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WORKPLACE DIVERSITY AND INCLUSION:

A PREPATORY CHECKLIST IN ADVANCE OF FINAL STANDARDS

Workplace Diversity and Inclusion

A Preparatory Checklist in Advance of Final Standards

Background

As a result of Section 342 of the Dodd-Frank Act, six agencies mandated to assess diversity and inclusion (D&I) policies and practices of regulated, financial services entities issued proposed standards formally known as Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices. Final standards are expected before the end of 2014. [Stuart Ishimaru](#), Director of the [Consumer Financial Protection Bureau's Office of Minority and Women Inclusion](#) suggested on June 26, 2014 that banks begin now to prepare for compliance. This Preparatory Checklist is aimed at helping your institution do so while avoiding work that might become irrelevant when the final standards arrive.

Application

The proposed standards give general consideration to the diversity of financial services entities (e.g. size, total assets, number of employees, governance, number of vendors, and number of customers). Yet, they give no specifics on how they will apply to entities and their varying characteristics. On the other hand, it's unwise to assume that simply because an entity files an EEO-1 or has an Affirmative Action Plan that it will satisfy the final standards. Conversely, it's unwise to assume that because an entity is exempt from such filings and plans that it will be exempt from compliance of all requirements in the final standards. In short, every financial entity regulated by even one of the following will likely find a review and assessment of diversity and inclusion policies and practices prudent:

- Consumer Financial Protection Bureau (CFPB)
- Department of the Treasury
- Federal Deposit Insurance Corporation (FDIC)
- Federal Housing Finance Agency (FHFA)
- All Federal Reserve Banks, Board of Governors of the Federal Reserve System
- National Credit Union Administration (NCUA)
- Office of the Comptroller of Currency (OCC)
- Securities and Exchange Commission (SEC)

Purpose

The purpose of this checklist is to organize the review and assessment of current D&I efforts relative to proposed standards and likely future ones. It is to give an idea of the work ahead in an institution's compliance while keeping in mind that the degree of compliance for each type of financial services entity is unknown. In short, it's a gap-analysis tool assisting in identifying potential resource requirements for compliance. It is neither meant to direct the writing of specific policies and practices nor change them substantially unless the mandate of these agencies implicitly or reasonably suggests it would be good to do so and can be done relatively easily. The checklist applies a consistent methodology to many of the items, hereon referred to as the Ten Step Test (TST) and referenced specifically as needed with items:

1. Does a policy exist (policy)?
2. Who needs to formally approve and support the policy and has it been approved (approval)?
3. Is it communicated and where (communication)?
4. Are employees, managers and affected persons being trained on the policy (education/training)?
5. How will it be determined that employees, managers and affected persons are implementing the policy as communicated, educated and trained (audit)?
6. What D&I goals have been set and what assessment has been done to determine if these goals are appropriate (goal setting)?
7. How will these goals be achieved (planning)?
8. How will progress be monitored, tracked and measured (monitoring)?
9. How will outcomes and results be reported (reporting)?
10. How will adverse effects or shortfalls against goals be addressed (adjustments)?

Organization

This checklist's organization runs parallel to the four key areas named specifically in the proposed standards:

1. Organizational commitment to diversity and inclusion
2. Workforce profile and employment practices
3. Procurement and business practices – supplier diversity
4. Practices to promote transparency of organizational diversity and inclusion

Of the four, the last two are most impactful. Entities will need to apply diversity and inclusion not only to employment practices but now to procurement ones. Moreover, whereas some of this information (i.e. Affirmative Action Plans) was previously confidential to the institution, more will be accessible to employees and the general public to promote transparency.

Checklist

Organizational commitment to diversity and inclusion

Does the strategic plan at least mention the importance of D&I in employment and contracting and assign responsibilities for TST?

Do strategic plans and other planning documents referencing employment and contracting define relevant areas here to include hiring, recruiting, retention and promotion?

With how many of the TST does each D&I policy comply?

Has the overarching D&I policy for the institution been approved by board of directors?

Are regular progress reports against this policy being made to senior management and the board on at least a semi-annual basis?

What education and training is being provided to employees, managers and affected persons for current D&I policies?

What senior level official is or should be responsible for overseeing and directing D&I efforts in accordance with TST?

What steps are being taken now to promote a diverse pool of candidates, including women and minorities, in its hiring, recruiting, retention, and promotion and with how many of the TST do they comply?

What steps are being taken now to promote a diverse pool of candidates, including women and minorities in its selection of board members, senior management, and other senior leadership positions and with how many of the TST do they comply?

Workforce profile and employment practices

Is there tracking of workforce data either through annual EEO-1 reports as required by Title VII of the Civil Rights Act of 1964 or other internal reporting relative to D&I?

If an Affirmative Action Plan does not exist, has outside counsel reviewed the institution's responsibility to have one per Executive Order 11246 under the jurisdiction of the OFCCP?

Is there evaluation and assessment of D&I through an Affirmative Action Plan as required by Executive Order 11246 under the jurisdiction of the OFCCP or other reporting?

Does a plan exist to promote D&I through an Affirmative Action Plan, a strategic plan or other internal planning documents?

Does the plan or Affirmative Action Plan comply with TST, especially with formal regular review by the board and senior management?

If not done in conjunction with an Affirmative Action Plan, is a compensation study performed on at least a bi-annual basis to ensure compensation and promotions triggering pay raises are treated in a consistent manner?

Is there a policy regarding the awarding of officer titles (e.g. officer, assistant vice-president, vice-president, senior vice-president, executive vice-president), determining how and when an employee is eligible for such titles?

Is there a job grading system, salary administration plan (SAP) or some other documented process ensuring compensation, promotions and performance evaluations are treated consistently across jobs in different departments but on the same hierarchical level?

Are the data, evaluations, assessments and plans detailed enough to address specifically recruiting, applicant tracking, hiring, promotions, voluntary terminations, involuntary terminations, career development support, coaching, executive seminars and retention across all levels and occupations of the organization including executive and managerial ranks?

Do plans, policies, procedures and managerial documents state and hold management accountable for D&I efforts?

What outreach exists to minority and women organizations?

What outreach exists to educational institutions serving significant minority and women student populations?

What kind of participation exists with respect to conferences, workshops, and other events to attract minorities and women and to inform them of employment and promotion opportunities?

With how many of the TST do D&I outreach and participation efforts comply?

Procurement and business practices – supplier diversity

Does a supplier diversity policy (SDP) exist that provides for a fair opportunity for minority-owned and women-owned businesses to compete in procurements of business goods and services?

With how many of the TST does the SDP comply?

Do supplier diversity efforts include metrics and analytics for each supplier on annual contract spending; percentage spent with minority-owned and women-owned business contractors by race, ethnicity, and gender; percentage of contracts with minority-owned and women-owned business sub-contracts; and demographics of the workforce for contractors and subcontractors?

What outreach efforts exist to minority-owned and women-owned contractors and representative organizations?

What participation is there in conferences, workshops and other events to attract minority-owned and women-owned firms and inform them of contracting opportunities?

How are procurement opportunities being publicized?

How many of the TST do supplier diversity efforts satisfy, especially in the training and education of procurement managers and employees, and others involved with awarding contracts to suppliers?

Practices to promote transparency of organizational diversity and inclusion

Are the D&I strategic plan, statement of commitment to D&I, report of D&I progress in workforce and procurement activities communicated on website?

Are the D&I strategic plan, statement of commitment to D&I, report of D&I progress in workforce and procurement activities communicated annually through other appropriate public channels?

Does the public information include current workforce and supplier demographic profiles, 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?

Conclusion

The purpose of this checklist is to organize the review and assessment of current D&I efforts relative to proposed standards and likely future ones. Institutions still don't know how these standards will affect different financial services entities. For planning purposes, it is wise to become more aware of current D&I efforts and what might potentially be asked of the institution. It is very possible that many of these items might not require action, but it is important for an institution to become better educated on D&I requirements and avenues for compliance. This checklist will assist in that effort.