



FEDERAL HOUSING FINANCE AGENCY
Office of Minority and Women Inclusion

ADVISORY BULLETIN

AB 2021 – 01

Board Diversity Data Collection

Purpose

This Advisory Bulletin (AB) applies to the Federal Home Loan Banks (Banks) and the Banks' Office of Finance (OF). The AB provides guidance on standards for data collection relating to the diversity of boards of directors (Boards) of each Bank and the OF. This AB outlines the expectations set by the Federal Housing Finance Agency (FHFA or Agency) Office of Minority and Women Inclusion (OMWI) regarding the content and frequency of data reporting on the demographic makeup of the Boards.

Background

Section 1116 of the Housing and Economic Recovery Act of 2008 requires the regulated entities to develop and implement standards and procedures to ensure the inclusion and utilization of minorities and women, and minority- and women-owned businesses, in all business and activities of the regulated entity at all levels.¹ FHFA's regulations implementing those statutory requirements, located at 12 CFR Part 1223, include several provisions addressing the diversity of Banks' boards. The regulations include a provision encouraging the consideration of diversity in nominating or soliciting nominees for positions on the Boards of each regulated entity, *see* 12 CFR 1223.21(b)(7), and require each Bank and the OF to report annually the numbers of individuals who comprise their Boards by minority and gender classification, *see* 12 CFR 1223.23(b)(10)(i).

Among other things, the regulation also requires the regulated entities to adopt strategic plans to promote and ensure the inclusion of minorities, women, and individuals with disabilities in their workforce at all levels of the organization, as well as minority-, women-, and disabled-owned businesses in their contracting activities and financial activities. *See* 12 CFR 1223.21(d). Consistent with FHFA's corporate governance regulation, the Board has ultimate responsibility

¹ P.L. 110-289, July 30, 2008, *codified at* 12 U.S.C. § 4520.

for its regulated entity's achievement of the requirements of the regulation. *See* 12 CFR 1239.4(a).

On July 9, 2020, FHFA issued an AB on Board diversity,² which provides guidance on how each Board should oversee the regulated entity's diversity and inclusion (D&I) efforts and how the Banks and the OF should routinely assess the skills of Board members to ensure that they are able to meet their obligations to manage the regulated entity's D&I efforts and initiatives. The 2020 AB also speaks to the importance of Board diversity and notes that a Board's efforts to develop, maintain, and sustain a diverse Board should be a combination of seeking diverse representation on the Board, as well as looking for individuals possessing the required knowledge, skills, and abilities to contribute to the execution of the Board's D&I oversight responsibilities.

In conjunction with AB 2020-02, and to assist the Banks and the OF in thoroughly assessing the results of their D&I efforts, the Banks and the OF should implement diversity data collection standards to evaluate the levels of diversity on their Boards. In furtherance of FHFA's efforts to ensure that the Banks and the OF are taking appropriate steps to promote D&I within their organizations and on their Boards, and to clarify the steps the regulated entities should take for data collection, FHFA is issuing this AB to illustrate standards all Banks and the OF should adopt for the collection of Board diversity data required to be reported under 12 CFR 1223.23(b)(10)(i).

Guidance

Collecting Board diversity data in accordance with the standards outlined herein is the responsibility of the full Board at each Bank and the OF, with key support from each Board Chair, Vice Chair, and OMWI Officer. Board diversity data collection and handling requirements should be included in the regulated entity's policies such as the D&I policy, and Board diversity data collection and handling processes should be defined through documented roles and responsibilities in a procedures document. Data collection standards adopted by a Bank or the OF in accordance with this AB should align with and adhere to other internal Bank and OF D&I program data handling requirements and FHFA OMWI data reporting guidelines, as noted in the FHFA OMWI Data Reporting Manual (DRM). Data collection standards should protect the confidentiality of the demographic information of individual Board members. Data handling practices should adhere to Bank and OF policies on information security and records retention.

Board Diversity Data Collection Standards

The following Board Diversity Data Collection standards are intended to address all aspects of Board diversity data collection, handling, and reporting in accordance with applicable regulations and other requirements as communicated in other forms of supervisory guidance, as well as individual management policies. Each regulated entity is responsible for meeting the criteria within each standard described herein. Furthermore, each Bank and the OF should ensure policies, processes, and procedures are in place to ensure Board diversity data collection and reporting

² AB 2020-02, Board Diversity, <https://www.fhfa.gov/SupervisionRegulation/AdvisoryBulletins/Pages/Board-Diversity.aspx>.

adheres to FHFA OMWI DRM and OMWI Annual Report and quarterly data reporting (QDR) instructions and guidance.

1. Board Diversity Data Collection and Reporting Frequency

Each regulated entity should, no less than annually, perform a voluntary Board diversity self-identification survey to capture the diversity demographics of the full Board (existing and newly elected). The survey should be provided to all directors (current and newly elected), and each regulated entity should establish a deadline for timely response. Non-responses to surveys should be clearly noted in the Bank and the OF's OMWI Annual Report and QDR submissions and be captured separately from responses that did not self-identify demographic information.

In situations where incumbent directors vacate positions mid-term (planned or unplanned), the regulated entity has the option to relaunch the Board diversity self-identification survey to the full Board, capturing all new and existing director responses. This practice supports confidentiality of all director submissions and avoids confidentiality issues that might arise with the collection of only one response from a new director. FHFA recognizes, however, that this practice may become impractical or burdensome in the event a Bank or the OF encounters multiple Board vacancies in a single year. Therefore, at a minimum, the regulated entities should collect the diversity information of all new directors when they onboard. FHFA is not suggesting that the regulated entities conduct a full survey every time a new director onboards if the entities are able to ensure the confidentiality of the data collection process when they have only a single response. Further, the regulated entities are not required to submit a new report to FHFA each time this happens if a report is not otherwise due. To ensure the confidentiality of the data, the regulated entity should adhere to the data reporting schedules in the FHFA OMWI DRM and OMWI Annual Report and QDR guidance.

2. Self- Identification Survey Template Attributes

Each Bank and the OF should develop a Board diversity self-identification survey (survey) template with defined attributes that comply with current FHFA OMWI reporting requirements and guidance. The survey will capture gender, race/ethnicity, and disability data using defined Equal Employment Opportunity Commission categories consistent with FHFA OMWI Board of Directors and Workforce Reporting for QDR submissions. The survey template may be electronic or paper, and handling of the directors' survey responses should adhere to Bank or OF policies on information security and records retention. The survey template should include the following attributes³ in each reporting section:

Gender: Male, Female

Race/Ethnicity: Hispanic or Latino, White (Not Hispanic or Latino), Black or African American (Not Hispanic or Latino), Native Hawaiian or Pacific Islander (Not Hispanic or

³ The Banks and the OF are permitted to include additional descriptors, including a response option of "Wish to Not Self Identify." However, any additional information collected beyond the data points listed herein may or may not be collected in the annual or quarterly reports to FHFA.

Latino), Asian (Not Hispanic or Latino), American Indian or Alaska Native (Not Hispanic or Latino), and Two or More Races

Disability: I do not have a disability; I have a disability

Entities may elect to collect other diversity attributes (such as veteran status), or they may choose to add other descriptors within a designated attribute (such as non-binary gender options under the gender reporting section). Additional attributes, however, are not needed for reporting to FHFA OMWI at this time.

Survey Administration and Data Handling Practices

Each Bank and OF's D&I Policy should require that the regulated entities develop a documented process or procedure for administering the Board diversity self-identification survey. This process or procedure should identify roles and responsibilities that establish and define involvement of the Bank and OF's OMWI Officer in reviewing the reported data, as well as the subsequent reporting of Board diversity demographics to the FHFA OMWI in both QDR and OMWI Annual Reports. Each Bank and the OF should define the records retention period for the data, consistent with their records retention policies and practices. Survey administration timing may be determined by the Board's election and incumbent seat lifecycles.

Data Reporting/Submissions

The Banks' and the OF's OMWI Officers (or OMWI staff as directed by the OMWI Officer) are responsible for oversight of the Board diversity demographic data collection and reporting in the aggregate. All data reporting should comply with FHFA OMWI data reporting guidelines.

All data reporting and data reporting frequency should comply with FHFA requirements for reporting under 12 CFR Part 1223.

FHFA has statutory responsibility to ensure that the regulated entities carry out their missions consistently with the provisions and purposes of FHFA's statute and the regulated entities' authorizing statutes. Advisory Bulletins describe supervisory expectations in particular areas and are used in FHFA examinations of the regulated entities. For comments or questions pertaining to this Advisory Bulletin, contact Paul Priest at Paul.Priest@fhfa.gov or (202) 649-3490, or Felicia Bland at Felicia.Bland@fhfa.gov or (202) 365-7471.