



# Regulatory Alert

Regulatory Insights for Financial Services

May 2022

## Diversity, Equity, and Inclusion: SEC's Diversity Assessment Report

*Diversity, equity, and inclusion (DE&I or D&I) is a key element of ESG programs across all sectors. The SEC's Diversity Assessment Report serves to further educate companies on "leading practices and policies for advancing workforce and supplier diversity." This assessment report may help companies assess DE&I performance and program maturation relative to DE&I goals and in anticipation of the SEC's upcoming Human Capital Management Disclosure proposal. (Note: The DE&I area may expect continued and increasing legal and compliance risks in light of additional voluntary as well as mandatory data reporting and via recent legal cases, including the California ruling against mandating corporate board gender diversity standards.)*

### SEC Diversity Assessment Report

In May 2022, the SEC published a [Diversity Assessment Report](#), which analyzed the voluntary self-assessments provided by respondents, including registered investment advisers, broker-dealers, and municipal advisors, regarding their diversity policies and practices.

In its report, the SEC highlights key observations under each of the five standards established by the SEC and other federal financial services agencies for assessing the diversity policies and practices of regulated entities (see discussion below on Joint Standards):

- 1. Organizational commitment to diversity and inclusion:** Almost all respondents included D&I in their strategic planning for the recruitment, hiring, retention, and promotion of employees.
- 2. Implementation of employment practices to promote workforce diversity and inclusion:** Most respondents participated in outreach to minority and women organizations to provide information on employment and promotion opportunities. However, fewer entities "regularly evaluated their performance under workforce diversity and inclusion programs" or included "diversity and inclusion objectives in performance plans of managers."

- 3. Consideration of supplier diversity in procurement and business practices:** Slightly over half of the respondents conducted outreach to minority and women organizations or affinity groups in order to provide businesses with information on contracting opportunities. Very few respondents reported that they publicized their procurement opportunities in media serving minorities and women. Additionally, about a third of respondents measured the population of their contracts with minority- and women-owned businesses.
- 4. Practices to promote transparency of organizational diversity and inclusion:** Most respondents published their D&I commitments, efforts, goals, and strategic plans on their websites but did not include contractors or supplier diversity indicators.
- 5. Evaluation of diversity policies and practices:** Most respondents routinely monitored and evaluated their performance under D&I policies and practices. However, very few respondents published information regarding those self-assessments.

The SEC's Diversity Assessment Report also highlights comments and illustrative examples of D&I practices



provided by the respondents as part of their workforce recruitment, supplier diversity, and training. These examples included:

- Utilizing D&I scorecards and monthly reports of employee hiring and turnover.
- Prohibiting the use of salary history in the recruitment process.
- Implementing leader accountability, education, and training.
- Embedding inclusion in all organizational aspects including talent acquisition, development, and other retention strategies.
- Incorporating D&I objectives in regular senior leadership business reviews.
- Expanding recruitment activities to Historically Black Colleges and Universities (HBCUs), Hispanic serving institutions, women-only colleges, and partnerships with national organizations.
- Using multiple recruiting sources to find diverse suppliers.

*“The Diversity Assessment Report provides a starting point for regulated entities to set, track and meet diversity, equity, and inclusion goals. It also provides a framework for self-reflection and allows us to engage regulated entities in a deeper analysis and understanding of the leading practices and policies for advancing workforce and supplier diversity.”* – **SEC Director of the Office of Minority and Women Inclusion**

(Note: In addition to releasing the Diversity Assessment Report, the SEC’s Office of Minority and Women Inclusion (OMWI) submitted to Congress in March 2022 its FY2021 [Annual Report](#), which highlights actions and progress made by the SEC on its internal and external advancement of diversity, equity, and inclusion.)

Prior notable industry issuances pertaining to DE&I include:

- **NASDAQ.** NASDAQ received SEC approval of its [Board Diversity Rule](#) in August 2021. The rule requires

companies listed on the exchange to meet minimum diversity standards and disclosure requirements. (See related [KPMG Regulatory Alert](#).)

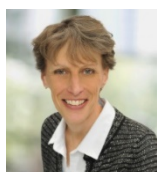
- **CFPB.** The CFPB’s OMWI issued a report in January 2022 on [Diversity and Inclusion within Financial Services](#), which summarized its analysis of publicly available D&I information the CFPB had collected from the websites and annual reports of financial services entities. The report included guidance and recommendations for small-sized, mid-sized, and large organizations on ways to demonstrate their commitment to D&I, taking into consideration their size and resources. The CFPB stated it would use the data collected to provide examples of D&I best practices, resources, and peer success stories and work with trade groups to encourage their members to adopt D&I best practices.
- **Joint Standards.** In June 2015, the SEC and five other federal financial agencies (FRB, OCC, FDIC, NCUA, CFPB) jointly issued a [policy statement](#) establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies, pursuant to requirements of the Dodd-Frank Act. The joint standards are intended to “provide a framework for an entity to create and strengthen its diversity policies and practices, including its organizational commitment to diversity, workforce and employment practices, procurement and business practices, and practices to promote transparency of organizational diversity and inclusion.”

**Relevant KPMG Regulatory Insights materials:**

- KPMG Regulatory Insights POV: [Climate and Sustainability: Regulatory Challenges](#)
- KPMG Regulatory Alert: [Inclusion: Community Reinvestment Act Proposal](#)
- KPMG Regulatory Alert: [Environmental Justice: New DOJ Strategy](#)
- KPMG Regulatory Alert: [ESG: An immediate priority of the new Administration](#)

**For additional information**, please contact [Amy Matsuo](#) or [Zoe Thompson](#).

Contact the author:



**Amy Matsuo**  
Principal and Leader  
Regulatory and ESG  
Insights  
[amatsuo@kpmg.com](mailto:amatsuo@kpmg.com)

[kpmg.com/socialmedia](https://kpmg.com/socialmedia)



**Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.**

All information provided here is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the facts of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.