noted above.



Where can I go if I need further information about these standards?

Feel free to contact the Office of Minority and Women Inclusion at your primary federal financial regulator.

**Board of Governors
of the Federal Reserve System**

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Federal Deposit Insurance Corporation

Office of Minority and Women Inclusion
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Office of the Comptroller of the Currency

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