



# The DEI Landscape in Banking and the Role of the Board in a Bank's DEI Strategy

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- Background: Defining Terms
- The DEI Landscape: Increasing Focus
- Board Influence: Developing DEI Strategy
- Board Governance: Ensuring Success

# Background: Defining Terms



● ●●●  
I'm apart.

●●●●  
I'm a part.

inclusion



Source: Korn Ferry: Asleep at the Wheel



Source: DocSpeaks.com

# The DEI Landscape: Increasing Focus



Many stakeholders interested in organizations' DEI programs:

- Regulators/Congress
- Employees
- Consumers/Customers
- Shareholders/Investors



## Dodd Frank

- Office of Minority and Women Inclusion (OMWI) since 2010

## FDIC

- Issued assessment standards and voluntary reporting in 2015
  - Organizational commitment to diversity and inclusion
  - Workforce profile and employment practices
  - Procurement and business practices; supplier diversity
  - Practices to promote transparency of organizational diversity and inclusion

## House Committee on Financial Services

- Proposed legislation in 2021-2022 session to increase reporting, transparency, and comparability of D&I information
  - Diversity and Inclusion Data Accountability and Transparency Act (H.R. 2123)
  - Promoting Diversity and Inclusion in Banking Act (H.R. 8160, originally introduced in 2020)

## Power of Purpose

- Employees expect the organization they work for to take steps toward creating a more inclusive workforce

**65%** of employees expect more opportunities for women

**63%** of employees expect more opportunities for people of color

**58%** of employees expect more opportunities for diverse age groups

**46%** of employees expect more opportunities for people from other countries

**42%** of employees expect more opportunities for LGBTQ

**Brand advocacy is key to any successful organization, but every strong brand begins with engaged, mission-driven employees.**

Organizations that practice transparency have strong core values and a clear mission that drives individuals of every generation, from any background, to give their best. Employees who love their work have higher productivity levels, have a longer tenure, and cost the organization less over time. It is clear that employees want to work for organizations that have a clearly defined purpose, take action to support that purpose, and have a positive impact on society.

Source: Pan Communications Sept 15, 2020

A 2020 [Catalyst report](#) delivers compelling motivation for business leaders to work harder to reach more diverse customers:

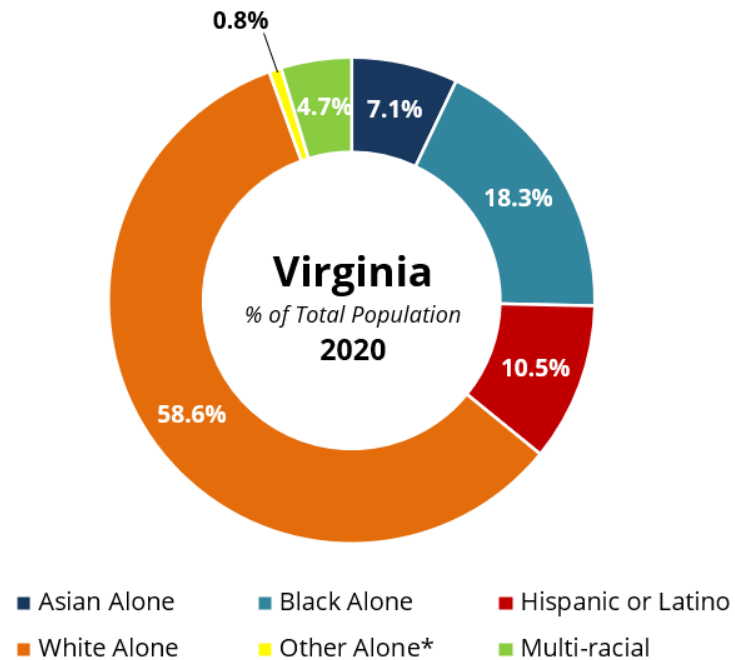
- People of color hold a growing share of buying power in the American economy
- Consumer spending by women worldwide reached an estimated \$31.8 trillion in 2019
- Buying power of the global LGBT population rose to about \$3.6 trillion

**Companies with the most potential for success need to be authentically diverse**

**Employees who represent a company's brand should mirror society**

Source: Business Wire February 9, 2021

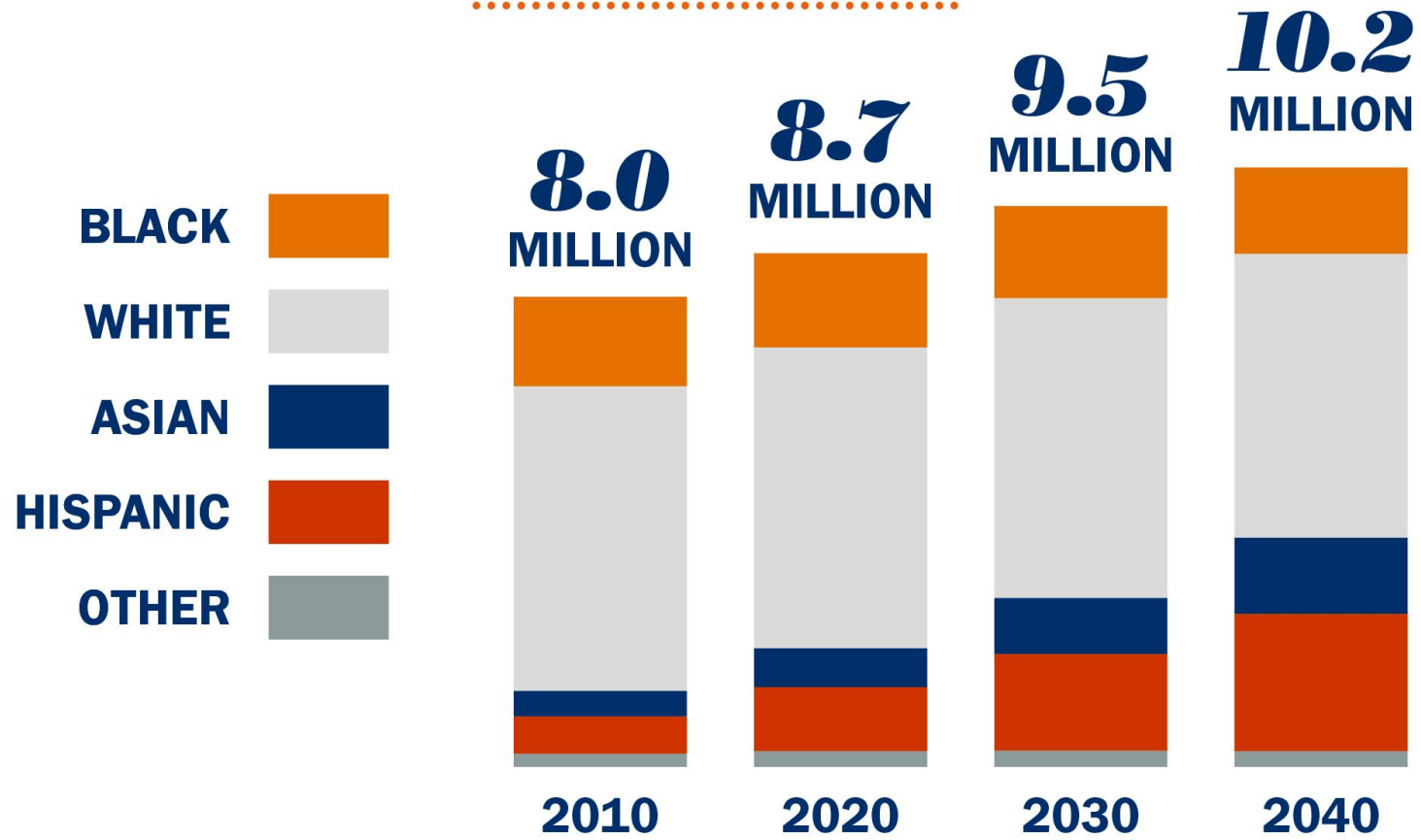
**Population by Race/Ethnicity**  
*Virginia, 2020*



U.S. Census Bureau (Decennial Census)



## TOTAL POPULATION OF VIRGINIA



Source: UVA Today – June 23, 2017

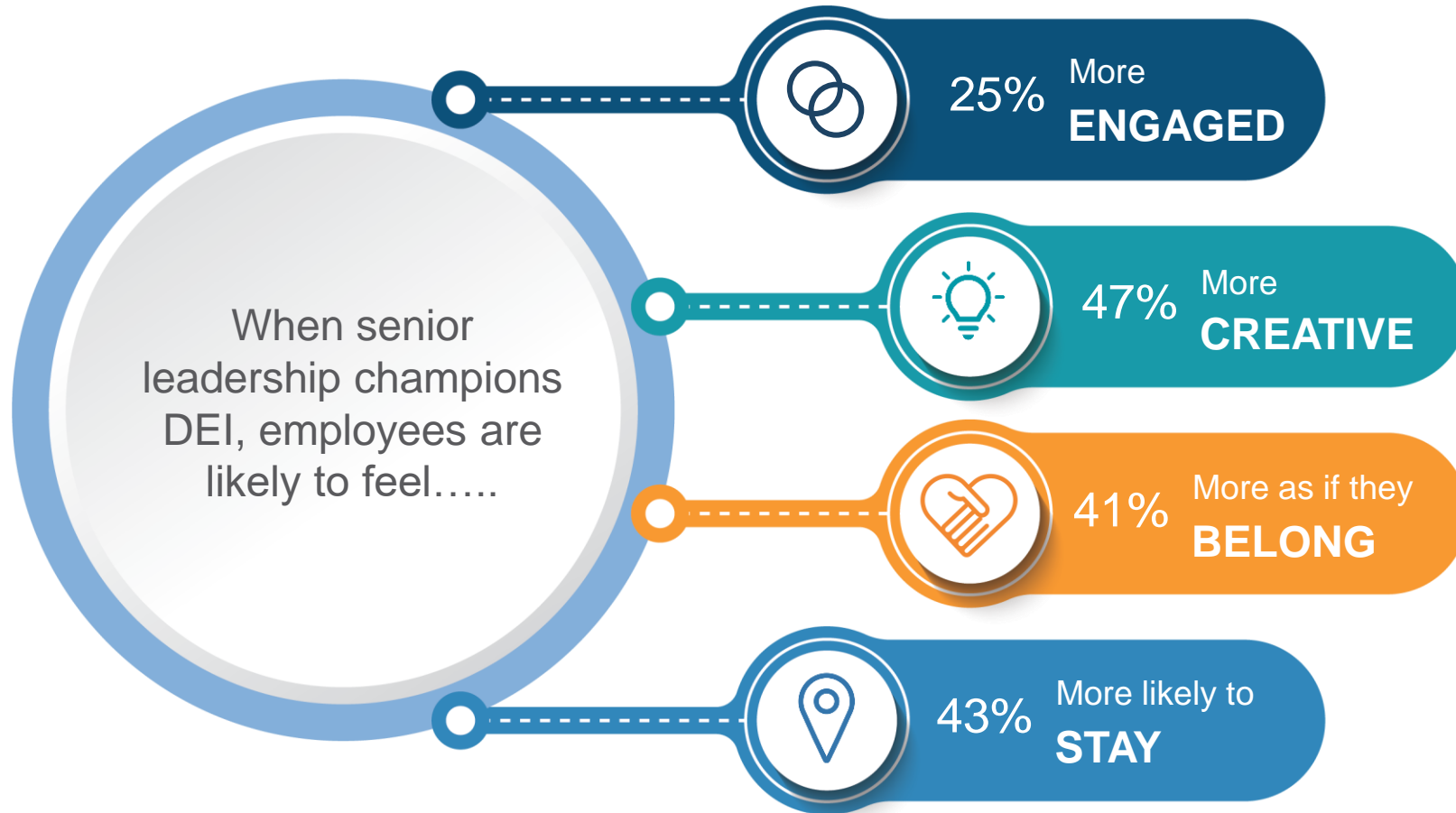
## Environmental, Social, and Governance factors (ESG)

- Used by investors to ensure “sustainability” of investments
  - “Sustainability” applies to all three pillars of ESG
- Investors are placing higher importance on DEI initiatives
  - CFA survey revealed 83 percent of institutional investors value gender diversity



Source: The inclusion imperative for boards, Deloitte Insights, April 2, 2019

# Board Influence: Developing DEI Strategy



Source: Leading by Example: The Critical Role Chairs and CEOs Play in Driving Diversity and Inclusion, Russell Reynolds Associates, March 4, 2019

## Foundational Principles

## Emerging Priorities

Building the Business Case

Evaluating Effectiveness

Establishing Policies and Procedures

Fostering an Inclusive Culture

Mobilizing Affinity Groups

Modeling Inclusive Leadership

Source: Avoid Three D&I Pitfalls By Strengthening the Board's Agenda, NACD BoardTalk, April 4, 2019



## The Board's Responsibilities in Five Key Areas



### Strategy

Fostering a DEI Culture

### Governance

Measuring Effectiveness

### Talent

Fostering a DEI Culture

### Integrity

Modeling Inclusive Leadership

### Performance

Measuring Effectiveness

Source: The inclusion imperative for boards, Deloitte Insights, April 2, 2019

## THE CHAIR AND BOARD CAN AFFECT THE SUCCESS OF D&I WITHIN THE ORGANIZATION BY ...

**01**



Keeping D&I on the board agenda and making sure this is broadly communicated

**02**



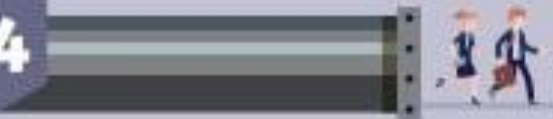
Asking the right questions to prompt executives to find practical solutions

**03**



Probing the data, going deep into different functions, geographies and levels

**04**



Ensuring a pipeline of succession candidates for the top roles by regularly discussing the topic and encouraging the development of career advancement plans for promising candidates

Source: Russel Reynolds March 4, 2019

## Influencing Inclusion

*“Where the board can influence inclusion is in asking questions like, ‘What is [management] doing to ensure that people at all levels and of all backgrounds have an opportunity to be developed and mentored into the senior management levels?’”*

- General Lester Lyles (USAF retired), Chairman, USAA and director, General Dynamics and NASA

Source: The inclusion imperative for boards, Deloitte Insights, April 2, 2019

## Influencing Inclusion – What Are You Asking?

- Fostering an inclusive culture
  - What is the organization's working definition of inclusion and vision of an inclusive culture?
  - How does the business strategy reflect inclusion?
  - What is the organization doing to advance its inclusion agenda?
  - **How are inclusive leadership traits and characteristics clearly built into the roles and expectations for senior leaders?**
  - **How is inclusion built into the organization's leadership succession plans?**

Source: The inclusion imperative for boards, Deloitte Insights, April 2, 2019

## Influencing Inclusion – What Are You Asking?

- Measuring effectiveness
  - What are employees' perceptions of inclusion?
  - **What metrics are in place to measure, and identify gaps in, the effectiveness of the organization's inclusion efforts?**
  - How are inclusive behaviors and outcomes rewarded, recognized, and celebrated at the individual and organizational level?
  - **How are non-inclusive behaviors and outcomes corrected or mitigated?**

Source: The inclusion imperative for boards, Deloitte Insights, April 2, 2019



## Influencing Inclusion – What Are You Asking?

- Modeling inclusive leadership
  - Do board charters lay the foundation for inclusive behaviors in all relevant board processes?
  - How can the board best begin to foster inclusion through its operating principles and behaviors?
  - **Does the data informing the board's operations and decision making come from a diverse and inclusive set of sources and perspectives?**
  - What could the organization's alliances, clients, or vendors convey about its stance on inclusion?
  - **How are decisions made by the board? How is inclusion explicitly factored into these decisions?**

Source: The inclusion imperative for boards, Deloitte Insights, April 2, 2019

## Inclusive Leadership

### The Six Signature Traits

**1 Cognizance**  
Because bias is a leader's Achilles' heel  
**As a board member:**  
Be aware of personal biases and develop systems to mitigate the impact of those biases

**2 Courage**  
Because talking about imperfections involves personal risk-taking  
**As a board member:**  
Share with others your strengths and development areas to role model humility

**3 Commitment**  
Because staying the course is hard  
**As a board member:**  
Ask questions to avoid assumptions. Wonder how the definition of "success" may be broadened

**4 Curiosity**  
Because different ideas and experiences enable growth  
**As a board member:**  
Commit to demonstrating inclusive leadership personally, and to holding fellow board members and the broader organization accountable for those behaviors

**5 Cultural Intelligence**  
Because not everyone sees the world through the same cultural frame  
**As a board member:**  
Acknowledge difference as strength and make decisions through an empathetic lens

**6 Collaboration**  
Because a diverse-thinking team is greater than the sum of its parts  
**As a board member:**  
Proactively collaborate with fellow directors and with management, and promote collaboration among diverse individuals across the organization

Source: The inclusion imperative for boards, Deloitte Insights, April 2, 2019

## Modeling Inclusive Leadership

*“To truly embody and govern inclusion, the board should reflect the diversity of [the organization’s] customer base in its composition, create an inclusive culture within the boardroom itself, and integrate inclusive thinking and behaviors into all of the ways that the board operates.”*

- Trudy Bourgeois, founder and CEO, Center for Workforce Excellence

Source: The inclusion imperative for boards, Deloitte Insights, April 2, 2019

# Board Governance: Ensuring Success

## Settling for HR as PR



## Not Listening to Employees

**TIME TO START  
LISTENING**



# Three DEI Pitfalls to Avoid

## Leading From Behind





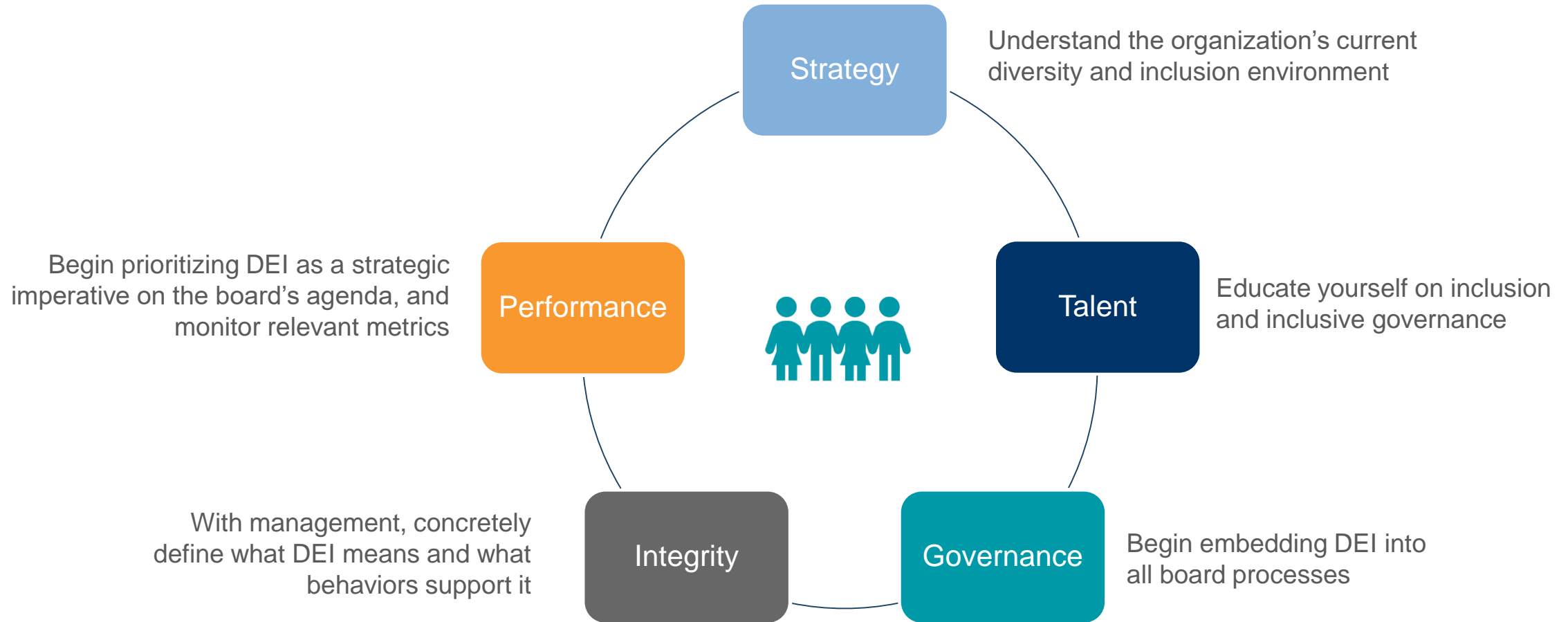
## Performance

*“The CEO, the executive team and board of directors are responsible for ensuring that the organization should have a clear and actionable diversity and inclusion strategy, aligned to the organization’s purpose. That strategy is then executable right down throughout the organization, with the tone from the top, through a program of meaningful actions and initiatives.”*

- Will Cronin, Head of Culture, Diversity, and Inclusion at Allied Irish Banks 2019

Source: Who has responsibility for D&I?, The Irish Times, October 24, 2019

# An Inclusive Governance Starter List



Source: The inclusion imperative for boards, Deloitte Insights, April 2, 2019

Thank You



**D I V E R S I T Y**  
**E Q U I T Y**  
**I N C L U S I O N**  
FHLBANK ATLANTA

TOGETHER WE **ACHIEVE**

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