



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

2016 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.

OUR DIVERSITY & INCLUSION VISION

To create a diverse and inclusive culture that recognizes, values and leverages differences for the good of all our employees, suppliers, stakeholders and communities.

TABLE OF CONTENTS

- Executive Summary2
- Introduction.....5
- Workforce Diversity.....6
 - Talent Acquisition and Outreach9
 - Talent and Organization Development..... 11
 - Workforce Planning and Succession Management..... 11
- Minority- and Women-Owned Businesses..... 15
- Financial Education 19
- Appendix23

Executive Summary

OMWI Office and Oversight

At the Federal Reserve Bank of Richmond (the Bank), the Office of Minority and Women Inclusion (OMWI) is known as the Office of Diversity & Inclusion (the Office). Becky Bareford is senior vice president and director of the Office, and reports to President Jeffrey Lacker on OMWI matters. Kathleen Houghtaling, vice president and chief diversity officer, serves as the deputy director.

Beginning August 1, 2016, the Bank's diversity recruitment efforts were expanded to include senior vice president Donnie Harper, who is leading the workforce diversity outreach strategy. Adding this executive-level position brings additional skills and resources focused on expanding and developing a strong, relationship-based approach with senior officials at targeted organizations, including Historically Black Colleges and Universities (HBCUs) and diverse professional organizations. The expansion of these programs supports the strategic plans of the Office and the Bank's Human Resources (HR) functions, as well as the mandate outlined in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). The Bank consists of two divisions: the Fifth District, or District (1,462 employees), which has responsibility for the primary functions of the Bank, and Federal Reserve Information Technology, or FRIT (1,208 employees), which has responsibility for information technology across all Reserve Banks within the Federal Reserve System (the System). Use of the term "Bank" in this report refers to both divisions.

The Bank's People and Culture

The Bank's vision for diversity and inclusion (D&I) is to create a diverse and inclusive culture that recognizes, values and leverages differences for the good of all employees, suppliers, stakeholders and communities.

In 2016, HR continued to focus on creating a more centralized structure, including strategically moving the Office into HR and embedding D&I practices into HR policies, programs and processes across the Bank. The unified HR structure better supports the Bank's people and culture goals — including implementing targeted D&I initiatives and objectives that foster diversity at all levels of the organization by focusing on recruitment, development and retention of employees in an inclusive work environment.

The Bank also developed a shared understanding and model of behaviors that contribute to a more inclusive environment. This new competency model supports the Bank's organizational value of performance excellence, and defines inclusive behavioral expectations by role across the organization. The model encourages employees to focus on their behavior as they come together with others to think, plan and act as they pursue shared goals that benefit both the Bank and the System. This behavior-focused approach reinforces collaboration, information sharing, developing insight and celebrating shared successes. During the year, the Bank also continued to focus on behaviors that support open discussion and deliberation, enable employees to speak openly and chal-



Geography Covered

The Fifth District covers the District of Columbia, Maryland, Virginia, North Carolina, South Carolina and most of West Virginia. The Bank is headquartered in Richmond, Virginia, with branch offices in Baltimore, Maryland, and Charlotte, North Carolina. Bank employees are located across the U.S. and within offices of each of the 12 Districts across the System.

lenge normative behavior as well as behaviors that reinforce the Bank's values, competencies and performance expectations.

In an effort to better understand and measure the Bank's D&I efforts, the Office collaborated with Bank leaders to utilize a comprehensive workforce metrics report. The report is reviewed quarterly by the Bank's senior leaders and provides data to help inform decisions and foster conversations on effective practices to help move the Bank towards building a more diverse and inclusive environment. The report supplies leaders with data-driven, measurable information that is used to track and measure progress, identify opportunities for improving organization effectiveness and develop a clearer understanding of how business actions impact the Bank's overall D&I outcomes.

Recognizing the important role that D&I education plays in organizational culture, human interactions and business outcomes, the Office developed and began implementing a new training strategy that builds upon previous cross-cultural competency and unconscious bias education efforts. The Office is also addressing additional workforce D&I education needs with the help of an external D&I consultant to increase employees' understanding of how they use their unique perspectives to positively influence the Bank's operations and culture in support of the Bank's public service mission.

The Bank also benefits from leaders and individual contributors who serve on the Diversity & Inclusion Alliance (DNA) and the Executive Diversity & Inclusion Council (EDIC) who, along with the Bank's Board of Directors (BoD), act as key partners and champions and provide guidance and leadership to D&I efforts.¹

The DNA represents many of the business lines in the Bank and reflects the diverse representation of the organization. It is composed of 57 percent minorities and 29 percent women. These positions also are filled by employees at all levels of the organization from officers to individual contributors. The BoD, which oversees Bank operations and connects the Bank to the region's businesses and communities, consists of 11 percent minorities and 43 percent women.

¹ A list of groups that serve as champions is included in Appendix 3.

² Minority women are reflected in both minority and women categories throughout the Workforce Diversity section of this report.

³ Students reached through educators using a common multiplier of 75 students per educator.

Workforce Diversity

As of December 31, 2016, there were 2,670 employees in the Bank, consisting of 44 percent non-minority male, 37 percent women and 31 percent minorities.²

- Overall, minority representation remained stable, despite an overall decrease of 28 total employees.
- The Bank's overall women representation was 37 percent, a 1 percent decrease from 2015.
- Hiring data reveals 42 percent of employees hired externally in 2016 were minority, which is 11 percent higher than the minority hiring representation the previous year. Additionally, 66 percent of the minority hires were from the top three EEO-1 categories of the organization, including the executive/senior officials, first/mid-level officials and professional categories.
- A large majority of women hired externally in 2016 were at the professional level. Of all women hired, 71 percent were hired into professional roles compared to 57 percent of total external hires at this level.
- Sixty-one college interns participated in the summer intern program. Overall, the program participants were 36 percent women and 38 percent minorities. Two of the students were from HBCUs and one was from a majority-women's university.

Minority- and Women-Owned Businesses

- Although 2016 expenditures with diverse suppliers (\$39.1 million) declined as projected in 2015, the Bank continued to enhance critical program objectives in 2016 through disciplined execution of the Bank's strategic plan for supplier diversity.
- The Bank awarded 26 percent of its total contracts to diverse suppliers, up from 23 percent in 2015.

Financial Education

- The Bank provided targeted financial education resources and tools to help students evaluate post-high school options.
- The Bank supported the development of students' soft skills through financial education events and a public school mentoring program.
- The programs reached more than 220 educators and 16,500 students in 2016.³

Looking Ahead to 2017

Beginning in 2017, HR will launch its next three-year strategy that will focus on having great organizational leaders, and equipping and supporting a diverse and inclusive culture while optimizing HR services and delivery channels to employees.

The increased focus of the new HR strategy will help ensure an even more diverse and inclusive culture that connects each employee to the organization. Having D&I integrated processes and programs at each stage of the employee life cycle fosters diversity, inclusion and fairness, and reinforces the message and expectations at all levels of the organization. A projected outcome of this strategy is an inclusive and engaging environment where employees connect, collaborate and leverage diversity and can contribute to the Bank's mission at their full potential. This further contributes to achieving the Bank's goals, including attracting and hiring outstanding talent and development and retention of staff, including women and minorities.

Introduction

Congress established the Federal Reserve Bank of Richmond (the Bank) and the other 11 Federal Reserve Banks in 1913 through the enactment of the Federal Reserve Act, 12 U.S.C. §226, et seq. Each Federal Reserve Bank (Reserve Bank) received its charter from the Office of the Comptroller of the Currency and is a separate corporation.

As part of the nation's central bank, the Bank is one of 12 regional Reserve Banks that work together with the Federal Reserve Board of Governors (BOG) to strengthen the economy and communities. The System manages the nation's money supply to keep inflation low and help the economy grow.⁴ The System also supervises and regulates financial institutions to help safeguard the nation's financial system and protects the integrity and efficiency of the payments system. Reserve Banks participate in the formulation of monetary policy; provide payment services; 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 fiscal agent for the U.S. Treasury; and serve as a depository for banks in their particular geographic region.

The Dodd-Frank Act was signed into law in 2010 as a part of the nation's regulatory reform efforts. Section 342 of the Dodd-Frank Act directs certain agencies, including the BOG and each Reserve Bank, to establish Diversity & Inclusion (D&I) offices. In December 2010, the Bank created the Office of Minority & Women Inclusion (OMWI) and named it the Office of Diversity & Inclusion (the Office). The Office's goals are to enhance the diversity of the Bank's workforce at all levels in the organization; increase the number of small, minority- and women-owned businesses that participate in procurement efforts; and enhance financial education efforts to support informed decision making.

Since its inception in 2011, the Office has served as a valued business partner — collaborating and supporting the Bank in meeting its goals to be recognized as an employer of choice and a trusted community stakeholder that is working diligently to integrate diversity and inclusion within all its business strategies.⁵ Additionally, during this time, the Bank has been deliberate in ensuring its employees reflect the communities served and engages with community members through efforts such as public school mentoring, an ambassador program and the Bank's Board of Directors (BoD).

During the year, the Bank continued its work to create a more inclusive environment, realizing the role inclusion has in supporting diversity. To foster inclusion, the Bank hosted its first all-employee online D&I training focused on creating self-awareness of unconscious bias. Following the training, Bank leaders were asked to hold open discussions with their employees to discuss individual perspectives and what they learned from the training about the effect of bias on decision making and behavior. This exercise provided leaders and their teams the opportunity to demonstrate inclusive behaviors around a shared topic.

Minority-Owned and Women-Owned Businesses

The Bank implemented and continues to leverage business line dashboards to report supplier diversity results to senior leaders to help forecast changes in the procurement pipeline or spend, and to drive increased stakeholder engagement in the Bank's supplier diversity efforts. The Bank also continues to partner closely with strategic external supplier diversity development and advocacy organizations. These groups play a vital role in efforts to identify qualified suppliers and to provide additional opportunities to educate potential suppliers on procurement processes and requirements.

Financial Literacy

The Bank's financial education approach continues to be focused on major financial decisions, including higher education. The Bank launched lesson two of its "Invest in What's Next: Life After High School" online course. The new lesson, "Budgeting for My Future," allows students to begin putting a post-high school plan together after exploring a range of college and career options. This resource provides reliable economics-based information and tools to help high school students — including students from majority-minority high schools — make informed decisions about post-secondary education.

⁴ The BOG and the 12 regional Reserve Banks are collectively referred to as the "System."

⁵ Employer of choice is defined by Employee Engagement survey results and the Human Right's Campaign score and is described in detail in the Workforce Diversity success section of this report.

Workforce Diversity

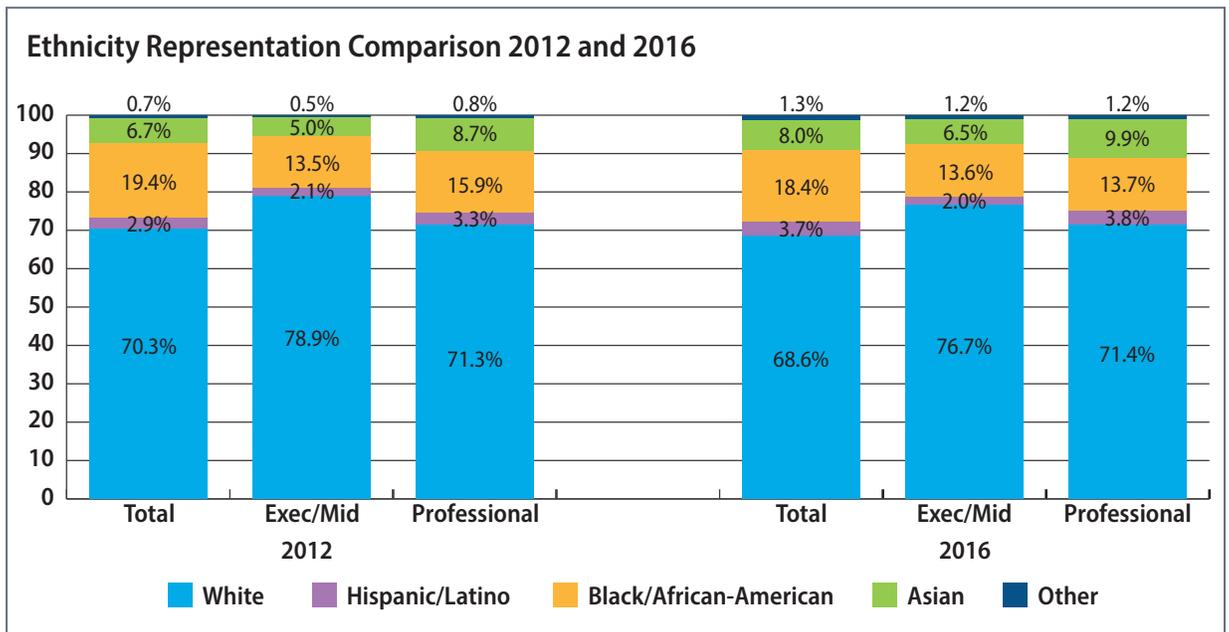
Having a diverse and inclusive environment is important both to the Bank — in achieving its vision for the communities it serves — and to its employees. In 2016, the Bank continued its commitment to building a more diverse and inclusive workplace by utilizing workforce metrics and data to better identify gaps and trends to measure progress. The Bank continues to look at human resource services, including talent acquisition, talent development, workforce planning and succession management, through the lens of diversity and inclusion.

After six years in operation, the Office reflects on the positive impact made in ensuring the Bank has an inclusive workplace that supports its diverse workforce as they achieve the business goals of the organization. While there has been some success with the employment of minorities and women, the Office continues to concentrate its efforts on the factors that effect and contribute to the upward mobility of minorities and women to improve representation at all levels.

As part of the ongoing transformation efforts within the System, core metrics were established to standardize congressional data reporting (see Appendix 1), which

tracks progress since 2012.⁶ As of December 31, 2016, the Bank employed 2,670 employees. The Bank's representation of women declined by 1 percent to 37 percent since 2015. Minority representation has remained at 31 percent since 2015, and has increased from 30 percent in 2012. In 2016, Black/African-American employees represented 18 percent of the Bank's workforce (a decrease of 1 percent from 2012), Hispanic/Latinos represented 4 percent (an increase of 1 percent from 2012) and Asians represented 8 percent (an increase of 1 percent from 2012).

When comparing the representation of the executive, mid-level officials and professional categories to the overall Bank representation by ethnicity, the Bank's overall representation similarly reflects its current distribution in the professional category.⁷ In 2016, Black/African-American employees represented 14 percent of the Bank's senior executive and mid-level official positions (a the same as 2012), Hispanic/Latinos remained at 2 percent of the same category over the same time period and Asians accounted for 7 percent (an increase of 2 percent from 2012). Black/African-American employees represented 14 percent of the professional category (a decrease



⁶The standard workforce diversity measures include the top three job categories used in the standard EEO-1 report and includes senior executives, first/mid-level officials and the professional job category representation, expressed in both absolute numbers and as a percent of total staff.

⁷First/mid-level official level is comprised of people leaders, including supervisors, managers, directors and officers. Officers include assistant vice president and vice president roles.

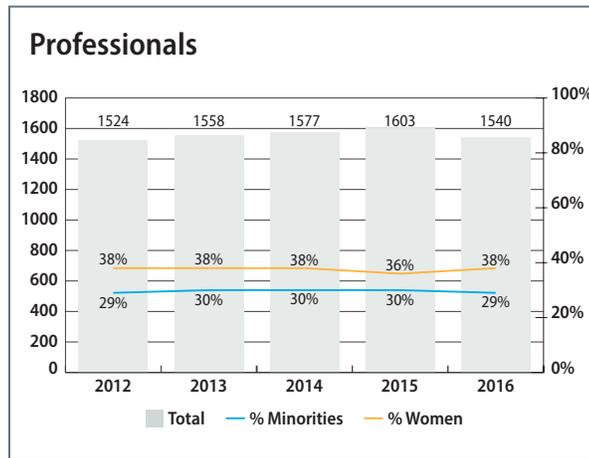
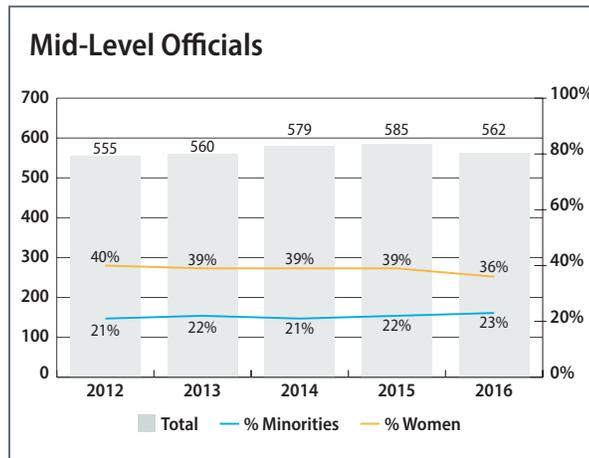
of 2 percent since 2012), Hispanic/Latinos represented 4 percent (an increase of nearly 1 percent since 2012) and Asians represented 10 percent (a 1 percent increase from 2012).

Using the core metrics and EEO-1 job groups or categories, senior executives represent 1 percent of the positions in the Bank, mid-level officials represent 21 percent of the positions and professionals remain as the largest group, comprising about 58 percent of the Bank's workforce.

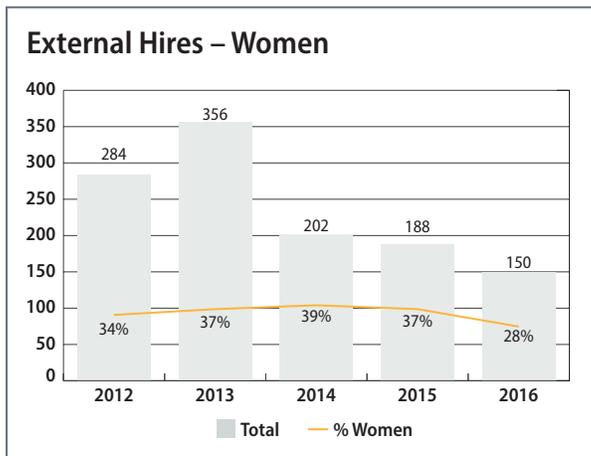
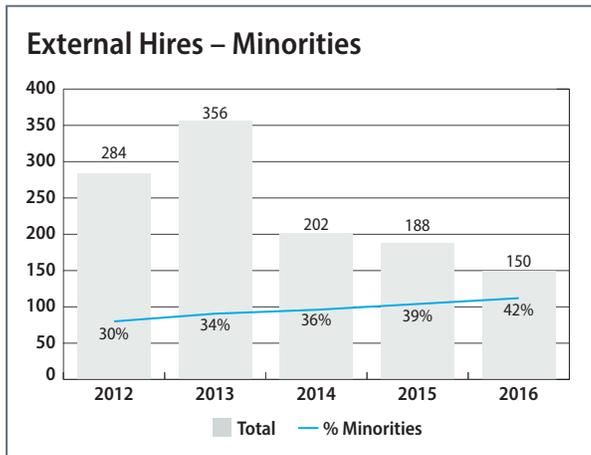
The Bank's senior executives category consisted of 26 total employees in 2016, comprised of 27 percent women and 19 percent minorities. Since 2012, women representation at the senior executive level has slightly declined from 29 percent to 27 percent in 2016, but has increased 2 percent from 2015. Minority representation at this level was 19 percent in 2016, an increase from 13 percent in 2012. The total number of total employees in this category has changed very little since 2012 with an increase of two positions; however, the total representation of women has remained stable and minorities have increased over this time.

In the Bank's mid-level officials category, the number of positions increased marginally from 555 in 2012 to 562 in 2016. Women representation decreased by 22 positions, from 40 percent in 2012 to 36 percent in 2016. Minority representation increased by 2 percent or 12 positions, rising from 21 percent in 2012 to 23 percent in 2016.

In the professionals category, women and minority representation in 2016 has remained stable since 2012. Women account for 38 percent and minorities represent 29 percent of professionals over the same period. The total number of positions in 2016 has increased by 16 since 2012, with a peak of 1,603 positions in 2015. The reduction in the total number of positions in the professional category since 2015 was partly attributed to the System's consolidation of Treasury support services to improve effectiveness and efficiency of operations.

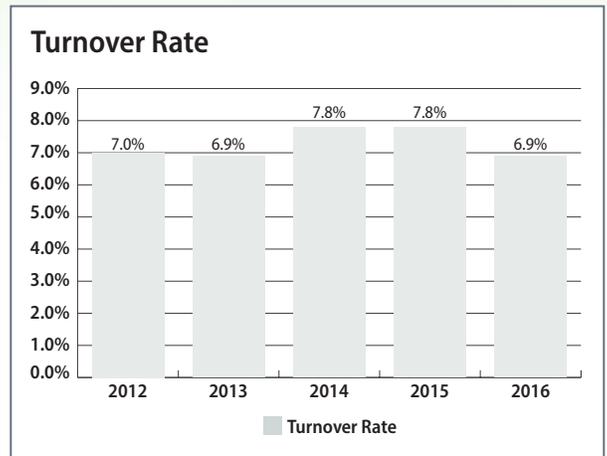


Through external recruiting outreach and related internal diversity initiatives, the Bank has seen an encouraging trend in minority representation for the professionals group, which made up 42 percent of the external hire population in 2016 at the early-career and mid-career stages of employment. However, representation of women in the Bank's external hires population has continued to decline from its peak of 39 percent in 2014, to 37 percent in 2015 and to 28 percent in 2016.⁸ As part of planning for future talent outreach, the Bank takes into consideration areas of underutilization as well as aggregate recruitment trends.



Overall, the number of total external hires has been on the decline. In 2012, the Bank made 284 external hires; in 2016, there were only 150. This is partially due to executive decisions to focus on better allocation of existing resources, resulting in an overall reduction in external hires. The external hire decline is also related

to overall trends in turnover, which continues to remain low. Since 2012, turnover has remained around 7 percent. Low turnover impacts the Bank's ability to quickly act to resolve utilization challenges or other diversity efforts.



Drilling down on 2016 external hires (see chart on page 9), 57 percent of the 150 positions filled were hired at the professional level, including 59 percent minorities and 71 percent women. External hiring at the first/mid-level officials level, a feeder group for executive/senior level, was 13 percent of all hiring; however, minority and women representation in this hiring category was only 5 percent. At the executive/senior level, overall hiring was 1 percent of total external hiring. Minorities represented 2 percent of this total, with no external women hired to this rank.

For areas of underutilization, HR and the business lines track candidates through the recruitment and selection processes and identify opportunities to improve outreach and selection outcomes. This includes, but is not limited to, targeted efforts to improve minority representation of bank examiners and officers.

As positions come open, HR also leverages high-potential succession candidates and critical staff as potential candidates in order to minimize underutilization risks within areas. These candidates receive additional development opportunities that help prepare them in competing for future officer roles. When selected for these positions, it in turn, helps to improve the Bank's utilization of minority examiners and first/mid-level officials.

⁸ This measure includes the total number of women and minority external hires, as well as the percent of total external hires those groups represent. "Hires" includes full-time status ("regular") hires, and would exclude temporary staff, contractors and interns.

Distribution of 2016 External Hires at Top 3 EEO-1 Levels

Level	% Total Hires	% Minority Hires	% Women Hires
Senior Executives	1%	2%	0%
First/Mid-Level Officials	13%	5%	5%
Professionals	57%	59%	71%
Total	71%	66%	76%

Talent Acquisition and Outreach

Attracting diverse candidates requires proactively sourcing talent and building an active pipeline for current and future hiring needs. HR has developed a targeted diversity recruiting approach based on business lines talent needs, which includes filling those needs through relationship-based recruitment. The approach includes Career Champions, a new program that leverages employees who support the Bank's recruitment activities and help the Bank build its employer brand through recruitment events, relationships with colleges and universities, partnerships with professional and community organizations, and early career hiring programs. This transition from event-based to relationship-based recruitment enables the talent acquisition team to proactively engage with and foster deeper relationships with potential candidates, while building a pool of diverse talent. Concerted effort has been placed on creating more diverse pools for all job openings, with a targeted focus on building pools from HBCUs and majority women universities to fill entry-level positions.

To support deeper relationships and leverage resources, HR partnered with the Office to implement the Career Champion program in 2016. The program offers selected employees the opportunity to gain a broader understanding of the Bank and to share that information, along with their personal experiences, at external recruitment events. Additionally, the program includes members of the Bank's employee resource networks (ERNs), and is structured to empower employees to promote careers and career opportunities within the Bank by sharing consistent key messages about the Bank as well as giving potential candidates a tangible view of the diversity of the organization.⁹

One of the Bank's goals is to strengthen relationships with students and faculty of targeted colleges, universities, and professional and community organizations. These relation-

ships provide connections to top talent from select organizations to help fill internships and early career opportunities. The Bank piloted a new relationship-based recruitment model called Engaging Qualified Underutilized Individuals Program (EQUIP) that began in late 2015 with Hampton University, an HBCU within the District. The intent of this program is to target majority-minority and women-serving institutions of higher learning and to identify qualified talent for entry-level roles. This relationship enables the Bank to maintain a consistent and targeted approach to college recruitment and proactive sourcing through ongoing interactions with potential employees. As part of EQUIP, leaders from the Bank participated in Hampton University's Leadership Application Program, designed to ensure students develop nontechnical, behavior-based competencies that are applicable across academic and professional disciplines. Employees also held Bank information sessions, mock interviews and resume critique sessions with students. Face-to-face meetings with key faculty and administrative personnel were also conducted.

The year 2016 was the full pilot year for EQUIP and represents an entire calendar year of building relationships and the branding of the Fed as an employer of choice. These interactions boost the Bank's visibility and reputation. Since the program launched in late 2015, two minority candidates, including one minority woman, were hired in January 2016 from Hampton University for full-time positions at the Bank. In the fall of 2016, the Bank expanded the program to North Carolina Agricultural and Technical State University to foster a relationship with students whose curriculum targets business disciplines that align with Bank needs, especially the business, information technology and engineering fields.

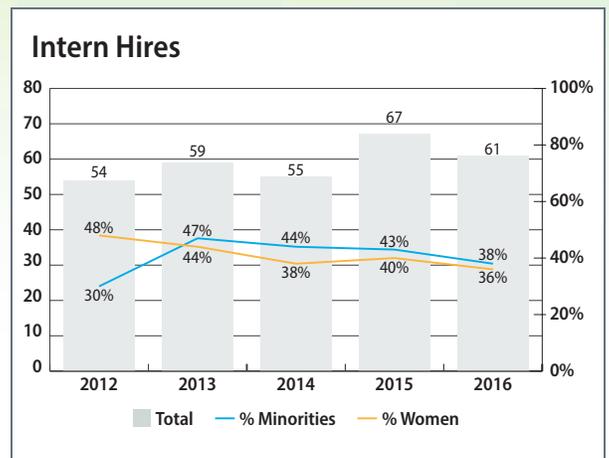
⁹ Career Champions are selected from D&I Champions and are defined in Appendix 3, including ERNs.

The Bank also focused on fostering deeper relationships with potential candidates by hosting two “College Days at the Fed” events. The events — a collaboration between the Office and Bank business leaders — were designed for students and faculty members of targeted HBCUs and majority-women serving institutions across the District with curriculums that align with the Bank’s business needs. For the Bank, these events helped build a pipeline of potential talent from these target schools; for the students, they provided an opportunity to learn about the Bank and interact with employees through discussion panels, networking and more. The Bank also used the opportunity to interview students for entry-level roles.

While EQUIP anchors the Bank’s talent acquisition strategy, the Bank also participates in a robust schedule of external networking and outreach events to enhance the Bank’s presence and reputation in the community. During the year, the Bank continued to work on strengthening existing relationships with professional and diverse community organizations whose members are majority-minority professionals in the financial services, information technology and Bank-related business fields. For example, community and Bank leaders engaged in Bank-hosted leadership workshops that promoted a greater understanding of Hispanic/Latino culture, discussed ideas for further partnership, and focused on demographics and the state of housing for Latinos in Baltimore as well as opportunities for the development of Baltimore’s bilingual workforce. Representatives included the Small Business Development of Latino Business Owners organization and aspiring entrepreneurs and seasoned larger Latino-owned companies.

The Bank has continued hiring diverse candidates into early career hiring programs, such as the student internship program. In 2016, the Bank hired 61 interns, 36 percent of whom were women, down from 48 percent in 2012. Minorities were 38 percent of the program in 2016, an increase of 8 percent since 2012 when minorities were 30 percent. The total number of interns dropped by eight in 2015 due to a reduction in the business need for interns and the ability to provide Bank staff resources to mentor and develop them.

Long-term internships are considered an ideal path to retain and convert interns into full-time employees; therefore, the internship program was expanded to include longer-term work-study programs, with an



increased focus on retention and conversion when possible. The Bank is also targeting schools with Science, Technology, Engineering and Math (STEM) programs to build deeper relationships that could yield candidates who have skills that align with key talent needs of the Bank. This program includes a long-term goal of building an internal pipeline to meet succession needs of the Bank, with an increasingly diverse workforce.

HR, in partnership with business lines and hiring managers, continued utilizing diverse and inclusive recruiting principles approved by senior leaders in 2015 to improve sourcing and selection outcomes.¹⁰ Working with the hiring manager, HR generates a pool of qualified candidates that includes both women and minorities, and then interviews a range of qualified potential candidates reflecting the diversity of the candidate pool. This process has consistently resulted in greater diversity in candidate pools.

In coordination with the recruiting principles, recruitment metrics are used to help ensure diverse candidate pipelines for current positions and future openings. Using sourcing and tracking data, a shared database was created to broaden the visibility of previously sourced diverse high-potential candidates across hiring teams. This resource helps hiring managers focus their attention on including viable diverse candidates who were not selected as the top candidate for other roles as part of candidate pools.

¹⁰ The diverse and inclusive recruiting principles promote strategies to help ensure diverse talent pools throughout every phase of the recruitment process, including application, interview and selection.

Talent and Organization Development

An additional measure to improve the diversity of the organization at all levels of the Bank includes developing existing staff. Using various delivery channels, HR provides development opportunities for leaders and employees to learn about and focus on key strengths, to address their professional development needs and to more clearly understand potential career options within the Bank. Workplace culture, including how to build inclusion, has also been a part of leader and staff development opportunities.

To further clarify and reinforce expectations of leaders and employees, an integrated approach to development programs and performance management assessments was implemented. A revised competency model was adopted, which defines the behaviors expected at each level of the organization and holds all employees accountable for demonstrating and contributing to an inclusive workplace. The competency model contributes to a more inclusive environment by supporting the Bank's performance excellence value and defines behavioral expectations for the competencies based on each individual's role in the organization. The model provides clearer descriptions of successful performance at each rating level and these enhancements better define job expectations for individual contributors and leaders, ensures alignment with the desired culture, helps employees establish their performance objectives and provides a structure for effective performance feedback.

Each of the competency areas includes behaviors that promote inclusion. Additionally, a program tailored to new managers was implemented in 2016 to ensure these leaders have the tools to successfully lead in their roles, accomplish business goals, demonstrate inclusion and mitigate employee relations issues.

The ERN program continues to provide strong on-the-job leadership development opportunities, and is a complement to the Bank's formal leadership development programs. Employees who lead ERNs develop leadership skills such as building strategy, budget management and communication. Also, the program develops cross-cultural competence through interactions with a variety of different people at all levels of the organization. The program serves as an opportunity to engage talent, including women and minorities, in cross-functional growth opportunities with support and sponsorship from Bank officers. In 2016, Bank leaders who served as ERN group sponsors were 40 percent minorities and 60 percent women. The

day-to-day leadership of the ERNs was staffed by non-officer level employees who were 41 percent minorities and 71 percent women.

An area of focus for the Bank in 2016 has been preparing individuals identified as high-potential, succession candidates and/or critical staff for leadership roles. Concentration is on developing the talent pipeline and the diversity of candidates within these groups to ensure readiness of future Bank leaders. This focus leads to more diversity in the senior executive and mid-level official ranks of the organization over time. These pools of individuals can be leveraged to help address utilization and to fill potential leadership selections when these opportunities become available.

In an expansive organization that includes remote workers, the Bank continued to diversify support of employees located outside of the main office by leveraging technology to improve reach and access to learning and development resources. An online learning and development center was introduced in 2016 to streamline and broaden access to learning opportunities and provide resources that promote continuous development beyond the classroom.

Workforce Planning and Succession Management

The Bank utilizes both succession management and workforce planning processes to mitigate workforce risks, and enhance and improve diversity at all levels of the organization. These processes help the Bank systematically anticipate and address current and future workforce opportunities and challenges. Senior executives of the organization are actively involved in, and ultimately accountable for, the outcomes of succession management and workforce planning efforts.

The goal of the succession management efforts is to identify and develop a pool of highly talented, diverse successors to meet the current and future needs of the organization. To achieve this goal, HR partners with business leaders to assess talent across the Bank, identify roles critical to the success of the Bank and align succession candidates to critical roles. The succession management process includes conversations to determine career aspirations of succession candidates and targeted development plans to increase readiness for current and future roles.

In 2016, as part of succession management, the Bank selected a number of high-potential employees, including

minorities and women, to participate in cross-functional project assignments during 2017 that have high visibility and impact within the Bank. These on-the-job rotational development opportunities provide increased exposure and broader understanding of various business functions. Through this experience, these employees become more self-aware of their professional interests and how their skills and abilities translate across the Bank. Organizationally, these experiences support strengthening the pipeline of leadership talent in order to meet current and future business needs. The selection of these individuals was conducted with a focus on talent pipeline gaps, specifically recognizing and including minority and women talent. In 2017, additional business lines will adopt cross-functional assignments as a way for leaders to identify, develop and share the best talent with a continued focus on minorities and women.

As an outgrowth of the succession management processes, leaders identified individuals across the Bank who possess skills or knowledge crucial to the success of the organization, or who have significant potential for senior leadership roles. Senior executives are actively engaged in ensuring the retention and development of these high-performing, high-potential individuals. Specific to diversity representation, this group includes 14 percent (nine) minority and 30 percent (19) women.

As part of the succession process, leaders also identified critical roles that are imperative to the Bank's success. The current succession pool for critical roles includes 16 percent minority and 49 percent women. Ideally, these high-potential staff members will move from the succession pool into the candidate pool for critical roles in the organization as they become available. As the Bank considers upward mobility for minorities, it seeks to better understand the barriers to minority representation at the critical roles level, which is one entry point for future movement of this diverse talent into key leadership roles.

The goal of the Bank's Workforce Planning efforts is to have a ready, diverse workforce in place to ensure the business goals of the organization are achieved. To do this, HR and business line leaders across the Bank evaluate future workforce needs and current workforce capabilities, identify workforce gaps and create plans to address these gaps.

The collective department-level workforce planning helps identify Bank-level workforce trends, opportunities and solutions. The succession management and workforce

planning processes leverage a considerable array of workforce data. This data includes employee turnover, selection and recruiting information, talent assessments and organizational utilization analyses to ensure efforts are fair and consistent. The aim is to understand the current talent landscape, anticipate and plan for future talent needs, and build diversity in the leadership ranks and in the workforce more generally.

Successes

There are several positive indications of progress within the Bank's workforce diversity. One is ensuring the inclusion of diversity within the talent pool of high-performing, high-potential employees. Notably, the high-performing, high-potential talent pool serves as a feeder group when filling critical roles within the organization. Over time, this talent pool can be leveraged as a source for potential officer selections that may, ultimately, create greater diversity in the leadership ranks of the organization.

In 2016, promotions increased to 278 from 234 in 2015, which is the largest number of promotions since 2012. The Bank has promoted minorities and women at rates that align with the overall representation of these groups. Minority promotions have seen steady increase since 2014, increasing from 24 percent to 31 percent. Moreover, the Bank has maintained consistent diverse employee representation for minorities and women over the past six years, despite turnover and management decisions to reduce overall headcount to more effectively manage operations.

To further measure progress, the Bank utilizes internal employee surveys to assess employee engagement and measure the results against external benchmarks. During the year, the Bank conducted an engagement survey, which included questions designed to measure its performance in achieving a healthy, diverse and inclusive culture. The survey included an Employee Engagement Index comprised of five key questions, and resulted in an engagement index score of 81 — 10 points higher than the norm provided for a broad cross-section of organizations and industries, including the financial services industry.

The Bank's efforts to distinguish itself as an employer of choice and a great place to work is evident through positive employee engagement survey results. As an employer of choice, the Bank works to create an inclusive environment, provide opportunities for employees to grow professionally and perform at their best, and offer competitive benefits. In addition to the positive results from the

engagement survey, the Bank received a perfect score on the Human Rights Campaign Corporate Equality Index, earning the distinction of one of the best places to work for lesbian, gay, bi-sexual and transgender (LGBT) equality.

With inclusion as the aim to support a more diverse workforce, the Bank launched and completed its first online D&I training for all staff in 2016 called “D&I Conversations: Self-Awareness.” The training, which was supported by the EDIC and DNA, focused on helping employees become more self-aware of unconscious bias, its impact on teams and decision making, and how to work more effectively across differences within teams. The training results revealed three key themes for additional concentration in 2017:

- (1) Reinforcing the business case for diversity and inclusion
- (2) Building awareness of unconscious bias and its impact on decision making and behavior
- (3) Building cultural competence

Additionally, the DNA, which raises D&I issues to Bank leadership, identified the inclusion of transgender employees as an emerging topic, and made recommendations to develop and roll out transgender training to employees. In the fall of 2016, senior leaders of the Bank participated in transgender training and their feedback informed how this training will be extended to all employees.

In 2016, the Office also created and implemented a bi-monthly electronic D&I newsletter for all staff. The newsletter serves to educate and engage employees on what is currently happening in the D&I space, tools and resources that are available to them, and ways they can become more involved.

Again this year, the ERN program utilized a 4C model to center efforts on building Careers or professional development for members and employees, exposing and educating the Bank on the various Cultures in the Bank, affinity-based Community service and serving as a resource to inform business decisions for the Central Bank. The model fosters D&I in all areas of the Bank.

The ERNs and DNA worked collaboratively with the Office and the EDIC members to have critical conversations about tragic external events that occurred during the year, resulting in the creation of an open dialogue framework called “Let’s Connect” — a series of topic-driven conversations to promote discussion and build cultural com-

petence. The goal of these informal forums is to create a safe space where employees can openly share their perspectives on issues and foster a sense of belonging and engagement at the Bank. They also encourage an environment of inclusion.

Challenges

Over the past five years, the Bank has faced varied and complex challenges in its efforts to increase the diversity of staff through hiring and retention, especially at more senior levels within the organization. An ongoing challenge for the Bank and the System remains in finding external talent who meet the technical qualifications and are willing to accept public sector salaries. This challenge continues to affect the utilization of minorities and women in several areas of the Bank, including women automation professionals, minority officers, minority examiners, women supervisors and women technicians.

Further complicating these challenges, the Bank maintains consistently low turnover, which impacts its ability to improve utilization. The Bank values the internship program as a potential way to source early career positions and increase the diversity of the talent pipeline, but the Bank currently has a low number of entry-level positions that can be leveraged to convert interns.

The Bank is actively evaluating its job construct with a purposeful goal of bringing in early and mid-career talent, including converting more interns and continuing to assess senior-level roles as they are vacated for opportunities to replace with more junior roles. This shift will open more early and mid-career opportunities and help to increase the diversity and balanced talent pipeline.

Next Steps

Over the next three years, HR will implement strategy that continues to support People and Culture goals under the Bank’s strategic plan. The focus will be on building great organizational leaders, and equipping and supporting a diverse and inclusive culture while optimizing services and delivery channels.

The Bank is committed to personal and professional development for its employees, with the expectation of also filling utilization gaps and increasing diversity in officer and executive-level roles. The Bank will continue to monitor utilization and workforce data to inform sourcing and selection for specific roles, and leverage best practice information to enhance consistent workforce planning and succession management approaches.

Additionally, hiring and turnover data will continue to be assessed to better understand if 2016 was an outlier year, where the Bank hired and retained fewer women, and if this is representative of a trend that signals the need for greater focus on women retention and external hiring.

The Bank's vision for D&I continues to become a reality through increased awareness; integrating D&I into Bank processes, employee practices and employee behaviors; and fostering an environment for authentic connections with others. The Bank is committed to remaining iterative and adaptable, and will continue to assess the environment with ongoing workforce diversity metrics and both formal and informal employee engagement feedback. It also will review operational processes, augment current professional development offerings, implement programs that foster inclusion and ensure distribution of regular employee communications on D&I efforts that encourage participation.

Additionally, the Bank will roll out a strategy for additional D&I training and will leverage a D&I consultant who is being used to expand inclusion learning resources to all Bank employees. The Bank will also continue to look to D&I champions to identify emerging issues and deepen its focus on supporting workforce diversity initiatives.¹¹ In 2017, the Bank, with guidance from the DNA and EDIC, will build upon the "Let's Connect" open-dialogue series, expanding it across the Bank's locations and investigating online sessions for remote employees.

Minority- and Women-Owned Businesses

Minority- and women-owned businesses play a vital role in the economic well-being of communities. They create valuable jobs, give philanthropically of both time and money, and generate other significant economic and social benefits in the communities where they conduct business. Diverse suppliers also help the Bank deliver operational excellence and service innovation to address the evolving needs of its constituents. Recognizing the value of doing business with diverse suppliers, the Bank deploys its supplier diversity strategy around three guiding principles:

- 1) It's about access and opportunity.
- 2) It's good for the Bank and our communities.
- 3) It's everyone's responsibility.

Commitment to these principles continued to advance the Bank's supplier diversity efforts in 2016. Dashboard and reporting tools developed in 2015 were piloted in 2016, resulting in greater awareness of supplier diversity for the Bank and engagement by senior leaders and business line managers. A business line opportunity report piloted with the Facilities department resulted in increased inclusion by diverse suppliers in Facilities-related procurement opportunities and contributed to one of the department's largest contract awards to a diverse supplier to date. Bank procurement staff collaborated with System colleagues to develop new Systemwide procurement and supplier diversity strategic plans that also include a strong focus on enhanced business line engagement. These plans will be leveraged in 2017 and beyond to advance diverse supplier inclusion in both Bank and System procurement opportunities and practices.

The Bank noted in its 2015 Report to Congress the pending loss of its incumbent diverse supplier for distributed computing equipment, which represented a substantial percentage of total expenditures with diverse suppliers. This loss resulted in 2016's decline in diverse supplier expenditures reflected later in this report.

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 (GSA) contracts, pricing schedules and federal government contracting rules, including the Federal Acquisition Regulation, do not apply to the Bank. The

Bank continues 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

Over the five-year period from 2012 through 2016, expenditures with diverse suppliers increased 257 percent, from \$10.94 million in 2012 to \$39.07 million in 2016. The amount and percentage of expenditures with diverse suppliers increased year-over-year until reaching a peak of \$58.35 million and 16.6 percent, respectively, in 2015. Expenditures with diverse suppliers declined in 2016 to \$39.07 million, or 12.56 percent of total expenditures. This decline was anticipated and noted in the Bank's 2015 Report to Congress.

Two primary factors contributed to the decline. The Bank rebid a distributed computing equipment contract — one of its largest — and the incumbent diverse supplier was not the successful bidder. In addition, expenditures for contingent labor — also a top spend category — decreased by 18 percent in 2016 over 2015. The Bank's contingent staffing requirements are fulfilled by a minority, women-owned company managed services provider (MSP).

Expenditures with minority businesses owned by men totaled \$16.56 million, or slightly over 5 percent of total spend, up from \$1.81 million (0.6 percent) in 2012, and down from a high of \$35.02 million (10 percent) in 2015. Expenditures with women-owned minority businesses totaled \$18.27 million, or just under 6 percent of total expenditures, up from \$3.35 million (1 percent) in 2012, but down from \$20.48 (6 percent) in 2015. Expenditures with non-minority women-owned businesses totaled \$4.24 million, or 1.4 percent of total expenditures, down from \$5.79 million (approximately 2 percent) in 2012, but up from \$2.84 million (0.8 percent) in 2015.

The Bank continued to track and report Tier 2 spend from selected Bank prime suppliers, in addition to the MSP for contingent staffing.¹² Tier 2 spend is defined as the amount of money a prime supplier to the Bank spends with diverse suppliers, either as subcontractors or other providers of goods and services, in direct support of supplier's contractual obligations to the Bank.

Responding to feedback from previous events and in keeping with accountability of its goal to explore Tier 2

¹² Selected Bank prime suppliers are chosen based on the following criteria: (1) Total spend amount; (2) Product/service lends itself to subcontracting/tiered supply chain; (3) NMSDC/WBENC corporate members, strong supplier diversity programs, familiar with concept and likely reporting to other clients; (4) Diverse subcontractors/suppliers likely available; and (5) Strategic relationship with the Bank.

opportunities, the Bank invited a small, strategic pool of prime suppliers to participate in the Bank's signature supplier diversity technical assistance and networking event. Two of these suppliers subsequently began reporting Tier 2 spend in 2016. In 2016, Tier 2 diverse spend was \$1.6 million with majority-owned prime suppliers. The Bank's MSP for contingent staffing, which is a diverse supplier, reported \$3.55 million in diverse Tier 2 spend, accounting for 22.4 percent of the MSP's total 2016 billings, up from a 16.3 percent in 2015.

Minority- and women-owned businesses must be certified by a recognized third-party certifying organization to be included in the Bank's diverse spend calculation. Recognized third-party certification entities include, but are not limited to, the National Minority Supplier Development Council (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.

Successes

Although Bank expenditures with diverse suppliers declined in 2016 as projected, the Bank is committed to making supplier diversity a priority and has developed a strategic plan to further that objective. In 2016, the Bank focused on driving deeper engagement and accountability for supplier diversity success to business line leaders and those who make purchasing decisions.

To facilitate deeper engagement, a business line report designed to promote discussions regarding diverse spend opportunities was piloted with one business line in 2016. As a result, diverse supplier participation was included as a regular discussion item during monthly project reviews with procurement and supplier diversity staff.

This intentional focus on inclusiveness contributed to higher diverse supplier inclusion, response and contract award rates in the business line's procurement opportunities. The department awarded 23 percent of total contracts to diverse suppliers, up from 13 percent in 2015, including the largest contract award to date to a diverse supplier — a \$1.5 million contract over five years to provide workplace seating. Business line reports were subsequently developed for other key business

lines, with implementation and discussions targeted for 2017.

The Bank also presented supplier diversity results to each of its three Boards of Directors, generating a high degree of interest. Several directors expressed particular interest in the Bank's plans to adopt a leading practice to provide feedback to diverse suppliers that participate in a Request for Proposal (RFP) or bidding opportunity but are not successful in winning a contract.

In 2016, the Bank awarded 37 contracts, representing 26 percent of total contract awards, to diverse suppliers. Fifteen of the contracts were awarded to suppliers new to the Bank, including a national contract for food services with a minority-owned supplier.¹³ Based on historical food service expenditures with the incumbent supplier from 2012 through 2015, the food services contract could represent approximately \$13 million in annual diverse spend across the System. Actual results will depend on the number of Banks that opt in to the contract and their respective implementation schedules. The Bank alone anticipates approximately \$2 million in annual diverse spend with the food services contractor once the contract is fully implemented.

The Bank has tracked diverse supplier inclusion response and award rates in competitively bid procurement opportunities since 2011. In 2016, a contract was awarded to at least one diverse supplier in 53 percent of the procurement opportunities where diverse suppliers were included and submitted a response.

A small leadership team from the System Supplier Diversity Workgroup (SDWG) began work on a System strategic plan for supplier diversity, which will be implemented in 2017. In addition, the NPO collaborated with the System procurement and supplier diversity communities to develop a System Procurement Plan (Plan) that aligns with industry best practices and will better enable the System to achieve its strategic objectives through highly effective procurement services. Crafted with a strong diversity and inclusion lens, the Plan will foster greater supplier diversity integration in System business practices by implementing standard processes as appropriate to increase access and opportunity for diverse suppliers. The Plan's governance structure includes regular reports to the Conference of First Vice Presidents, thereby elevating visibility of supplier

¹³The contract was awarded by the National Procurement Office (NPO), a procurement function housed within the Bank that develops and executes national contracts for certain goods and services that, when sourced collectively, provide the best value for multiple Reserve Banks. The NPO also provides guidance to all Reserve Banks relative to their procurement activity and processes.

diversity strategies to the highest operations level of the System. As the System Procurement and supplier diversity plans are implemented in 2017 and subsequent years, they will work in tandem to advance supplier diversity strategies throughout the System.

Additionally, the Bank incorporated new elements into its flagship diverse supplier education and networking event. The Bank's annual supplier diversity vendor fair included key prime suppliers in the networking component, highlighted success stories with three diverse suppliers and offered a detailed overview on how to respond to an RFP. During the networking session, suppliers were able to meet and discuss their product and services offerings with procurement staff and business lines. Suppliers could also view a demonstration of the Bank's electronic supplier registration and sourcing application.

While the vendor fair anchors the Bank's technical assistance strategy, the Bank also participates in a robust schedule of external networking and outreach events to enhance the Bank's presence and reputation in the diverse supplier community; identify potential diverse suppliers for upcoming procurement opportunities; and benchmark practices with other organizations in the supplier diversity industry. The Bank is a national member of the NMSDC, WBENC and the Financial Services Roundtable for Supplier Diversity (FSRSD). Leveraging membership and involvement in these well-regarded diverse supplier development organizations, the Bank continued to expand its visibility and presence in the diverse supplier community.

While not every networking event leads to an immediate referral of a diverse supplier for a procurement opportunity, the vast majority of referrals do result from sustained participation of the Bank in such events. As an example, 26 of the 37 diverse suppliers who were awarded contracts in 2016 were identified through the Bank's participation with key partners at these networking events. More than 90 percent of the Bank's diverse spend is with suppliers similarly identified.

Best practice research indicates that leading supplier diversity programs have processes in place to provide feedback to diverse suppliers who respond to procurement opportunities but are not successful. These debriefing practices can lead to better responses to subsequent opportunities, and ultimately result in better overall

suppliers and procurement solutions. In 2016, the Bank researched these practices and developed guidelines for providing appropriate feedback to diverse supplier bidders that will be implemented in early 2017.

Challenges

The loss of the Bank's incumbent diverse supplier for distributed computing equipment, which represented a substantial percentage of overall expenditures — and in particular expenditures with diverse suppliers through 2015 — reduced diverse supplier spend in 2016. Without procurement opportunities of similar size and scale in its pipeline for several years, expenditures with diverse suppliers are unlikely to approach 2014 and 2015 levels in the short term unless new opportunities arise and can be successfully leveraged by diverse suppliers. In addition, diverse supplier spend remains substantially concentrated between two minority-owned suppliers, and overall contract awards to diverse suppliers tend to be for smaller, one-time, non-sustainable opportunities. Opportunities like the food services contract may further diversify spend concentration.

The Bank continues to experience challenges identifying diverse suppliers for certain commodities and services, as well as getting diverse suppliers to respond to a competitively bid sourcing event when invited. Procurement staff also consistently report that small and diverse suppliers tend to require substantially greater support, direction and follow-up throughout the procurement process and their responses are more likely to be less thorough or lack essential components.

The Bank tracks diverse supplier inclusion, response and award rates on a quarterly basis. The response rate measures the number of events in which at least one diverse supplier responded to the invitation to participate. The diverse supplier response rate remains lower than desired, especially given the research, administrative and support efforts required to source and include diverse suppliers, which can be labor intensive for supplier diversity, business line and procurement staff.

Next Steps

The Bank made critical programmatic strides in 2016. It remains committed to continuous improvement in its efforts to increase the inclusion and utilization of minority- and women-owned businesses in its



procurement and contracting processes. The 2017 action plan includes the continuation of the newly implemented dashboard and business line reports to apprise senior leadership of supplier diversity progress and challenges and enlist support as needed. These collaboration efforts will proactively seek to understand not only near-term procurement opportunities but also projected expenditures and related bidding opportunities over a two- to three-year horizon.

The Bank will strive to use this longer-range pipeline to develop a corresponding pool of diverse suppliers with the requisite qualifications to bid on these opportunities. As it expands engagement with business lines to better understand their acquisition and supplier requirements, the Bank expects to identify and leverage new opportunities for diverse suppliers. This long-range approach may mitigate the inherent risk of losing diverse spend due to business cycle fluctuations and contract rebids, and increase distribution of diverse spend among a greater number of suppliers.

The Bank will also continue to work with representatives from a strategic pool of prime suppliers to explore diverse supplier subcontracting or Tier 2 opportunities with the Bank. The Bank rebid one of its largest and most critically important contracts in 2016. The resulting contract, slated to begin in 2018, includes a specific diverse supplier subcontracting plan and reporting requirements. The incumbent was the successful bidder and will begin reporting its Tier 2 spend in 2017.

Strategic external supplier diversity development and advocacy organizations play a vital role in efforts to identify qualified suppliers and further educate potential suppliers on processes and requirements. The Bank will continue partnerships with such groups and will host its own technical assistance and networking event(s) to introduce potential suppliers to Bank procurement influencers and decision makers, as well as provide information and education addressing strategic needs and issues of diverse suppliers.

In 2017, the Bank will focus on providing feedback to diverse suppliers that participate in procurement opportunities but are unsuccessful in winning a contract. The scope of a bid debrief includes review of the selection criteria and identification of key areas where: a) the unsuccessful bidder did not score well relative to the other bidders, and b) areas where the selection team felt the unsuccessful bidder met or exceeded the expectations of the evaluation criteria.

The Bank has begun to examine factors that may contribute to a lower than desired response rate. Procurement and supplier diversity staff will increase attempts to capture information during the sourcing process and explore other research and data-gathering strategies that may help shed light on why diverse suppliers may choose not to respond.

Financial Education

The Bank continues to focus its financial education efforts on student preparedness for life after high school, particularly students' readiness to choose a college and career path that is right for them. The resources and programs the Bank produces to support students' decision making are guided by the Bank's overall perspective on financial education — namely that major financial decisions, such as what path to pursue after high school, deserve particular attention and that every individual faces these decisions with different preferences and constraints. Rather than providing prescriptive advice for a particular path, the Bank focuses on providing high-quality information and tools to help students evaluate their choices in the context of their own unique circumstances.

At the same time, the Bank has expanded its efforts to support the development of soft skills for OMWI-designated students — another important dimension of student preparedness for life after high school. The Bank provides interactive experiences, including special "Day at the Fed" events, which give students the opportunity to network with Bank staff and build general employability skills.

In addition to these initiatives, the Bank continues to focus on helping students better understand the Fed's role in the economy so that they can be informed economic and financial decision makers.

Successes

In collaboration with the Federal Reserve Bank of San Francisco, the Bank launched the second lesson in its online course for high school students called "Invest in What's Next: Life After High School." The new lesson, "Budgeting for My Future," allows students to begin putting a post-high school plan together after exploring a range of college and career options in the first lesson. In lesson two, students identify education funding options and practice managing student loans. They also work to balance the lifestyle they want with their expected income. The lesson presents content in a highly interactive format, featuring instructional videos, data-driven exercises and questions to check for understanding. In 2016, 5,890 users, including 2,100 from OMWI-designated high schools, enrolled in "Invest in What's Next."

In anticipation of and following the launch of the second lesson, the Bank presented information about the course and related financial education resources at numerous conferences and events for educators, such as the national Council for Economic Education Conference in Phoenix, Arizona, and a new Life After High School workshop series for teachers and counselors across Virginia developed

in partnership with the Virginia Council on Economic Education. In total, the Bank reached about 580 educators through events, including 220 educators from OMWI-designated high schools.

In addition to presentations to educators, the Bank played a key role developing and coordinating the Richmond region's first interactive career exploration event for middle school students. The year-long planning effort was a regional, community-driven collaboration with businesses and schools. The resulting event exposed students to possible career opportunities to help them make informed choices about the secondary and post-secondary education they pursue. Over the course of two days, more than 12,000 eighth grade students from eight school jurisdictions journeyed through exhibits, interacting and participating in hands-on activities about in-demand jobs from more than 100 local businesses. The event was integrated into the Virginia Commonwealth's Career Pathways curriculum where students were connected to various planning resources, including the Bank's "Invest in What's Next" tool.

For the general public, "Invest in What's Next" is also featured on the Bank's redesigned Major Financial Decisions website (www.majorfinancialdecisions.org), which was revamped in 2016 as part of the Bank's effort to improve the web presence of its financial education resources. The website helps users consider other major financial decisions as well, including renting versus buying a home and saving for retirement.

In 2016, the Bank expanded its efforts to support the development of soft skills to help students succeed on the college or career path they choose. These efforts align with the goals of the Federal Reserve System Financial Education Day Program each October, which raises awareness across the country about the importance of employability skills for students. To extend the reach of Financial Education Day throughout the year, the Bank piloted a new "Day at the Fed" event series where students can visit the Bank to learn about employers' expectations, practice networking and create their personal "elevator pitch." The Bank held four "Day at the Fed" events during the year, welcoming about 80 majority-minority middle and high school students from groups such as the Boys & Girls Club of Metro Richmond.

The Bank also continued to support soft skills development through its public school mentoring program. In 2016, 30 employee volunteers, including 57 percent minorities and 62 percent women, spent 648 hours

mentoring 29 students at Huguenot High School, a majority-minority school in Richmond. Mentors, who meet with their mentees approximately two times a month in one-hour sessions, covered topics such as communication, self-awareness and representation, teamwork, time management and lifelong learning. Students also had an opportunity to use the Bank's "Invest in What's Next" online course. The public school mentoring program extends beyond just high school mentoring to middle and elementary school for earlier exposure to similar topics.

Through consistent interaction with its teacher advisory group, the Bank took steps to boost the effectiveness of its financial education resources and programs. In 2016, the Bank moved beyond the pilot phase of its Teacher Collaborative Committee (Committee), expanding it from 10 to 18 teachers in the metro Richmond area. The committee includes six teachers from OMWI-designated high schools.

Through periodic in-person meetings and continuous engagement in an online learning management system, Committee members discuss best practices, provide input and feedback on resources, and help guide the Bank's outreach efforts to other teachers and students. In 2016 for example, the Committee helped inform the Bank's strategy to integrate the "Invest in What's Next" course into an instructor management system. This approach will make the course easier for teachers to use and track their students' progress.

Committee members also supported the Bank's efforts to improve its web presence by providing usability input into the redesign of the website for the Fed Experience interactive exhibit in Richmond. In addition, and to support the Bank's outreach efforts, the Committee met on Federal Reserve Financial Education Day on October 19 to learn about the latest financial education resources from the Fed and to help the Bank get the word out about these resources to other teachers.

The Bank continued its long tradition of partnering with schools and other financial literacy organizations, including state councils on economic education and Jump\$tart coalitions within the Fifth District. In addition to partnering on events such as financial literacy summits for educators and financial literacy competitions for students, the Bank worked to provide subject matter expertise to enhance its partners' financial education resources and programs. The year featured two new notable initiatives with Bank partners.

During national Financial Literacy Month in April, the Bank was among 40 organizations who worked to bring Money Smart Week® to North Carolina for the first time. Money Smart Week® is a public awareness campaign that was created by the Chicago Fed in 2002 to help consumers manage their personal finances. As part of the many financial literacy activities that day, the Bank held a special teacher event in partnership with the North Carolina Council on Economic Education called "Personal Financial Ed @ the Fed" on April 29 at the Charlotte branch. The event brought together 100 educators, including 26 from OMWI-designated high schools, to learn about personal finance resources, lessons and activities to use in their classrooms.

Second, the Bank brought together leaders of economic and financial education organizations in the Fifth District for a special Joint Council on Economic Education meeting in Richmond. The Joint Council meeting was designed to provide participants with professional development and to identify collaboration opportunities. The meeting focused on how to better connect teachers to the programs and resources the Bank has to offer. The agenda covered how members can use strategic storytelling and effective marketing strategies to better connect with teachers, as well as best practices for providing online resources.

In continuation from previous years, 2016 was another year of strong partnerships with the local Junior Achievement (JA) in each of the Fifth District office locations. During the 2015–2016 school year, 69 Richmond employees volunteered in JA programs, such as "JA in a Day" and "Finance Park," reaching nearly 650 students.

Fifth District leaders also continue to serve on boards and committees within the public school system and with local financial education and mentoring organizations. In 2016, one of the Bank's executive vice presidents continued to chair the Richmond Public Schools Business Advisory Council, comprised of business leaders who are working with the local superintendent, who serves majority-minority students, to help support the mission and goals of the city schools.

For the past several years, the Bank has put a great deal of focus on helping the public better understand who we are and what we do. Teacher and student engagement is an important part of these efforts. Through guided tours and facilitated activities in The Fed Experience exhibit in the Bank's Richmond office, students explore their personal connection to the economy and how the Federal Reserve

impacts their lives. The exhibit also serves as a unique educational destination for students during the summer, with special programs for Girl Scouts and students attending summer camps. In 2016, 4,550 individuals visited the exhibit, including 400 students from OMWI-designated high schools. Students can also visit the Baltimore and Charlotte branch offices for tours.

The Bank has also expanded its Fed Ambassador program in an effort to increase understanding about the Federal Reserve's role in the economy and in the community. Fed Ambassadors are Bank employees who provide overview presentations about the Federal Reserve to student, business and civic groups. The Bank trained 25 employees as new Ambassadors in 2016, bringing the total number of Ambassadors to 40, including 22 percent minorities and 60 percent women. In 2016, Fed Ambassadors presented to nearly 1,200 people, including 350 students.

Challenges

Challenges continue that affect the Bank's ability to track program impact and to effectively use online channels to connect with educators. Because of this, the Bank continues to look to existing research on financial decision making and on best practices in the development of educational resources and programs so that efforts have the most probable chance of success. For example, theory and evidence suggest that financial education programs and resources are most likely to be effective if they account for differences in individual circumstances. Therefore, the Bank takes the approach of providing unbiased information and tools to help individuals make decisions rather than providing prescriptive advice.

With the provision of the Bank's online resources to reach teachers and students across the Fifth District and nationally, there are obstacles to the uptake of these resources. For example, teachers have expressed the need to have an instructor management system to more easily use "Invest in What's Next" and track their students' progress. Teachers also continue to express difficulty searching through and ultimately finding resources on the web that they can quickly incorporate into their instruction.

The Bank is committed to bringing in subject matter experts, such as through the Bank's Joint Council on Economic Education meetings, to build the collective capability of economic and financial education partners across the Fifth District. The Bank's Committee will also continue to provide important feedback and input about what works well in the classroom.

Next Steps

To address the challenges described above and build on the year's successes, the Bank, in partnership with the Federal Reserve Bank of San Francisco, will complete the programming and web development of the third and final lesson of the "Invest in What's Next" online course, expected to launch in early 2018. The Bank will also integrate the course into an instructor management system with a pre/post-test option to make the course easier for teachers to use and to track student progress and knowledge gain. In addition to promoting the course to teachers, intensive marketing of the course will be directed at school counselors and after-school mentoring programs. In addition, the Bank will continue to work to incorporate systems to manage relationships with teachers and other financial education constituents so that the Bank can connect them to the resources they will find most useful.

The Bank will continue to offer "Day at the Fed" events for student groups to build their employability skills for whatever college or career path they choose. In addition, the Bank will pilot a new College and Career Exploration field trip option as a regular offering in its Fed Experience exhibit. The new tour option will feature activities that encourage students to explore their interests and a range of career options, including those available at the Federal Reserve, understand the different education paths available, and practice skills that will help them be successful on their chosen path.

To further expand reach, the Bank will recruit teachers from the Baltimore, Maryland, metro area to join its Committee for the 2017–2018 school year. The expansion will allow the Bank to extend its systematic touch points with teachers in other parts of the District and to increase the diversity of perspectives and information brought back to the Bank. The Committee will continue to provide input and feedback in order to improve the effectiveness of the Bank's educational resources and programs in the classroom. The Bank will also look to the Committee for guidance on improving its outreach to other educators.

Additional outreach efforts will include bringing together leaders of economic and financial education organizations in the Fifth District for another Joint Council on Economic Education meeting in 2017. The focus of the program in 2017 will be on how best to reach socioeconomically challenged students with financial education resources and programs. The Bank will also continue to support the Fifth District's public schools through the mentoring program with a focus on soft skills development and financial education.

Appendix



APPENDIX 1. STANDARD CORE METRICS

Category	Description	Measure	2012	2013	2014	2015	2016
Workforce Diversity	Senior Executives	Total #	24	25	26	28	26
		% Minorities	13%	12%	12%	14%	19%
		% Women	29%	28%	27%	25%	27%
	Mid-Level Officials	Total #	555	560	579	585	562
		% Minorities	21%	22%	21%	22%	23%
		% Women	40%	39%	39%	39%	36%
	Professionals	Total #	1524	1558	1577	1603	1540
		% Minorities	29%	30%	30%	30%	29%
		% Women	38%	38%	38%	36%	38%
	Total External Hires	Total #	284	356	202	188	150
		% Minorities	30%	34%	36%	39%	42%
		% Women	34%	37%	39%	37%	28%
	Total Interns	Total #	54	59	55	67	61
% Minorities		30%	47%	44%	43%	38%	
% Women		48%	44%	38%	40%	36%	
Overall Bank Turnover Rate	%	7.0%	6.9%	7.8%	7.8%	6.9%	
Supplier Diversity	Total Reportable Spend	\$ (millions)	\$317.76	\$363.36	\$357.63	\$350.61	\$311.00
	Total Diverse Spend ¹	\$ (millions)	\$10.94	\$15.09	\$57.42	\$58.35	\$39.07
		%	3.44%	4.15%	16.06%	16.64%	12.56%
	Minority-owned ²	\$ (millions)	\$5.16	\$6.82	\$52.54	\$55.50	\$34.83
		%	1.62%	1.88%	14.69%	15.83%	11.20%
	Minority-owned (men)	\$ (millions)	\$1.81	1.96	\$27.71	\$35.02	\$16.56
		%	0.57%	0.54%	7.75%	9.99%	5.32%
	Minority-owned (women)	\$ (millions)	\$3.35	4.86	\$24.83	\$20.48	\$18.27
		%	1.05%	1.34%	6.94%	5.84%	5.88%
	Women-owned ²	\$ (millions)	\$9.14	\$13.12	\$29.71	\$23.32	\$22.51
		%	2.88%	3.61%	8.31%	6.65%	7.24%
	Women-owned (non-minority)	\$ (millions)	\$5.79	\$8.26	\$4.88	\$2.84	\$4.24
		%	1.82%	2.27%	1.36%	0.81%	1.36%
Women-owned (minority)	\$ (millions)	\$3.35	\$4.86	\$24.83	\$20.48	\$18.27	
	%	1.05%	1.34%	6.94%	5.84%	5.88%	

¹Total Diverse Spend = Minority-owned (men) + Minority-owned (women) + Women-owned (non-minority).

²Women-minority numbers are included in both Minority-owned and Women-owned totals.

		2016
Financial Literacy ¹	Program Type - Teacher centric - Student centric - Hybrid	Hybrid
	Number of Students ²	1,310
	Number of Educators ³	220
	Number of Students Reached ⁴	16,500

¹ Measures report only those OMWI students and teachers who participate in or are reached through programs that have a financial literacy focus. OMWI targeted schools are considered to be inner-city, majority-minority, and all-girls high schools.

² Students who attended in-person programs and enrolled in online programs.

³ Educators who attended in-person programs and enrolled in online professional development programs.

⁴ Students reached through educators using a common multiplier of 75.

APPENDIX 2. EEO-1 DATA AS OF 12/31/2016

Federal Reserve Bank of Richmond 2016 Employer Information Report EEO-1							
Occupational Categories	Total Employees			Hispanic or Latino		White	
				Male	Female	Male	Female
	All	Male	Female	Male	Female	Male	Female
Executive/Sr Level Officials							
By total	26	19	7	1	0	14	7
By percent	100%	73.1%	26.9%	3.8%	0.0%	53.8%	26.9%
First/Mid Level Officials							
By total	562	362	200	7	4	285	145
By percent	100%	64.4%	35.6%	1.2%	0.7%	50.7%	25.8%
Professionals							
By total	1540	958	582	40	18	703	397
By percent	100%	62.2%	37.8%	2.6%	1.2%	45.6%	25.8%
Technicians							
By total	172	125	47	10	2	60	15
By percent	100%	72.7%	27.3%	5.8%	1.2%	34.9%	8.7%
Sales Workers							
By total	0	0	0	0	0	0	0
By percent	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Administrative Support Workers							
By total	178	42	136	1	7	22	74
By percent	100%	23.6%	76.4%	0.6%	3.9%	12.4%	41.6%
Craft Workers							
By total	54	52	2	1	0	37	2
By percent	100%	96.3%	3.7%	1.9%	0.0%	68.5%	3.7%
Operatives							
By total	0	0	0	0	0	0	0
By percent	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Laborers and Helpers							
By total	2	2	0	0	0	2	0
By percent	100%	100%	0.0%	0.0%	0.0%	100.0%	0.0%
Service Workers							
By total	136	118	18	7	0	61	8
By percent	100%	86.8%	13.2%	5.1%	0.0%	44.9%	5.9%
Total Workers							
By total	2670	1678	992	67	31	1184	648
By Percent	100%	62.8%	37.2%	2.5%	1.2%	44.3%	24.3%

Race/Ethnicity									
Non-Hispanic or Latino									
Black or African American		Asian		Native Hawaiian or Other Pacific Islander		American Indian or Alaska Native		Two or More Races	
Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
2	0	1	0	0	0	1	0	0	0
7.7%	0.0%	3.8%	0.0%	0.0%	0.0%	3.8%	0.0%	0.0%	0.0%
40	38	25	12	1	0	2	0	2	1
7.1%	6.8%	4.4%	2.1%	0.2%	0.0%	0.4%	0.0%	0.4%	0.2%
92	119	110	42	1	0	4	1	8	5
6.0%	7.7%	7.1%	2.7%	0.1%	0.0%	0.3%	0.1%	0.5%	0.3%
42	28	11	0	0	0	0	1	2	1
24.4%	16.3%	6.4%	0.0%	0.0%	0.0%	0.0%	0.6%	1.2%	0.6%
0	0	0	0	0	0	0	0	0	0
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
11	51	7	3	1	0	0	0	0	1
6.2%	28.7%	3.9%	1.7%	0.6%	0.0%	0.0%	0.0%	0.0%	0.6%
11	0	0	0	0	0	3	0	0	0
20.4%	0.0%	0.0%	0.0%	0.0%	0.0%	5.6%	0.0%	0.0%	0.0%
0	0	0	0	0	0	0	0	0	0
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0	0	0	0	0	0	0	0	0	0
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
48	10	2	0	0	0	0	0	0	0
35.3%	7.4%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
246	246	156	57	3	0	10	2	12	8
9.2%	9.2%	5.8	2.1%	0.1%	0.0%	0.4%	0.1%	0.4%	0.3%

APPENDIX 3. DIVERSITY AND INCLUSION CHAMPIONS

Executive Diversity & Inclusion Council (EDIC)

The EDIC is comprised of a cross-functional team of Bank senior executives — led by the Bank’s chief diversity officer — whose role is to serve as advocates and drivers of the Bank’s D&I strategies. The EDIC serves as a key partner with the Office and the DNA to support and advance a D&I culture.

Diversity & Inclusion Alliance (DNA)

The DNA is guided by the EDIC and serves as a key partner — with the EDIC and the Office — to support and advance a diverse workplace and inclusive culture. The DNA also provides oversight for the Bank’s eight ERNs. The DNA is comprised of a cross-functional and diverse group of 14 Bank employees.

2016 Employee Resource Networks (ERNs)

The ERN program is comprised of eight employee-led groups sanctioned by the Bank, governed by the DNA and formed around shared characteristics, affinities or professional interests for the purpose of supporting the Bank’s D&I efforts and other strategic initiatives of the organization. Networks are voluntary and aligned with the Bank’s D&I mission and support the goals of the Bank.

The Bank’s eight ERNs are:

ABLE (Ability Beyond the Label)

Mission: ABLe works to assist the Bank in achieving its strategic goal of maintaining a diverse work environment by raising awareness of the value differently abled individuals bring to the organization, where all employees can contribute at their maximum potential by realizing the value of those that are differently abled.

First to Serve

Mission: First to Serve is a resource for harnessing the talents, experiences and interests of those who have or are currently serving in the uniform services and those who support them in the Bank and in the community at large.

Generations United

Mission: Generations United is a multigenerational resource network that represents our entire workforce through all “Generations United.” They support the Bank’s objective of attracting, retaining and developing

a world-class, diverse workforce by sponsoring activities that promote the interaction and engagement of today’s multigenerational workforce.

GROW (Generating Recognition of Women)

Mission: GROW promotes, recognizes and respects the value of women and encourages their professional and personal development.

LiPM (Leading in Project Management)

Mission: LiPM supports the Bank’s strategic goal of being an employer of choice by encouraging civic engagement, learning from each other, and understanding the strengths and needs of project management across all business areas.

PRISM (Pride, Respect, Inclusion, Support, Mutual — gay, lesbian, bisexual and transgender employees and allies)

Mission: PRISM supports the Bank’s organizational objectives by sponsoring activities that assist the Bank in maintaining an inclusive work environment where all employees can fulfill their maximum potential, and by promoting an environment that recognizes strengths, values differences and promotes respect and mutual support.

STAAART (Supporting the Advancement of Asian American Recognition and Talent)

Mission: STAAART supports the Federal Reserve Bank of Richmond in maintaining a diverse and inclusive work environment where all employees can fulfill their maximum potential through the promotion of professional development, networking, cultural awareness, recruitment and retention, and knowledge sharing.

VITAL (Valuing the Inclusion of Talented African Americans and Latinos)

Mission: VITAL supports the Bank’s organizational objectives by sponsoring activities that assist the Bank in maintaining an inclusive work environment where all employees can fulfill their maximum potential, and by promoting an environment that recognizes and values the contribution of diverse talent.



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