



U.S. Securities and Exchange Commission

Office of Minority and
Women Inclusion

2020 DIVERSITY ASSESSMENT REPORT

DIVERSITY AND INCLUSION IN THE FINANCIAL
SECURITIES INDUSTRY

Disclaimer

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EXECUTIVE SUMMARY

In January 2020, the Office of Minority and Women Inclusion (OMWI), U.S. Securities and Exchange Commission (SEC), identified 1,263 regulated entities to participate in the SEC's 2020 Diversity Assessment Report process (2020 DAR), which consists of entities¹ conducting and submitting a voluntary self-assessment of their diversity policies and practices existing at the time of their submission to the SEC. The identified regulated entities consist of registered investment advisers, broker-dealers, municipal advisors, and self-regulatory organizations.² To allay any reporting burdens, the entities were permitted to respond by submitting a fillable diversity policies and practices self-assessment form available on the SEC's website (SEC DAR Form)³ or a comparable self-assessment. For this 2020 Diversity Assessment Report, the SEC reports results of an analysis of 59 response forms that cover 118 regulated entities.⁴ Fifty-four (54) responses covering 99 entities were received as SEC DAR Forms and the remaining five responses (covering 19 entities) were submitted as narrative self-assessments. In total, the responses OMWI analyzed cover approximately nine percent of the 1,263 entities identified to participate.

The voluntary nature of the data collection means that identified entities choose whether to participate and the results therefore may not be representative of the overall population of regulated entities.⁵ While no inferences can be made as to the *nonresponding* regulated entities, OMWI believes that the identification of practices among *responding* firms is nevertheless valuable in highlighting diversity policies and practices strengths and opportunities for improvement. Increasing the self-assessment response rate remains a priority. OMWI will continue to prioritize increasing the response rate through outreach and awareness campaigns. OMWI plans to host outreach events focused on setting forth the business case for submitting a self-assessment from both the SEC's perspective, as well as the perspectives of entities that have previously submitted self-assessments. OMWI will also engage in listen-and-learn sessions to provide entities an opportunity to identify and discuss concerns surrounding the self-assessment process and ways to increase self-assessment response rates.

1 For purposes of this report, the word "entities" is used to refer to "firms" as referred to in the SEC DAR Form. Where statistics are discussed, aggregates apply *only* to the regulated entities covered by the 2020 DAR responses received. No inference or generalization to the regulated entities that did not participate in the 2020 DAR is implied.

2 Only regulated entities with over 100 employees were identified for participation.

3 See https://www.sec.gov/files/OMWI-DAR-23.pdf_0.pdf

4 In some instances, "parent" firms submit a single self-assessment covering multiple regulated entities.

5 In a voluntary data collection, *self-selection bias* occurs when a group of respondents with similar characteristics responds proportionally higher in a survey than its proportion in the sample population, skewing the collected responses toward the responding group, which may differ from nonrespondents. Given the low response rate and the high rate of positive responses to the majority of questions in the SEC DAR Form, it is possible that respondents might be more likely than nonrespondents to have diversity and inclusion policies and practices in place.

Notable highlights from the 2020 SEC DAR Form responses:⁶

- » **98 percent of the entities** include diversity and inclusion considerations as part of strategic plans for recruiting, hiring, retaining, and promoting employees; **70 percent** of the entities take proactive steps to promote a diverse pool of candidates when selecting members of their board of directors or other governing body
- » **88 percent of the entities** publish information about their diversity and inclusion efforts on their website; **62 percent** of the entities include the progress they have made toward achieving diversity and inclusion in their workforce
- » **55 percent** of the entities maintain a list of qualified minority-owned and women-owned businesses that may compete for upcoming contracting opportunities

This report quantifies results for each indicator of the diversity self-assessment and shares diversity practices highlighted by entities. While there is no “one-size-fits-all diversity and inclusion playbook” due to variances in workforce size, total assets, geographic location, and governance structures, learning from success factors and practices of other entities provides an opportunity for continued improvement in the industry.

Entities are encouraged to disclose their diversity policies and practices, as well as information related to their self-assessment, to the SEC and the public. The benefits of diversity and inclusion are well-established. Often the difficulty that entities face is not the “why” of reaching diversity and inclusion goals, but the “how” of setting and reaching those goals. Self-assessments provide a starting point for the “how” of setting and tracking diversity and inclusion goals. Additionally, by providing a framework for self-reflection, self-assessments can provide a deeper analysis and understanding of leading practices and policies for advancing workforce and supplier diversity, thereby helping entities achieve their diversity and inclusion goals.

⁶ Throughout this report, where percentages are discussed, they are limited to the 54 SEC DAR Form responses covering 99 entities, and do not include the five narrative self-assessments covering 19 entities.

HISTORY OF THE DIVERSITY ASSESSMENT REPORT

OMWI was established in July 2011, pursuant to Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. OMWI provides leadership and guidance for the SEC's efforts related to diversity in the SEC's management, employment, and business activities. In June 2015, the SEC, the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (FRB), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and the Bureau of Consumer Financial Protection (CFPB) (collectively Agencies) issued a Final Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies.⁷

The SEC has developed a form called the “Diversity Assessment Report for Entities Regulated by the SEC” to: (1) guide a regulated entity's self-assessment of its diversity policies and practices as framed by the Joint Standards; and (2) provide a regulated entity with a template for presenting diversity assessment information to the OMWI Director at the SEC.

The SEC DAR Form identifies standards in five key areas based on the Joint Standards:

- STANDARD 1** Organizational Commitment to Diversity and Inclusion
- STANDARD 2** Implementation of Employment Practices to Promote Workforce Diversity and Inclusion
- STANDARD 3** Consideration of Supplier Diversity in Procurement and Business Practices
- STANDARD 4** Practices to Promote Transparency of Organizational Diversity and Inclusion
- STANDARD 5** Evaluation of Diversity Policies and Practices

Entities may submit a self-assessment of their diversity and inclusion practices and policies through the SEC DAR Form or comparable instrument (e.g., a narrative report, a firm-prepared diversity self-assessment template, or a diversity self-assessment form submitted to OCC, FRB, and/or FDIC). In this report, we present aggregated data from SEC DAR Form submissions.

Information voluntarily submitted to the SEC is used to monitor progress and trends among regulated entities with regard to diversity and inclusion in employment and contracting activities, and to publicize promising diversity policies and practices. Where the SEC is the primary financial regulator, it may share information with other Agencies when appropriate to support coordination of efforts and the avoid duplication. The SEC may publish information disclosed to it, such as diversity practices, in any form that does not identify a particular entity or individual or disclose confidential business information.

⁷ 80 FR 33016, [Release No. 34-75050](#); [File No. S7-10-15](#).

RESULTS OF THE 2020 SEC DIVERSITY SELF-ASSESSMENT FORM COLLECTION

This section presents aggregate results for each indicator measured by the SEC’s 2020 DAR Form. Results reported in this section represent only those entities that voluntarily submitted SEC DAR Forms. These tabulations represent an analysis of 54 SEC DAR Forms covering 99 regulated entities.⁸ For each standard, a simple unweighted average was tabulated.

► STANDARD 1 Organizational Commitment to Diversity and Inclusion.

The leadership of a firm with successful diversity policies and practices demonstrates its commitment to diversity and inclusion. Leadership comes from the governing body, such as a board of directors, as well as senior officials and those managing the regulated entity on a day-to-day basis.

Almost all (98 percent) entities include diversity and inclusion considerations as part of strategic plans for recruiting, hiring, retaining, and promoting employees. In contrast, 70 percent take proactive steps to promote a diverse pool of candidates when selecting members of the board of directors or other governing body, suggesting opportunity to close a strategy-action gap at some entities.

1 The firm demonstrates its organizational commitment to diversity and inclusion in the following ways:	Percentage
1.1 The firm has a written diversity and inclusion policy.	87%
1.2 The firm’s written diversity and inclusion policy is approved and supported by the chief executive officer or other senior level official.	86%
1.3 A senior level official with experience in diversity and inclusion policies and practices oversees and directs the firm’s diversity and inclusion efforts.	89%
1.4 The firm includes diversity and inclusion considerations as part of its strategic plan for recruiting, hiring, retaining, and promoting employees.	98%
1.5 The firm includes diversity and inclusion considerations as part of its strategic plan for contracting with vendors and suppliers.	66%
1.6 The firm takes proactive steps to promote a diverse pool of candidates when selecting executive and senior level officials.	87%
1.7 The firm takes proactive steps to promote a diverse pool of candidates when selecting members of the board of directors or other governing body.	70%
1.8 The firm regularly offers training and educational opportunities on equal employment opportunity and diversity and inclusion.	87%
1.9 The firm provides regular progress reports on diversity and inclusion efforts to the board of directors or other governing body.	88%
Section Average	84%

⁸ The remaining five responses received in narrative form (covering 19 entities) are described in the Summary of Narrative Responses.

► **STANDARD 2 Implementation of Employment Practices to Promote Workforce Diversity and Inclusion.**

Many firms proactively promote diversity and the fair inclusion of minorities and women in their workforces. What distinguishes firms with successful diversity and inclusion programs is the recognition that gathering and using the data for regularly evaluating programs provides valuable insight for driving the firm’s business goals.

Most entities (94 percent) engage in outreach to minority and women organizations, including 89 percent reporting participating in conferences, workshops, and other events to attract minorities and women and to inform them of employment and promotion opportunities. Yet, fewer entities (78 percent) regularly evaluate their performance under workforce diversity and inclusion programs. Still fewer (68 percent) entities include diversity and inclusion objectives in performance plans of managers. Embedding diversity and inclusion drivers at an operations level helps bridge the gap between diversity and inclusion philosophy and real changes in the entity’s culture.

1 The firm promotes workforce diversity and inclusion in the following ways:	Percentage
1.1 The firm engages in outreach to minority and women organizations.	94%
1.2 The firm engages in outreach to educational institutions serving significant or predominantly minority and women student populations.	85%
1.3 The firm participates in conferences, workshops, and other events to attract minorities and women and to inform them of employment and promotion opportunities.	89%
1.4 The firm communicates employment opportunities through media predominately serving minorities and women.	70%
1.5 The firm regularly evaluates performance under its workforce diversity and inclusion programs.	78%
1.6 The firm uses quantitative measures to assess the effectiveness of its workforce diversity and inclusion efforts in its employment activities (e.g., hires, promotions, separations, career development, and retention).	83%
1.7 The firm uses qualitative measures (e.g., surveys) to assess the effectiveness of its workforce diversity and inclusion efforts in its employment activities.	80%
1.8 The firm includes diversity and inclusion objectives in performance plans of its managers.	68%
Section Average	81%

► **STANDARD 3 Consideration of Supplier Diversity in Procurement and Business Practices.**

Firms increasingly understand the competitive advantage of having a broad selection of available suppliers to choose from with respect to factors such as price, quality, attention to detail, and future relationship building. Many firms have successfully expanded available business options by increasing outreach to minority-owned and women-owned businesses. The use of minority-owned and women-owned businesses as subcontractors also provides valuable opportunities for both the minority-owned and women-owned businesses and the prime contractors.

Slightly more than half (54 percent) of entities conduct outreach to minority and women organizations or affinity groups and participate in conferences, workshops, and other events to attract minority-owned and women-owned businesses to inform them of contracting opportunities (62 percent). Just 15 percent publicize their procurement opportunities in media primarily serving minorities and women. About a third (34 percent) measure the percentage of their contracts with minority-owned and women-owned business subcontractors. Measurement is critical to gauge the effectiveness of outreach efforts.

	Percentage
1 The firm has a supplier diversity policy.	45%
2 The firm's supplier diversity policy is aimed at providing business opportunities to diverse suppliers, including minority-owned and women-owned businesses.	49%
3 The firm takes specific steps to promote a diverse supplier pool, including:	
3.1 The firm conducts outreach to minority-owned and women-owned contractors.	54%
3.2 The firm conducts outreach to minority and women organizations or affinity groups.	54%
3.3 The firm participates in conferences, workshops, and other events to attract minority-owned and women-owned businesses and informs them of contracting opportunities.	62%
3.4 The firm maintains a list of qualified minority-owned and women-owned businesses that may compete for upcoming contracting opportunities.	55%
3.5 The firm has an ongoing process to publicize its procurement opportunities.	28%
3.6 The firm publicizes its procurement opportunities in media primarily serving minorities and women.	15%
4 The firm measures the following attributes of its supplier diversity:	
4.1 The amount spent annually for procuring and contracting for goods and services.	54%
4.2 The percentage of contract dollars awarded to minority-owned and women-owned businesses by gender, race, and ethnicity.	50%
4.3 The percentage of contracts with minority-owned and women-owned business subcontractors.	34%
Section Average	45%

► **STANDARD 4 Practices to Promote Transparency of Organizational Diversity and Inclusion.**

Transparency and publicity are important aspects of assessing diversity policies and practices. By making public a regulated entity’s commitment to diversity and inclusion, its plans for achieving diversity and inclusion, and the metrics it uses to measure success in both workplace and supplier diversity, a regulated entity informs a broad constituency of investors, employees, potential employees, suppliers, customers, and the general community about its efforts.

Most entities publish information demonstrating a commitment to diversity and inclusion. For example, 81 percent publish their policy on commitment to diversity and inclusion on their websites. Eighty-eight percent include information about diversity and inclusion efforts on their websites. In contrast, only 45 percent publish their diversity and inclusion strategic plans. Diversity and inclusion strategic plans set forth a planning process for reaching diversity and inclusion goals. They also establish objective goals, actions for reaching those goals, and identify ways to evaluate successes in reaching goals. Publishing diversity and inclusion strategic plans allow entities to market their successes in a tangible and meaningful way and increase stakeholder confidence through greater transparency.

In general, contractor or supplier diversity indicators were less likely to be present than overall diversity and inclusion efforts or workforce diversity efforts. The majority of entities publicize employment and internship opportunities (81 percent) as well as mentorship and developmental programs for employees (70 percent). The percentage of entities that publicize contracting opportunities and developmental programs for potential contractors was just 32 percent and 20 percent, respectively.

	Percentage
1 The firm publishes information about its diversity and inclusion efforts on its website.	88%
2 The firm publishes the following information regarding its diversity and inclusion efforts on its website:	
2.1 The firm’s diversity and inclusion strategic plan.	45%
2.2 The firm’s policy on its commitment to diversity and inclusion.	81%
2.3 The firm’s progress toward achieving diversity and inclusion in its workforce.	62%
2.4 The firm’s progress toward achieving diversity and inclusion in its procurement activities.	35%
3 The firm publicizes opportunities that promote diversity and inclusion on its website, including:	
3.1 Employment and internship opportunities.	81%
3.2 Contracting opportunities.	32%
3.3 Mentorship and developmental programs for employees.	70%
3.4 Developmental programs for potential contractors.	20%
Section Average	57%

► **STANDARD 5 Evaluation of Diversity Policies and Practices.**

Firms that have successful diversity policies and practices devote time and resources to monitoring and evaluating performance under their diversity policies and practices on an ongoing basis. Firms regulated by the SEC are encouraged to disclose their diversity policies and practices, as well as information related to their assessments to the SEC and the public.

Fewer than one-third (28 percent) of entities publish information pertaining to the assessment of diversity policies and practices. More entities (71 percent) actually monitor and evaluate performance under their diversity policies and practices on an ongoing basis. Diversity and inclusion policies are only the starting point. Policies may be ineffectual if there is no monitoring for efficacy. Similarly, policy effectiveness cannot be gauged without a process for performance evaluation. Demonstrating the effectiveness of diversity and inclusion with performance can be a powerful tool in driving business.

1 The firm takes steps to advance diversity and inclusion that include:	Percentage
1.1 Monitoring and evaluating performance under its diversity policies and practices on an ongoing basis.	71%
1.2 Using the Joint Standards to conduct an assessment of the firm's diversity policies and practices annually.	30%
1.3 Publishing information pertaining to its assessment of its diversity policies and practices.	28%
Section Average	43%

SUMMARY OF NARRATIVE RESPONSES

In addition to the quantitative data for the SEC DAR Forms reported above, five responses covering 19 entities were submitted to the SEC in the form of narrative self-assessments in 2020.⁹ All five narratives reported that the covered entities (19) are equal employment opportunity firms and regularly offer training on diversity and inclusion. Four narrative responses (covering 16 entities) stated that a senior manager with experience in diversity and inclusion policies over-sees the diversity and inclusion performance. These narrative responses also reported that the reporting entities not only promote a diverse pool of candidates for selecting board members, but also provide regular progress reports on diversity and inclusion efforts to the board.

All five narratives (covering 19 entities) indicated that the reporting entities have policies to outreach to minority and inclusion organizations and also educational institutions serving largely minority and women student population. Four narratives (covering 17 entities) describe the reporting entities' participation in events such as seminars and conferences to attract and stated that the reporting entities inform minorities and women of employment and promotion opportunities. In addition, four narratives (covering 16 entities) indicate the entities' use of quantitative measures to assess the effectiveness of workforce diversity and inclusion efforts in employment activities.

In terms of their supplier diversity efforts, all five narratives (covering 19 entities) reported developing a diversity policy and providing opportunities to diverse suppliers, especially the ones owned by women or minorities. Moreover, four narrative responses (covering 16 entities) report that the responding entities proactively engage in outreach to minority-owned and women-owned contractors and maintain a list of qualified minority and women owned businesses that may compete for upcoming contracting opportunities.

⁹ The term "covering" references the associated regulated entities where a single narrative response received from a firm was associated with multiple regulated entities, divisions, or subsidiaries regulated by the SEC.

HIGHLIGHTS: DIVERSITY PRACTICES

Many entities provided accompanying comments and illustrative examples of policies and practices implemented as part of their workforce recruitment, supplier diversity, and training. The following are illustrative of comments received, though SEC staff makes no endorsement or evaluation:

- » Using diversity and inclusion scorecards and monthly reports of employee hiring and turnover.
- » Banning the use of salary history in the recruitment process.
- » Incorporating various sources to identify diverse talent to fill Board positions.
- » Leader accountability, education and training, and embedding inclusion in all organizational aspects to include talent acquisition, development, and other retention strategies.
- » Senior leaders including Diversity and Inclusion objectives during regular business reviews.
- » Expanding recruiting to include Historically Black Colleges and Universities, Hispanic-Serving Institutions, women-only colleges and partnerships with national organizations.
- » Participation in trade shows/seminars/sponsored events to explain how diverse suppliers can effectively compete and participate in the sourcing and procurement process.
- » Seeking out diverse suppliers from multiple sources, including: Dun & Bradstreet, National Minority Supplier Development Council, and Women's Business Enterprise National Council.
- » Including Diversity and Inclusion progress in Annual Report.
- » Sharing best practices externally via publications, interviews, presentations, webinars, corporate memberships, industry conferences, and professional organizations.
- » Expanding the definition of diversity to include both inherent and acquired diversity elements; creating forums to tackle difficult conversations that may present themselves from current events, social issues or civil unrest.
- » Requiring Suppliers to provide written details of expenditures with certified Minority and Women-owned Business Enterprises (MWBES) on a quarterly basis, specifically setting forth Suppliers' overall expenditures with MWBES and, separately, Suppliers' expenditures with MWBES on purchase orders.
- » Providing all employees with Flexible Time Off to refresh and recharge (with manager approval), while still fulfilling their work responsibilities and ensuring work coverage.
- » Managers receive employee opinion survey results about their practices, such as inclusion; Team leadership, including Diversity and Inclusion, is part of year-end annual performance development.
- » Strengthened leadership and business accountability for diversity with the introduction of customized leader Diversity, Equity, and Inclusion dashboards, which are reviewed quarterly by the CEO and executive leadership team.
- » Conducting an annual review of policies and review diversity and inclusion practices on an as needed basis and then provide an update as part of the annual update to the Board.
- » Implementation and management of a mentorship program for colleagues.

CONCLUSION AND FUTURE DIRECTIONS

The vast majority of regulated entities do not submit a self-assessment of their diversity policies and practices. The lack of information on diversity policies and practices for these entities creates a substantial knowledge gap. For a more comprehensive understanding of practices and policies for workforce and supplier diversity in the financial securities industry, more participation is needed.

Accomplishments were noted with regard to workforce diversity efforts among the 99 entities covered by the SEC DAR Form responses—87 percent of entities have a diversity inclusion policy and almost all (98 percent) include diversity and inclusion considerations as part of their strategic plan for recruiting, hiring, retaining, and promoting employees. Supplier diversity may present the greatest opportunity for improvement, as just 45 percent of entities have a supplier diversity policy and 55 percent maintain a list of qualified minority-owned and women-owned businesses that may compete for upcoming contracting opportunities.

SEC staff continues efforts to increase awareness of the opportunity to participate in the Diversity Assessment Report process and the related benefits. Such actions include the SEC's Director of the Office of Minority and Women Inclusion conducting webinars and other outreach activities¹⁰ to engage Chief Executive Officers and other senior leaders in conversation around the value of conducting and submitting voluntary self-assessments of diversity policies and practices.

¹⁰ See, for example, March 2020 webinar slides: https://www.sec.gov/files/DAR_Webinar_March_2020.pdf

Acknowledgements

OMWI wishes to thank participating regulated entities that submitted diversity self-assessments and shared diversity practices. Entities participating in this process enable the SEC to better understand and quantify diversity and inclusion in the financial services industry as well as provide important insights, perspectives, and examples that serve as resources and foster continued progress on diversity and inclusion in the industry.

OMWI also thanks our regulatory partners for their continued efforts to facilitate diversity self-assessments among their respective regulated entities.

OMWI thanks colleagues in the SEC's Division of Economic and Risk Analysis for their ongoing collaboration with OMWI on this important effort.

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