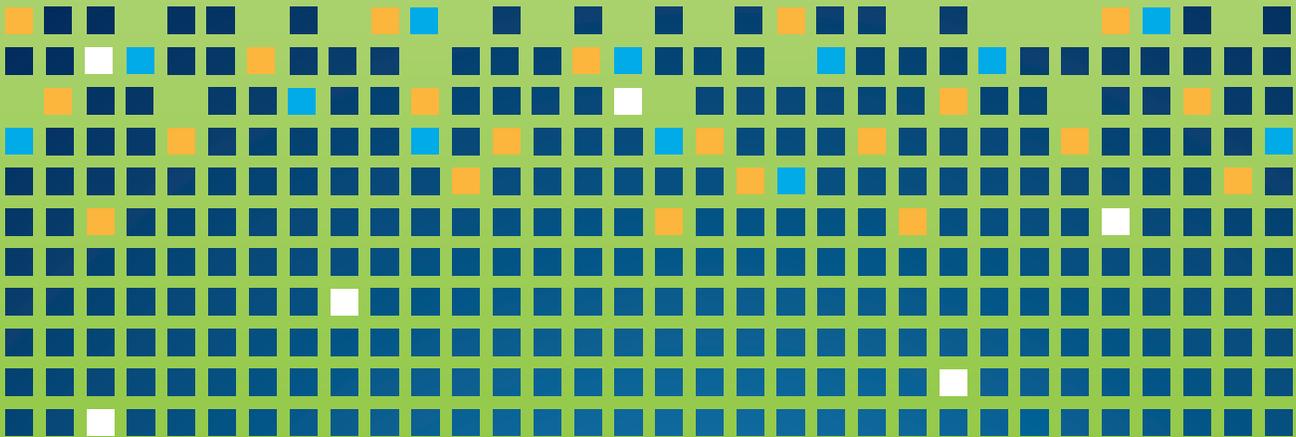




OFFICE OF
**DIVERSITY &
INCLUSION**
FEDERAL RESERVE BANK OF RICHMOND

2011 Annual Report to Congress

*On the implementation of Section 342 of the
Dodd-Frank Wall Street Reform and Consumer
Protection Act of 2010*



Federal Reserve Bank of Richmond

OUR MISSION

As a regional Federal Reserve Bank, we serve the public by fostering the stability, integrity and efficiency of our nation’s monetary, financial and payments systems.

OUR VISION

To be an innovative policy and services leader for America’s economy.

OUR VALUES

- Serve with integrity.
- Lead with courage.
- Perform with excellence.

OUR CULTURE

Our unique mission commits us to the public good and demands excellent performance. We each constantly seek to learn more about what’s around us and how we might better pursue our mission. Open deliberation and competing independent views deepen understanding and are crucial to effective collaborative teamwork. We each take initiative, with drive and determination, to create meaningful change for our constituents. Innovation and well-considered risk-taking are essential to our success. We deeply respect each other and the people we serve.

THE VISION OF THE OFFICE OF DIVERSITY & INCLUSION

To be a trusted and respected information source and catalyst of change that drives innovation and business results by harnessing the power of diversity and inclusion.

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Executive Summary

OVERVIEW

After passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Act”), the Federal Reserve Bank of Richmond (the “Bank”) promptly established an Office of Minority and Women Inclusion (“OMWI”) formation team comprised of leaders from around the Bank, as well as representatives from the Bank’s diversity councils. The team conducted a thorough analysis of each requirement outlined in Section 342 of the Act and designed recommendations for OMWI’s structure, roles and responsibilities, mission, and vision, as well as the appropriate approaches for implementation and integration of existing diversity and inclusion efforts at the Bank.

The Bank’s management established a single OMWI for the two entities comprising the Bank: the Fifth Federal Reserve District (the “Fifth District”) and Federal Reserve Information Technology (“FRIT”). Rather than calling it OMWI, Bank management named it the Office of Diversity & Inclusion (the “Office”) to recognize objectives broader than the inclusion of minorities and women.

During its inaugural year, the Office focused on hiring and onboarding staff; educating Bank leaders, directors and staff on the mission, vision and objectives of the Act and the Office; assessing current internal policies and practices; increasing recruitment efforts for women and minorities; and creating standards, procedures and plans to support the Act’s requirements and the Office’s initiatives. Externally, the Office reached out to the supplier diversity community, increased its diversity recruiting efforts and expanded its existing financial literacy efforts.

The Office has developed a deep understanding of the critical factors required for success in the areas of minority and women employment, minority- and women-owned business inclusion, and the role that the Bank plays in delivering and supporting financial literacy activities. Two critical success factors are top-down commitment and appropriate ways to judge the success of diversity programs. The Office educated senior leaders on the business value of the Office and the need to respond to the changing face of America by weaving diversity and inclusion into the business agenda of every facet of the Bank. The Office is accountable to the president, chief operating officer and the Board of Directors for consistent and measurable results that are used to determine the organization’s success.

The Bank has also been recognized externally and has received several awards for its commitment to diversity and inclusion.

MINORITY AND WOMEN EMPLOYMENT

From 2010 to 2011, minority officer representation increased from 17.7 to 18.8 percent in the Fifth District and from 12.2 to 14.9 percent in FRIT. Female officer representation in the Fifth District increased from 45.6 percent in 2010 to 46.3 percent in 2011. Female officer representation in FRIT decreased from 51 to 40.4 percent during this time period, primarily due to retirements and voluntary turnover.

The Bank increased the effectiveness of its recruitment, development and engagement of a diverse workforce. It enhanced its outreach efforts to reach a more diverse group of potential employees. It increased development opportunities for employees and focused on improving participation rates by women and minorities in development programs. The Fifth District also hired more minorities and women for its internship programs, with the intent to build a pipeline of future employees. In 2011, women represented 52 percent and minorities 39 percent of the Fifth District’s total interns, and women represented 42 percent and minorities 63 percent of FRIT’s total interns.

The Fifth District also educated senior leaders on cross-cultural competency. These sessions aim to help the workforce understand both the importance of organizational diversity and inclusion and their role in supporting diversity and inclusion within the organization. Because of this program’s success and positive feedback from senior leaders, the training will be delivered to all employees.

MINORITY- AND WOMEN-OWNED BUSINESS PARTICIPATION

The Bank has worked internally and externally to increase minority- and women-owned business participation in its procurement. Internally, the Bank developed a three-year supplier diversity action plan to implement the supplier diversity requirements in the Act; increase procurement opportunities for minority- and women-owned businesses; increase awareness of and educate the Bank’s staff on its supplier diversity initiatives and policy; provide education and awareness to diverse suppliers; and utilize reporting systems and analytics to measure gaps as well

as successes. The supplier diversity program manager is working to increase the number of diverse suppliers for consideration in the Bank's procurement opportunities. The Bank has implemented a process to track the number of minority- and women-owned businesses included in, responding to and receiving awards from these opportunities, with results reported quarterly to senior management. This tracking process also captures anecdotal information concerning areas in which it is difficult to find qualified diverse suppliers, why suppliers invited to participate choose not to respond and what factors contribute to unsuccessful bids from diverse suppliers.

The Bank has provided leadership on supplier diversity within the Federal Reserve System (the "System"). It organized an all-day supplier diversity training program for senior procurement officers and OMWI directors from throughout the System. The training was facilitated by Ralph G. Moore & Associates ("RGMA"), a nationally renowned supplier diversity consulting firm. RGMA has provided similar training to a large number of the nation's top corporations, many of which are also recognized as industry leaders in supplier diversity practices.

Externally, the Bank has organized or participated in numerous supplier diversity events. As an example, the Bank participated in a workshop hosted by U.S. Rep. Mel Watt, D-N.C., entitled Training Workshop for Small Diverse Businesses: How to Do Business With the Federal Government. The Bank's Community Development department also hosted a technical assistance workshop that included sessions such as "Components to a Successful Small Business," "Selling to Big Business," "Selling to the Government" and "Access to Capital." The Bank's supplier diversity manager attended this workshop to meet and discuss the Bank's procurement processes with suppliers. Additional events are detailed in Appendix A.

To continue to improve supplier diversity outcomes, the Bank will educate its management and employees; complete additional supplier outreach education and messaging; establish and implement a program to increase spending with second-tier suppliers; and enhance its sourcing and reporting techniques.

FINANCIAL LITERACY

The Bank successfully expanded its existing financial literacy efforts by developing key partnerships at state and national levels, providing training and resources to teachers, and developing direct-to-student learning experiences. In December 2011, the Bank's Economic Education team brought together key representatives from Fifth District state councils on economic education, the national Council for Economic Education, and state departments of education and other important stakeholders. Participants identified common opportunities and challenges and discussed how to address these challenges in a systematic fashion across the District. The Bank received positive feedback on this meeting and will make this a regular event.

For several years, the Bank has supported implementation of a graduation requirement in economics and personal finance for high school students in Virginia. Its senior leaders wrote letters and appeared before the state legislature to support adoption of the new requirement. The requirement went into effect for the ninth-grade class of 2011, ensuring that Virginia's students will have a greater level of financial literacy. In 2011, the Bank provided content for or had employees participate as trainers in 115 teacher training programs throughout Virginia. It also provided leadership and assistance in developing a new website to serve as a resource clearinghouse where high school teachers can find quality lesson plans and other materials to use in teaching Virginia's new economics and personal finance course.

To further improve the Bank's financial literacy efforts, the Bank plans to seek out new strategic partnerships with minority organizations, develop additional direct-to-student resources, develop metrics to assess the effects of its education efforts, expand mentoring programs and increase awareness of its financial literacy programs.

Introduction

Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 required certain agencies covered under the Act to establish an Office of Minority and Women Inclusion that “shall be responsible for all matters of the agency relating to diversity in management, employment, and business activities.” The Act further states that “each Office shall submit to Congress an annual report regarding the actions taken by the agency and the Office pursuant to this section, which shall include—

- (1) a statement of the total amounts paid by the agency to contractors since the previous report;
- (2) the percentage of the amounts described in paragraph (1) that were paid to contractors described in subsection (c)(1);
- (3) the successes achieved and challenges faced by the agency in operating minority and women outreach programs;
- (4) the challenges the agency may face in hiring qualified minority and women employees and contracting with qualified minority-owned and women-owned businesses; and
- (5) any other information, findings, conclusions, and recommendations for legislative or agency action, as the Director determines appropriate.

This report is submitted pursuant to the Act and covers the period between July 2010 and December 2011.

BACKGROUND

The Congress established the Federal Reserve Bank of Richmond (the “Bank”), along with the other eleven Federal Reserve Banks, in 1913 through the enactment of the Federal Reserve Act, 12 U.S.C. §226, et seq. Each Federal Reserve Bank received its charter from the Office of the Comptroller of the Currency and is a separate corporation.

Federal Reserve Banks participate in the formulation of monetary policy; provide payment services nationwide; supervise and regulate member banks, bank holding companies, savings and loan holding companies, and certain other entities as provided for by the Federal Reserve Act; act as the fiscal agent for the United States Treasury; and act as a depository for all banks in their particular geographic region.

Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Act”) in July 2010 as a part of the nation’s regulatory reform efforts. Section 342 of the Act directs certain agencies, including the Federal Reserve Board and each Federal Reserve Bank, to establish diversity and inclusion offices by January 2011 and outlines diversity and inclusion initiatives in the financial services industry. The Bank sees the Act’s mandate as an opportunity to broaden diversity and inclusion efforts in all aspects of its business. In December 2010, the Bank created the Office of Minority and Women

Inclusion and named it the Office of Diversity & Inclusion (the “Office”). To achieve the Bank’s goals with respect to diversity and inclusion, the Office established a three-year strategic plan. Its goals are to embed diversity and inclusion at all levels of the organization to promote an open culture of high performance, engagement and inclusion; increase the Bank’s engagement with minority- and women-owned suppliers; become a leader in diversity and inclusion within the Federal Reserve System (the “System”) and its community; and make substantial contributions within its community to improve diverse employment and business opportunities.

The Office looked broadly at many internal and external factors when designing its strategic plan to support and focus more attention on the Bank’s diversity efforts. The Bank’s management has made diversity and inclusion a priority, and the Bank has been recognized for its commitment. In May 2011, the Greater Richmond Chamber of Commerce and the Richmond Human Resource Management Association recognized such efforts by awarding the Bank with the Diversity Excellence Award and the Best Recruitment, Engagement and Retention Practices Award. 2011 was the second year in which the Bank received the Diversity Excellence Award. In addition to this recognition, the Bank was a finalist in the workforce development and employer of choice categories.

STAFFING AND STRUCTURE

The Bank appointed Tammy Cummings, senior vice president of Human Resources, as the director of the Office in December 2010. William Cooper was hired as the deputy director in February 2011.

The Bank appointed Ms. Cummings director because of her success in improving the Bank's workforce diversity since 2006. Ms. Cummings led the System's creation of its first diversity advertising campaign. In the Bank, she worked with the senior management team to establish employee resource networks ("ERNs"), improve recruitment of minorities and women, develop and deliver diversity and inclusion training to all employees, create the Diversity & Inclusion Council, and pursue efforts that increased the number of minority officers employed at the Bank. Before joining the Bank, she served as the corporate vice president of Human Resources for two other Richmond-based companies.

Since Ms. Cummings' experience is primarily in workforce diversity, the Office sought a deputy director with complementary strengths, and Mr. Cooper has deep experience in the area of supplier diversity. The former owner of one of the largest minority-owned printing companies in the country, he served as director of supplier diversity

at the University of Virginia before joining the Bank. He currently serves as chairperson of the board of directors of the Virginia Minority Supplier Development Council ("VMSDC") and is active in its parent organization, the National Minority Supplier Development Council ("NMSDC").

The Office's director reports to the Bank's chief operating officer and to the president for the Office's responsibilities. The deputy director reports to the director, is responsible for the day-to-day operation of the Office and manages a staff of three full-time professionals. A cross-functional and diverse group of Bank leaders serves as an advisory committee to the Office.

GEOGRAPHY COVERED

The Bank is made up of the Fifth Federal Reserve District (the "Fifth District") and Federal Reserve Information Technology ("FRIT"), a national information technology division. The Fifth District is headquartered in Richmond, Va., and serves the District of Columbia, Maryland, Virginia, North Carolina, South Carolina and most of West Virginia. Branch offices are located in Baltimore, Md., and Charlotte, N.C. Fifth District employees are located in one of three cities: Richmond, Va., Baltimore, Md., or Charlotte, N.C. FRIT is headquartered in Richmond, Va., and employees are located in 18 states across the United States.



UNIQUE ACTIVITIES AND SIGNIFICANT SYSTEM RESPONSIBILITIES FOR THE FEDERAL RESERVE BANK OF RICHMOND

The Bank hosts several offices with responsibilities to the entire System:

- The National Procurement Office (the “NPO”) manages and facilitates strategic procurement decisions for the 12 Reserve Banks in an effort to maintain integrity and efficiency within the Bank’s procurement processes and to minimize the total cost associated with the purchase and supply activity (procurement).
- The Currency Technology Office (the “CTO”) is a function of the System Cash Product Office. It is responsible for the high-speed banknote processing systems (“BPS”) and sensor strategy for the System. The CTO also provides training and help desk services on the BPS and sensors.

- Payroll Central Business Administration Function (“PCBAF”) provides payroll services for employees of all 12 Reserve Banks.

- FRIT provides information technology services to the System.

Note, the NPO, CTO and PCBAF fall under the Fifth District. FRIT has its own mission, vision and workforce strategy and is served by separate human resources and procurement departments.

This report includes information for both the Fifth District and FRIT. When required for clarity, the report will reflect the distinct actions of one entity separate from the other and attribute them specifically to either the Fifth District or FRIT; when an action is attributable to both, the report will refer to the Bank.

Minority and Women Employment

This section outlines the Bank's successes, challenges and next steps to further advance its workforce diversity objectives.

SUCCESSES

The number of female, minority and minority female employees increased throughout the Fifth District from 2010 to 2011. Within its officer corps, the Fifth District increased the number of females and minorities during the reporting period, and FRIT increased the number of minority officers during the same period. To continue improving its workforce diversity through retention, the Bank has created succession plans and is identifying and developing diverse high-potential candidates. The actions taken are described below:

- Communicating standards for equal employment opportunity
- Improving the effectiveness of its recruitment, development and engagement of a diverse workforce
- Initiating workforce diversity training programs for senior leaders
- Improving development programs for diverse employees
- Improving the engagement of minority groups as measured by workforce commitment scores

The Bank communicated standards for equal employment opportunity.

The Office communicated to senior leaders its vision, guiding principles and actions for driving diversity and inclusion. Additionally, during the reporting period, the Bank undertook several initiatives to improve its communications processes related to diversity and inclusion:

- To improve its understanding of the organization's diversity and inclusion needs, FRIT reorganized and expanded its Diversity & Inclusion Council to add representation from multiple geographical areas and all divisions of FRIT. FRIT management also realigned its diversity and inclusion initiatives to match the organization's environment and strategic objectives. FRIT's chief financial officer hosted a series of lunch-and-learn conversations to educate employees and discuss the realigned Diversity & Inclusion Council and its initiatives. During these sessions, the chief financial officer presented diversity and



Vice President Gene Johnson gives a lunch-and-learn talk on the Civil War during Black History Month.

inclusion as a vital component of organizational readiness and sustainability.

- The Fifth District and FRIT utilized their Equal Employment Opportunity ("EEO") Program Book and EEO Update Book to communicate a collective commitment to and progress in developing a diverse and inclusive workforce. The EEO information is shared extensively with the Bank's Board of Directors, the Federal Reserve Board, Bank management and the Bank's entire workforce.
- The Bank held semiannual meetings with its boards of directors and business unit leaders on the status of diversity and inclusion initiatives, actions and outcomes—including workforce, leadership and succession profiles. These meetings assessed department performance and workforce utilization, as well as developed action plans to address gaps and track progress. The Office also provides reports on its progress to the Board's Committee on Human Resources and Committee on Federal Reserve Information Technology and the full Board of Directors biannually.

The Bank improved the effectiveness of its recruitment, development and engagement of a diverse workforce.

The Bank improved the effectiveness of its recruitment practices for women and minority groups through a variety of measures. It increased its participation in regional and national recruiting activities focused on women and minority groups, including Women for Hire, Latinos for Hire, the National Association of Asian American Profes-

signals, Opt for Work, and the National Conference and Career Expo hosted by the Hispanic Association of Colleges and Universities (HACU).

The Fifth District participated in several national recruiting events in partnership with the System, including those sponsored by the National Black MBA Association, the National Hispanic MBA Association and the National Latino Professionals in Finance and Accounting. FRIT identified and attended job fairs targeting diverse information technology professionals, including events hosted by the National Society of Black Engineers, the Black Data Processing Associates and the Society of Women Engineers.

Strengthening partnerships with historically black colleges and universities (“HBCUs”) is also a priority for the Fifth District. In 2011, the Fifth District hired two candidates from its participation in the National Black MBA event and hosted “Meet the Fed” information sessions on five HBCU campuses. It has also strategically partnered with HBCUs to build a talent pipeline for future employment openings.

The Fifth District has improved its recruitment in urban areas. In partnership with the Federal Reserve Bank of Cleveland, the Fifth District participated in a career event during the annual Urban Financial Services Coalition (the “UFSC”) Conference in 2011 and hired one candidate. In addition, the Baltimore branch sponsored the UFSC’s President’s Reception, which allowed Fifth District executives to support the recruitment of minority talent. The Fifth District has continued to sponsor and recruit on the local level at job fairs in urban communities, such as the Richmond Diversity Career Fair and Richmond Career Fair.

The Bank is also leveraging technology to improve the recruitment of women and minorities. All Fifth District positions posted online are automatically cross-posted on the Bank’s diversity partners’ websites, including, but not limited to, WomenOnBusiness.com, NSHMBA.org, NBMBA.org, WorkplaceDiversity.com, iHispanic.com, IMDiversity.com, Jobsnetwork.com and Asianlife.com. Senior management positions are advertised on national diversity sites.

Advertising positions to diverse audiences is key to the Bank’s recruitment strategy. In addition to online resources, the Fifth District advertises positions in the National Black Equal Opportunity Employment (EOE) Journal, the

Hispanic Network Magazine and the Professional Woman Journal. The Bank has also partnered with the System to advertise during national recruiting events. A System diversity advertisement is included in conference magazines and booklets, representing all 12 Districts and the Federal Reserve Board. The Fifth District has increased its recruiting presence on LinkedIn network groups, including Women in Information Technology, Women for Hire, the National Black Information Technology Leadership Group, Hispanic IT, the National Black MBA Association and the National Hispanic MBA Association. These social networking efforts have increased the Fifth District’s sourcing visibility by an estimated 4 percent per month.

The Fifth District has also worked on targeted recruitment campaigns. Specifically, it has implemented a sourcing campaign for the Supervision, Regulation and Credit department. This campaign is specifically designed to maintain a candidate pipeline for examiner positions in the Community and Regional team. Since its inception in May 2011, the campaign has found a total of 337 candidates, conducted 24 interviews and made eight hires, of which 38 percent were women or minorities.

To develop a pipeline to recruit future employees, the Bank has created and executed robust internship programs. In 2011, the Fifth District’s program had 23 interns, including 12 women (52 percent) and nine minorities (39 percent). In 2011, FRIT hired 19 interns, including eight women (42 percent) and 12 minorities (63 percent). Additionally, FRIT’s Emerging Talent Initiative Program allows FRIT to attract a diverse workforce.

In addition to these targeted efforts, the Bank leverages its employee resource networks to support its employee development and engagement efforts. The Bank is proud of its six ERNs, which were formed for the purpose of supporting diversity and inclusion and other strategic initiatives of the organization. Each group has a unique focus, and all of the groups’ business plans include activities that are tied to the Bank’s corporate objectives. For example, Generating Recognition for Women (GROW), the ERN dedicated to women, worked to arrange back-up childcare services for Bank employees, and this offering has been incorporated into the Bank’s benefits package. The Bank continues to utilize its ERNs and their initiatives to move forward in its diversity and inclusion journey.

The Bank develops diverse candidates for all job vacancies. The results of these efforts are described below:

- 173 Fifth District new hires in 2011: 70 women (41 percent); 45 minorities (26 percent); and 21 minority women (12 percent)
- 167 FRIT new hires in 2011: 45 women (27 percent); 43 minorities (26 percent); and 13 minority women (8 percent)
- Diverse candidate pools¹ for Fifth District positions in 2011: 45 percent women, 38 percent minorities, 21 percent minority women and 4 percent Latino
- Diverse applicant slates² for Fifth District positions in 2011: 41 percent women, 37 percent minorities, 19 percent minority women and 3 percent Latino
- Diverse candidate pools for FRIT positions in 2011: 35 percent women and 43 percent minorities
- Diverse applicant slates for FRIT positions in 2011: 31 percent women and 38 percent minorities

The Bank initiated workforce diversity training programs for senior leaders.

The Fifth District engaged a nationally recognized consultant, Andrés Tapia of Diversity Best Practices, to help develop the next generation of its diversity and inclusion education and awareness programs. These sessions aim to help the Bank’s employees understand the importance of organizational diversity and inclusion and their roles in supporting diversity and inclusion within the organization. Because of this program’s success and positive feedback from senior leaders, the training will be delivered to all employees.

FRIT executives participated in an education session regarding implicit, or unconscious, bias. The session identified actions for mitigating and eliminating risks associated with this bias in the organization’s culture, programs and practices.

The Bank improved development programs for diverse employees.

The Bank has encouraged women and minorities to participate in its mentoring and development programs as well as its ERNs. These programs are described below, and female and minority enrollment figures are featured in the table at the bottom of the page. The Bank has also increased the representation of women and minorities in its succession planning programs.

The Fifth District provides an internal mentoring program to women and minority employees, pairing senior leaders with mentees. In 2011, it added reverse mentoring to the program, through which mentees help mentors develop by sharing diverse ideas and perspectives.

The Leadership Development program focuses on developing future leaders through a curriculum based on Bank leadership competencies and best practices. The program features 360-degree feedback, action learning projects, interaction with senior management and other leadership development tools.

The Bank’s Partners in Management Development certificate program offers an opportunity to build and hone leadership skills. Designed to attract and retain talent, strengthen leadership competencies and prepare future leaders, the program features two curricula, depending on whether the participants are new or experienced managers.

Female and Minority Participation in Development Programs			
	Total Participants	Female Participants	Minority Participants
Mentoring Program	38	21 (55.3%)	10 (26.3%)
Leadership Development Program	9	5 (55.6%)	3 (33.3%)
Partners in Management Development	20	15 (75%)	7 (35%)
Partners in Professional Development	28	14 (50%)	10 (35.7%)

¹ The candidate pool includes all individuals who apply for a position.

² The applicant slate includes all candidates who meet the minimum qualifications for a position.

The Partners in Professional Development training program is highly interactive. In addition to gaining knowledge, participants develop strong bonds with other members of the group, which fosters closer working relationships within the organization, supporting the Bank's commitment to increased cross-functional communication and collaboration. Key components of the program are team building, accountability, innovation, effective communication, presentation and facilitation skills, group projects, and organizational knowledge.

The Bank expanded its ERNs, employees' participation in them and their executive sponsorship. ERNs are voluntary, employee-led groups sponsored by the Bank and are formed around shared characteristics or interests. They are used for employee development and other strategic initiatives of the Bank, including diversity and inclusion. ERNs currently include: Four Generations United (4-Unite); Ability Beyond the Label (ABLE); Generating Recognition of Women (GROW); Pride, Respect, Inclusion, Support, Mutual (PRISM); Supporting the Advancement of Asian-American Recognition and Talent (STAAART); and Valuing the Inclusion of Talented African-Americans and Latinos (VITAL).

The representation of women and minorities in the Bank's succession planning program increased. This effort, combined with those described above, resulted in significant numbers of promotions of minorities and women, as noted below:

- 137 promotions of Fifth District employees in 2011: 48 women (35 percent); 52 minorities (38 percent); and 18 minority women (13 percent)
- 78 promotions of FRIT employees in 2011: 28 women (36 percent); 28 minorities (36 percent); and nine minority women (12 percent)

The Fifth District improved the engagement of minority groups as measured by workforce commitment scores.

Based on responses to a recent employee opinion survey, the engagement of minority groups increased as measured by their workforce commitment scores. The engagement portion of the survey asks employees to rate how likely they are to stay with the Fifth District if offered a similar job elsewhere with higher pay, how proud they are to work for the Fifth District, how likely they are to recommend the Fifth District as a good place to work, how likely they are to work for the Fifth District in three years,

and how satisfied they are overall as employees. Minority employees rated the Fifth District 4.2 out of 5, while nonminority employees rated it 4.18 out of 5. These scores improved from prior years' responses, are higher than the national average for the business and industry sector, and place the Fifth District in the 80th percentile of employers that participated in the outside organization's survey.

CHALLENGES

The Bank has identified two key opportunities for future improvement of employment diversity:

- Recruiting and retaining female automation professionals
- Building a network with the Hispanic community and developing a pipeline of Hispanic employees

FRIT has experienced challenges in recruiting and retaining significant numbers of female automation professionals. Competition for intermediate-to-senior professionals, which the organization tends to hire, is high, and it is difficult to compete with the private sector based on the salary the organization is able to offer. To address this challenge, FRIT continues its efforts to build brand awareness at diverse career fairs targeting IT professionals and to leverage its total rewards package and interesting and rewarding work to attract the talent necessary to achieve its objectives.

The Bank has also had difficulty in building a pipeline of Hispanic employees. Building a network with the Hispanic community will help the Bank better meet the diverse needs of this constituency and help build a pipeline of Hispanic employees. Specifically, the Fifth District is working with the Hispanic Association of Colleges and Universities to find additional talent.

NEXT STEPS

To address the challenges described above and to further improve upon the Bank's workforce diversity efforts, the Bank is taking the following actions:

- Taking continued affirmative steps to seek female and minority candidates
- Improving workforce commitment to diversity and inclusion

Take continued affirmative steps to seek female and minority candidates.

The Bank is committed to developing diverse pools of candidates and providing development opportunities to diverse employees. It recruits and supports the leadership development of a diverse workforce. To recruit diverse talent and retain this talent over the years, the Bank will continue developing new partnerships and strengthening existing partnerships with organizations focused on women and minorities. As noted previously in the Successes section, the Bank has been and will continue to be engaged in numerous national, regional and local recruiting events to increase the visibility of job opportunities within its organization. To find diverse talent, it will continue to leverage the variety of sourcing strategies, including print and online advertising and professional networks, mentioned earlier in this report. The Bank will continue to leverage its ERNs to help it recruit and retain talent by having members participate in external recruiting events and by providing development opportunities to members. The Bank understands that visible diverse leadership plays a critical role in the organization.

Improve workforce commitment to diversity and inclusion.

The Fifth District and FRIT are committed to continued diversity and inclusion training and have developed training for employees that will begin in 2012. The content for the Fifth District training focuses on cross-cultural competencies and will provide practical solutions to help employees navigate cultural differences in the workplace and beyond.

The objectives of training include:

- Understanding how diversity and inclusion align with the Bank's vision, mission, strategy, culture, business outcomes and history, as well as how diversity and inclusion connect to the work employees do every day
- Understanding ourselves and how our own world view shapes our beliefs and behaviors
- Understanding the world views of others
- Understanding how to work effectively across differences and cultures to enhance the work employees do for America's economy
- Embedding diversity and inclusion in the Bank's strategic direction and priorities

FRIT's 2012 education focuses on:

- Understanding how diversity and inclusion are critical to the organization's ability to provide best-in-class technology services to the System
- Understanding ourselves, the effects of bias in the workplace and how to avoid them
- Practical application by incorporating a diversity and inclusion lens in all people-related programs and practices, such as training, development programs and customer relations



Minority- and Women-Owned Business Participation

The Bank has three purchasing functions: one for the Fifth District, one for FRIT and one that works on behalf of all 12 Reserve Banks—the National Procurement Office (the “NPO”). The Fifth District procurement function supports contracting for the Bank’s daily operations, including its branches in Baltimore and Charlotte. The FRIT procurement function contracts equipment, software and services necessary for the daily operation of the System’s information technology. The NPO is responsible for negotiating and executing national contracts for certain goods and services that, when sourced collectively, provide the best value for multiple Reserve Banks. The Fifth District and FRIT procurement functions acquire goods and services; however, the NPO does not typically acquire goods and services. The NPO enters into and administers agreements in which all Reserve Banks may participate.

The Fifth District, FRIT and NPO procurement functions collaborate closely to deploy an integrated supplier diversity process within the Bank. The process supports strategies that respect the unique procurement attributes of each. Because of its purpose, the NPO focuses on large-scaled, multiyear agreements that may be used by the Fifth District, FRIT and potentially the other Reserve Banks. Separately from those sourced by the NPO, both FRIT and the Fifth District make other purchases, including smaller micropurchases that often do not require a multiyear agreement. These functions are noted in the chart below.

It is important to note that the Bank is a corporation, the capital stock of which is owned by its member banks. It

is governed by a board of directors and is not a federal government agency. Consequently, General Services Administration (the “GSA”) contracts, pricing schedules and federal government contracting rules, including the Federal Acquisition Regulation, do not apply to the Bank. The Bank has been working to communicate this critical distinction to the supplier community with the goal of enabling diverse suppliers to engage more effectively with the Bank.

AMOUNTS PAID TO CONTRACTORS

The Bank spent approximately \$8.1 million with minority- and women-owned businesses in 2011. This corresponds to about 3.2 percent of the Bank’s total expenditures (\$257.2 million) with third-party contractors. Expenditures with minority-owned businesses amounted to over \$3 million and with women-owned businesses totaled over \$5 million.

Minority- and women-owned businesses must be certified by a recognized third-party certifying organization to be included in the Bank’s diverse expenditures calculation, which ensures they meet industry qualifications. Recognized third-party certification entities include, but are not limited to, NMSDC, the Women’s Business Enterprise National Council (“WBENC”), the Small Business Administration’s small disadvantaged business and 8(a) programs, the Department of Transportation Disadvantaged Business Enterprise program, and other federal and state minority business development offices.

The Federal Reserve Bank of Richmond

Fifth District Procurement Office	FRIT Procurement	National Procurement Office (NPO)
Purchases goods and services for the Fifth District	Purchases goods and services for FRIT	Negotiates master agreements for use throughout the 12 Reserve Banks
Leverages System agreements from the NPO	Leverages System agreements from the NPO	Develops policies and procedures and provides guidance to the 12 Reserve Banks

There is an additional factor that impacts and provides context for analyzing the Bank's spend data: Several enterprisewide operations are centralized within the Bank. The below observations relating to these operations are offered to provide context for analyzing the spend data reflected here:

- The Currency Technology Office is responsible for functions related to currency processing. Slightly over one-third of the Fifth District's total spend comprises payments to the manufacturer of the System's highly specialized currency processing equipment. There are only a handful of companies that manufacture this equipment, none of which are minority- or women-owned. Excluding this payment from the Fifth District's total spend would raise the percentage of expenditures with diverse suppliers from 6.9 to 10.4 percent.
- FRIT bears the operational responsibility and expense for the vast majority of the System's information technology infrastructure, software and systems. Many of these systems are unique or specialized in nature, offering limited opportunity for competition overall.

The Bank firmly believes that engaging a diverse pool of suppliers throughout its business practices better enables it to provide the best overall solutions to its constituents, and it is committed to maximizing opportunities for minority- and women-owned businesses to compete for contracts.

SUCCESSSES

The Bank has primarily devoted the reporting period to developing internally-faced strategies and processes and has recently begun to initiate externally-faced actions. The initiatives undertaken during the reporting period include:

- Hiring a supplier diversity professional to improve supplier diversity efforts
- Developing a supplier diversity strategy
- Developing and conducting training for supplier diversity
- Conducting outreach activities with diverse suppliers and providing technical assistance to suppliers

The Bank hired a supplier diversity professional to improve supplier diversity efforts.

In addition to the deputy director of the Office, who has deep experience in supplier diversity, the Bank hired a supplier diversity program manager. The manager is a veteran financial services supplier diversity professional with strong connections to national and regional minority- and women-owned business development organizations. This manager supports and administers supplier diversity activity for the Fifth District, FRIT and the NPO.

The Bank developed a supplier diversity strategy.

The Bank developed a supplier diversity strategic plan to increase procurement opportunities to minority- and women-owned businesses, develop reporting systems and metrics, and communicate the plan and top management support to the Bank's employees. For the Fifth District:

- Supplier diversity is about increasing access and opportunity for minority- and women-owned businesses to participate in the Fifth District's acquisition process.
- Supplier diversity adds value to the organization. The inclusion of a diverse group of suppliers is critical for driving operational excellence, advancing diversity and inclusion practices, and reducing reputational risk.
- Supplier diversity is owned by all employees of the Bank, including leaders and staff that are involved in the procurement process.

The Bank, through the National Procurement Office, developed and conducted training for supplier diversity.

The NPO has taken the lead in facilitating and developing best practices in supplier diversity through several initiatives. Along with other key stakeholders, it led the development of a supplier diversity framework that Reserve Banks can use as a guideline for implementing a strong and dynamic supplier diversity process. The NPO hosted supplier diversity training for all senior procurement officers and OMWI directors throughout the System. This training was facilitated by Ralph G. Moore & Associates ("RGMA"), a nationally renowned supplier diversity consulting firm. RGMA has provided similar training to a large number of the nation's top corporations, many of



2011 Diverse Supplier Spending						
	Fifth District		FRIT		Bank	
	\$	%	\$	%	\$	%
Women	\$3.10	4.1%	\$1.97	1.1%	\$5.07	2%
Minorities	\$2.10	2.8%	\$0.90	0.5%	\$3.00	1.2%
Small	\$12.41	16.4%	\$6.69	3.7%	\$19.10	7.4%
All others	\$58.27	76.8%	\$171.80	94.7%	\$230.07	89.4%
Total	\$75.87	100%	\$181.36	100%	\$257.23	100%

\$, in millions

which are also recognized as industry leaders in supplier diversity practices. The NPO researched and began implementing spend analytic tools that will provide information about what Reserve Banks buy, where and how they buy it, and who buys it, as well as identify key opportunities for the inclusion of diverse suppliers. The NPO spearheaded the effort to develop an 18- to 24-month procurement pipeline, allowing sufficient lead time to identify qualified diverse suppliers and prepare them to compete effectively on Reserve Bank acquisitions.

The Bank conducted outreach activities with diverse suppliers and provided technical assistance to suppliers.

In 2011, the Bank focused on enhancing its presence and visibility in the business community, particularly with diverse supplier segments. Strong cross-functional participation in events held throughout its District positions the Bank to emerge as a supplier diversity thought-and-practice leader.

The Bank hosted a regional forum that included a supplier diversity roundtable with the Bank’s president, chief operating officer, senior procurement officer, and selected minority business executives and leaders to discuss key challenges and issues, including how minority- and women-owned businesses are coping under challenging economic conditions. The Bank also became a national member of three premier private sector diverse supplier development organizations, NMSDC, WBENC and the Financial Services Roundtable for Supplier Diversity (FSRSD). These organizations serve as key resources to identify qualified diverse suppliers, share best practices and provide a broad array of educational opportunities and resources. The Office’s deputy director currently serves as chairman of the board of directors for NMSDC’s Virginia affiliate, the VMSDC.

Bank personnel also served as panelists, volunteers, facilitators and keynote speakers in numerous supplier diversity events. A detailed listing of the events attended is included in Appendix A. The supplier diversity manager leveraged Bank participation in outreach events to make strategic introductions between diverse suppliers and procurement staff and end users. These introductions have led to follow-up appointments or interactions, as well as inclusion in subsequent procurement opportunities.

Internally, the Bank implemented a policy to ensure that it has the greatest possible slate of qualified diverse suppliers on its acquisitions that are competitively bid. It implemented a process to track the number of minority- and women-owned businesses included in procurement opportunities, responding to such opportunities and receiving awards. To secure the engagement, collaboration and support of senior leaders and key stakeholders in driving successful implementation of the supplier diversity strategy, the Bank developed a business case. The Office of Supplier Diversity presented the business case to senior leaders in the fourth quarter of 2011, with continued deployment throughout the rest of the organization scheduled for 2012. To help employees use diverse suppliers, the Bank’s supplier diversity manager led a System workgroup to create a sample supplier diversity toolkit that outlines policies, practices and strategies to advance the supplier diversity initiative. The toolkit includes a Frequently Asked Questions document as well as a Supplier Diversity Quick Reference Guide.

CHALLENGES

While the Bank achieved success in the implementation of its supplier diversity program, it is focusing on the following opportunities for improvement:

- Increasing awareness of the Bank’s status as a private organization (as compared to a federal agency)

- Clarifying the differences between the Bank's three procurement functions
- Increasing the use of diverse suppliers for micropurchases
- Increasing supplier confidence with respect to Bank contractual requirements
- Executing the new supplier diversity strategy
- Increasing the use of diverse suppliers for large information technology purchases

During its outreach efforts, the Bank found that many suppliers are unaware it was not a federal agency and, therefore, not subject to federal procurement rules. This misunderstanding can significantly undermine a supplier's ability to do business with the Bank. As a private corporation, the Bank is not subject to federal government contracting guidelines, nor may a Reserve Bank participate in contracts executed by the GSA or acquire goods and services from federal supply schedules. A supplier is unlikely to be successful when marketing itself to the Bank in the same way it does to a federal agency. While this is initially a challenge for suppliers, the Bank's procurement process is much less complex than that of the federal government. The Bank must continue its outreach activities, stressing the distinction between government and Reserve Bank procurement practices and providing a clear model for marketing to the Bank.

The fact that the Bank has three different purchasing functions adds to suppliers' misunderstanding about the Bank. The Fifth District and FRIT have traditional procurement offices where they purchase goods and services. The NPO conducts research and negotiates, manages and administers contracts on behalf of the 12 Reserve Banks, but the actual purchases are made by the individual Reserve Banks that choose to use the contract. The Bank must be clear in its outreach and tailor its supplier diversity strategies to specific audiences to provide the greatest probability of success.

The Bank has not previously used competitive micropurchases. It is important that staff with authority to make small purchases be educated about the Bank's supplier diversity efforts. The Bank began to address this knowledge gap in 2011 by incorporating information on supplier

diversity in its training for procurement card ("P-card") users and approvers, as P-card is the preferred method of payment for many micropurchases.

The Bank has critical requirements in its contracts that might dissuade vendors from pursuing bids. As a steward of what are essentially public funds, the Bank must include in its contracts certain risk mitigants, including, but not limited to, insurance and indemnification requirements, background screening of supplier personnel, confidentiality and no-publicity clauses, and information security requirements. While these are customarily used and responsible measures, they may be viewed as onerous by smaller suppliers, which may prevent the suppliers from bidding. Engaging and educating a broader pool of suppliers on how best to work with the Bank will be critical to their success and the Bank's.

All of the challenges mentioned above will be addressed in the Bank's enhanced supplier diversity strategy, which includes robust internal and external education. While the Bank feels it has a strong strategy, it will require time for the supplier diversity community to learn about opportunities with the Bank and how to become more fully engaged.

A significant portion of FRIT's purchases are made using large, multiyear contracts, which is important in optimizing service and pricing for hardware, software and services with a national scope. The existence of these multiyear contracts limits opportunities for first-tier spending increases with diverse firms in the short term. Because of FRIT's commitment to include diverse suppliers in new solicitations, over time, the amount of spend with minority- and women-owned businesses should increase. In the near term, the Bank sees second-tier opportunities as a way to potentially increase spending with diverse suppliers. This is a familiar practice of larger firms with customers desiring to increase spending with diverse firms. The Bank's procurement team has already begun discussions with several of these firms to explore the possibilities.

NEXT STEPS

To address the challenges described above and to further improve upon the Bank's supplier diversity efforts, the Bank is taking the following actions:

- Educating the Bank's management employees





President Jeff Lacker, Chief Operating Officer Sally Green and Deputy Director William Cooper participate in a regional forum with minority suppliers.

- Completing supplier outreach education
- Establishing and implementing a Second-Tier Program
- Enhancing sourcing and reporting

Educate the Bank's management employees.

Continued execution of the strategic plan for supplier diversity, designed to integrate supplier diversity into the Bank's standard business practices, is key to the Bank's ongoing success. Presentation of the diversity supplier business case to Bank leaders began in the fourth quarter of 2011 and will continue to be provided throughout the organization in 2012. A procurement and supplier diversity training module, including more specific how-to guidelines, will be incorporated into the Bank's management development curriculum beginning in the second quarter of 2012. Spend analysis and pipelining strategies will also provide greater line of sight to acquisition trends, processes and opportunities that will facilitate increased access and opportunity for diverse suppliers. These strategies, combined with ongoing outreach efforts, will give managers and employees access to diverse suppliers that are qualified for and interested in both competitive and noncompetitive procurements and will help the Bank's

staff understand how to integrate supplier diversity into their daily responsibilities.

Complete supplier outreach education and messaging.

Suppliers must have the opportunity to learn how to do business with the Bank. This can be accomplished in a number of ways, including implementing a targeted communications plan that explains how suppliers might do business with the Bank and provides timely information regarding procurement opportunities and technical assistance. Supplier outreach efforts planned for 2012 include participating in external diverse supplier development events, revising and enhancing the Bank's external website for supplier diversity, and hosting an internal vendor fair to provide comprehensive information on doing business with the Bank.

Establish and implement a Second-Tier Program.

Second-tier suppliers are those businesses that do not do business directly with the Bank, but work with first-tier suppliers (which do business directly with the Bank). The Second-Tier Program serves as an enhancement to, not a replacement of, existing efforts aimed at diverse suppliers. Under the Second-Tier Program, the Bank will encourage its first-tier suppliers to buy goods or services used on Bank contracts from minority- or women-owned suppliers. Critical factors to the success of such a program include leadership commitment, resources, contract language, selection of an initial group of first-tier suppliers, training, reporting and audit, vendor management, and recognition.

Enhance sourcing and reporting.

To make all sourcing as inclusive as possible, the Bank's supplier diversity program manager, in collaboration with the NPO and the Office, developed processes that will use more detailed information about firms in the outreach, sourcing and reporting phases. By using greater detail, the team will be able to evaluate better the Bank's efforts and make more effective process improvements.

Financial Literacy Activities

Section 342 of the Act directs the Bank to partner with inner-city high schools, girls' high schools and high schools with majority minority populations to establish or enhance financial literacy programs. This strategy highlights the Fifth District's existing financial education work, which relates to the audiences mentioned in Section 342, and outlines proposed special initiatives targeted specifically at the Act's audiences.

Because research on the efficacy of specific financial education efforts is in its infancy, the Fifth District draws on methods that have been proven to be most effective in a more general economic education context. In an extensive literature review, Michael Watts summarizes findings of what works best in pre-college economics education. He finds that "at both the elementary and secondary levels, students of teachers who know more economics, who spend more time teaching economics, and who use good instructional materials, learn more economics." He also reports that a formal secondary course in economics is the best way to improve students' knowledge of economics, but that one course in economics is likely not enough to consider students economically literate. The approach advocated by Watts and other educational experts has been adopted by the most prominent national economic and financial education organizations.³

The Fifth District's strategy to enhance financial literacy uses a multipronged approach:

- Advocacy for economic and financial education at all public schools
- Development and delivery of teacher training programs
- Resource development
- Direct student experiential learning opportunities

SUCCESSSES

The Fifth District has expanded its financial literacy efforts during the reporting period by:

- Developing key partnerships at state and national levels
- Providing training and resources to teachers
- Developing direct-to-student learning experiences

The Fifth District has developed key partnerships at state and national levels.

The Fifth District has a long tradition of partnering with national, state and local educational organizations to advocate for better and expanded school-based economic and personal finance education. Of primary importance is the Fifth District's work with the Council for Economic Education, which offers comprehensive, best-in-class K–12 economic and personal finance education programs, including the basics of entrepreneurship. Its annual Financial Literacy and Economic Education Conference is the largest nationwide gathering of educators and advocates in the field of K–12 economics and financial education. The conference features a diverse selection of presentations, workshops and events aimed at raising economic and financial literacy levels among young people.

The Fifth District's president, Jeff Lacker, serves on the board of the national Council for Economic Education. Fifth District officers also serve on the boards and committees for the Council for Economic Education's affiliated state centers in Maryland, North Carolina, South Carolina and Virginia. The state councils are nationally recognized as primary conduits of effective economic and financial education and policies. They offer research-based curricula, teacher training and programs that include the Stock Market Game, Mini-Economy and Mini-Society, and the Governor's Challenge in Personal Finance. Geared toward students in grades four to 12, these programs are used to help teach math, social studies, business, economics and language skills while focusing on the importance of long-term saving and investment. The Fifth District also partners with the councils on several programs, and Fifth District employees volunteer their time at various events that focus on financial education.

In December 2011, the Economic Education team brought together key representatives from Fifth District state councils on economic education, the national Council for Economic Education, and state departments of education and other important stakeholders. Participants identified common opportunities and challenges and discussed how to address these challenges in a systematic fashion across the District. The meeting presented an opportunity for participants to strategically think about the best ways to enhance the development, delivery and assessment of economic and financial education for targeted audiences

³ Michael Watts, "What Works: A Review of Research on Outcome and Effective Program Delivery in Precollege Economic Education." (New York: National Council on Economic Education, 2006).





A group of students utilizes an interactive feature in The Fed Experience designed to teach about supply and demand.

with input from key decision-makers. The Fifth District plans to make this a regular event.

Jump\$tart is another significant partner. It is a national coalition of organizations dedicated to improving the financial literacy of pre-kindergarten through college-age students by providing advocacy, research, standards and educational resources. Jump\$tart strives to prepare students for lifelong success in financial decision-making. The Fifth District provides resources to the organization and supports its programs through hosting and volunteer service, and Fifth District officers serve on Jump\$tart's board and committees throughout the District.

In addition to the advocacy that the Fifth District provides through board service, leadership and partnership with relevant organizations, it is engaged in ongoing advocacy work to include economics and personal finance in the education of all students in the District, especially at the high school level. For example, for several years the Fifth District has supported implementation of a graduation requirement in economics and personal finance for high school students in Virginia. Senior leaders provided supporting letters and appeared before the state legislature to support adoption of the new requirement. The requirement went into effect for the ninth-grade class of 2011.

The Office's director is vice chair of the board of directors of the Virginia Mentoring Partnership, whose mission is to provide services to existing and developing mentoring programs to increase the number and quality of mentoring relationships for students in the state of Virginia. In ad-

dition to the director's leadership role, many Fifth District employees volunteer as mentors. The Fifth District trains its employees to be strong mentors for youth.

The Fifth District's significant support of various state-level financial education programs offered by nonprofits is important, especially during the recent economic downturn. By providing in-kind goods and services, board service, volunteer time and subject-matter expertise, the Fifth District increased the number and quality of programs and resources that the organizations can offer for broad and targeted audiences.

The Fifth District has provided training and resources to teachers.

The Fifth District strives to be a trusted and reliable resource for economic and financial literacy efforts in its District. The Fifth District provides professional development for teachers at public schools through workshops and makes presentations at local, state and national conferences. In 2011, the Fifth District provided content for or had employees participate as trainers in 115 teacher training programs throughout Virginia. The Fifth District develops or participates in similar teacher training activities throughout its District.

In 2011, the Fifth District also helped develop a new website, www.teachingmoneyva.org, a resource clearinghouse where high school teachers can find quality lesson plans and other materials to use in teaching Virginia's new economics and personal finance course. The Fifth District's Economic Education staff supports the website in several critical ways. Employees serve on a review team to assess the content and the appropriate correlation with Virginia's Economic and Personal Finance Standards of Learning. The Fifth District also serves as the site administrator by ensuring resources are posted to the site in a timely fashion.

Fifth District staff members also regularly review, write and edit new content and revisions for state- and District-level education initiatives. At the national level, as an active member of the System's Economic Education Workgroup, the Fifth District supports and contributes content to the nationally recognized website, www.federalreserveeducation.org. The website provides free online courses, videos, articles and lesson plans on personal finance for high school students.

By providing expertise, teacher training, and website content and administration, the Fifth District provides teachers with the ability to teach economics and personal finance to all students.

The Fifth District has developed direct-to-student learning experiences.

The Fifth District provides and supports learning experiences directly to students in a variety of ways. Through The Fed Experience, the Fifth District's award-winning exhibit, employees give guided tours tailored to school groups and offer lessons in the on-site classroom to reinforce the exhibit content. Over 8,000 individuals visited the exhibit in 2011. The Fifth District also developed web games for its Fed Experience website, www.thefedexperience.org. High school and college students are also able to tour the facilities in the Baltimore and Charlotte branch offices. In addition to facility tours, each branch has a small money museum featuring a history of money in the United States.

The Fifth District hosted a scavenger hunt in The Fed Experience to improve its interaction with young audiences. Students used mobile devices to play the Fed Quest trek on SCVNGR, a scavenger hunt game that allows the Fifth District to interact with its visitors in a new way. The players earn points and unlock rewards by completing educational objectives. The Fifth District sees programs like this as opportunities to enhance engagement with visitors, employees and the larger community.

In 2011, the Fifth District leveraged its Share the Wealth financial literacy video competition for college students by creating lesson plans and activities to accompany the winning videos for high school students. The videos educate young adults about fundamental economic and financial concepts to help them make sound financial decisions. Undergraduate students from District universities were challenged to create 30-second videos about financial literacy topics of their choice. Each team consisted of three undergraduate students and a faculty advisor from their respective university. The Fifth District presented this material at five conferences across its District.

CHALLENGES

While the Fifth District increased its financial literacy activities, it identified two opportunities for further improvement:

- Increasing outreach activities
- Determining appropriate assessment metrics

The Fifth District's Economic Education department has limited staff resources. It has been a challenge to meet the existing commitments of the department and increase offerings to schools outlined in Section 342. The Fifth District will continue to work to incorporate these new activities into its current ones.

The Fifth District does not have appropriate metrics to assess the effect of economic and financial education on the targeted audience as defined in Section 342 of the Act. The Office will work with Community Development and Economic Education staff to improve its understanding of education metrics and assessments and to develop metrics.

NEXT STEPS

To address the challenges described above and to improve its financial literacy efforts further, the Fifth District is taking the following actions:

- Seeking new strategic partnerships with minority organizations
- Developing additional direct-to-student resources
- Developing metrics to assess the effect of its education efforts
- Expanding mentoring programs
- Improving the marketing of teacher workshops and The Fed Experience

Seek new strategic partnerships with minority organizations.

The Fifth District plans to create new strategic partnerships with minority organizations that have financial education initiatives for high school students, including the Council of the Great City Schools (a coalition of 66 of the nation's largest urban public school systems), INROADS (whose mission is to develop and place talented underserved youth in business and industry and prepare them for corporate and community leadership), fraternities and sororities, and faith-based organizations. These organizations can extend the Fifth District's reach to targeted students beyond the traditional school environment. The



Fifth District will use these relationships to tailor awareness campaigns about the Fifth District's resources and activities to teachers and students described in the Act.

Develop direct-to-student resources.

The Office, Community Development and Economic Education plan to develop a direct-to-student resource targeted at the student population outlined in the Act that will focus on a student's decision to finish high school and pursue higher education or a vocational path. Because this decision directly relates to high school students' lives, the Bank believes a direct-to-student model is an appropriate way to engage students.

Develop metrics to assess the impact of the Fifth District's education efforts.

The Fifth District plans to determine and implement appropriate metrics to assess the effect of its economic and financial education efforts. This will help the Fifth District measure the effectiveness of its financial literacy outreach activities and make appropriate changes.

Expand mentoring programs.

The Office plans to partner with the Fifth District's mentoring program to enhance mentoring program offerings with the addition of financial education initiatives. The Fifth District will provide specific training on financial

education to communicate lessons the mentors can share with their mentees. The Fifth District will also partner with other established mentoring programs and focus on providing mentors for these programs. It will expand its leadership presence in mentoring organizations, including Virginia Mentoring Partnership and Junior Achievement, and work to incorporate financial literacy components into the organizations' curricula. The Fifth District will also partner with other organizations that provide mentoring, including Boys & Girls Clubs, Big Brothers Big Sisters and others, on special programs throughout the year.

Improve the marketing of teacher workshops and The Fed Experience.

The Fifth District plans to enhance its marketing of selected teacher training workshops, The Fed Experience and branch tours to target schools noted in the Act. Student and community groups are able to take guided tours of The Fed Experience exhibit as well as the branch offices in Baltimore and Charlotte. The branch office tours cover cash and check processing activities, and The Fed Experience highlights the growth of living standards, the importance of price stability and the Fed's role in the economy through simulations and interactive exhibits. The enhancements will include developing a database of financial education teachers and using this database to issue invitations and reminders and encourage teacher participation.

Conclusion

The Bank is committed to diversity and inclusion in all of its business activities and views the establishment of its Office as another step in its ongoing efforts to create a more diverse and inclusive workplace. The new Office has allowed the Bank to create more synergy with its workforce and supplier and outreach activities as they relate to diversity and inclusion. While the initial 18 months have focused on both internal and external activities, the Office looks forward to completing more external outreach in 2012 and focusing its internal actions on better aligning

its diversity efforts. The Bank has outlined the challenges it faces with regards to diversity and inclusion and has developed plans to address them. The Bank's longstanding commitment to fundamental equality, fairness and its EEO policy and practices supports its efforts to pursue a diverse and inclusive workforce as a business strategy. The Bank recognizes that achieving its business objectives related to diversity and inclusion provides stronger thought leadership and fosters the most innovative policy and services for America's economy.

Appendix

APPENDIX A. BANK PERSONNEL PARTICIPATION IN SUPPLIER DIVERSITY OUTREACH EVENTS

Virginia Hispanic Chamber of Commerce Women in Business Luncheon, January 2011, Chantilly, Va.

Two Fifth District Procurement staff members attended the luncheon to meet diverse suppliers and learn more about the Hispanic business community.

Minority- and Women-Owned Small Business Forum, February 2011, Charlotte, N.C.

Two Fifth District Procurement staff members attended this workshop for small and diverse entrepreneurs to discuss procurement practices and potential opportunities.

Federal Government Office of Small and Disadvantaged Business Utilization Conference, April 2011, Chantilly, Va.

The Bank participated as an exhibitor in this conference to meet small and diverse suppliers. Representatives from Fifth District Procurement and the NPO staffed the booth.

Virginia Business Opportunity Fair (“VBOF”), May 2011, Richmond, Va.

As the Virginia Minority Supplier Development Council flagship networking event, VBOF provides educational seminars for both corporate procurement professionals and minority entrepreneurs, as well as the opportunity to meet some of the premier minority suppliers in the region. The Bank fielded a strong cross-functional contingent of participants, including representatives from senior management, supplier diversity, all three procurement functions, Community Development and end-user departments.

Federal Reserve Regional Forum, May 2011, Northern Virginia

The Bank hosts quarterly constituent forums around its District to share and gather information on regional economic concerns and issues. The May 2011 forum included a supplier diversity roundtable with the Bank’s president, chief operating officer, senior procurement officers, Office staff members, and selected minority business executives and thought leaders. Roundtable participants discussed key challenges and issues facing minority- and women-owned businesses in today’s economic and contracting environments.

Small Business Forum, June 2011, Fayetteville, N.C.

The Bank’s Community Development department hosted this technical assistance workshop, which included

sessions on “Components to a Successful Small Business,” “Selling to Big Business,” “Selling to the Government” and “Access to Capital.” The Bank’s supplier diversity manager attended this workshop to meet and discuss the Bank’s procurement processes with suppliers.

Maryland/District of Columbia Minority Supplier Development Council Annual Procurement Conference, June 2011, Baltimore, Md.

This NMSDC affiliate serves Maryland and the District of Columbia. The Bank participated as an exhibitor, with the supplier diversity manager and a procurement representative from the Fifth District staffing a booth to meet suppliers and discuss Bank procurement processes. The Office’s deputy director served on a panel discussing how to prepare for and access global opportunities.

Carolinas Minority Supplier Development Council (Carolinas MSDC) Annual Business Opportunity Conference, August 2011, Durham, N.C.

The Bank exhibited at this event hosted by the NMSDC affiliate that serves North and South Carolina. The Bank’s supplier diversity manager joined a representative from the Charlotte branch’s Facilities Management department to staff the booth and meet with suppliers.

VMSDC/Healthcare Supplier Diversity Alliance (“HSDA”) 6th Annual Healthcare Supplier Diversity Symposium, September 2011, Richmond, Va.

Co-hosted by VMSDC and HSDA, this event includes both educational and networking components. The Office’s deputy director attended.

SWAMFEST VII, September 2011, Richmond, Va.

This annual conference presented by the Virginia Association of State College & University Purchasing Professionals includes education sessions for supplier diversity practitioners and diverse suppliers, as well as a trade fair and networking component. The Office’s deputy director presented Supplier Diversity for Beginners, a workshop on the basics of a supplier diversity process. The Bank’s supplier diversity manager also attended the conference to meet potential suppliers.

University of Richmond Minority Business Executive Program, September 2011, Richmond, Va.

The University of Richmond’s prestigious business school partnered with the VMSDC and several of the Council’s corporate members to create an intensive, weeklong

minority business education program taught by the business school faculty. The curriculum generally features one session with corporate members discussing how to do business with their respective organizations. The Bank's supplier diversity manager participated on this year's panel to discuss how to do business with the Bank.

Congressman Watt Small Business Training Workshop, October 2011, Charlotte, N.C.

The Bank participated in a workshop hosted by U.S. Rep. Mel Watt, D-N.C., entitled Training Workshop for Small Diverse Businesses: How to Do Business With the Federal Government. The Office's deputy director explained that the Bank is not a federal agency and discussed the Bank's mission and functions and how Reserve Banks are organized across the country. He also talked about how the Office was established, as part of the Act, to handle "all matters of the agency relating to diversity in management, employment, and business activities." The Bank's

senior procurement officer discussed Federal Reserve procurements processes, differentiating between the roles of the individual Reserve Banks and the national procurement functions. The Bank's supplier diversity manager concluded the session by sharing marketing strategies that can help position businesses for success when bidding on procurement opportunities.

National Minority Supplier Development Council Annual Conference, October 2011, Atlanta, Ga.

Fifth District diversity, procurement and supplier diversity staff joined a number of their System counterparts to represent the Bank at this premier minority supplier development networking event. In addition to participating in general trade fair activity and attending substantive educational sessions, Fifth District procurement management coordinated a number of strategic meetings with targeted minority suppliers based on upcoming procurement opportunities.

APPENDIX B. SUMMARY OF DIVERSE SUPPLIER PARTICIPATION IN SOURCING EVENTS

The Bank provides opportunities to minority- and women-owned businesses to participate in procurement events. In 2011, minority- and women-owned businesses were invited to participate in 73 percent of the Bank's procurement events. While minority- or women-owned businesses could not be found in some cases, 57 percent of minority- and women-owned firms did respond to the invitations, resulting in 31 contract awards.

2011 Summary of Diverse Supplier Participation in Sourcing Events				
	Fifth District	NPO	FRIT	Bank
Total Events	66	18	22	106
Events for which an MWOB was available	51	16	10	77
Events that included an MWOB	48	16	10	74
Events in which an MWOB responded	39	12	7	58
Events in which a contract was signed with an MWOB	23	2	1	26
Contracts signed with an MWOB (some events had multiple awards)	26	4	1	31
Total diverse suppliers included	111	48	18	177
Total diverse suppliers responded	65	25	10	100

	Fifth District	NPO	FRIT	Bank
Events for which an MWOB was available	77%	89%	45%	73%
Events in which an MWOB, if available, was included	94%	100%	100%	96%
MWOB response rates in events in which at least one was included	81%	75%	70%	78%
Percentage of all events in which an MWOB was awarded a contract	35%	11%	5%	25%
Percentage of events in which an MWOB was included and awarded a contract	48%	13%	10%	35%
Percentage of events in which an MWOB was included, responded and was awarded a contract	59%	17%	14%	45%
Average number of MWOBs in events that included an MWOB	2.31	3.00	1.80	2.39
Average number of MWOBs that responded in events that included an MWOB	1.67	2.08	1.43	1.72

MWOB: Minority- or women-owned business

Event: Procurement event for which the Bank contacted suppliers



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