

ESCAPING THE OLD BOY NETWORK

THE BANKING INDUSTRY AND SUPPLIER DIVERSITY

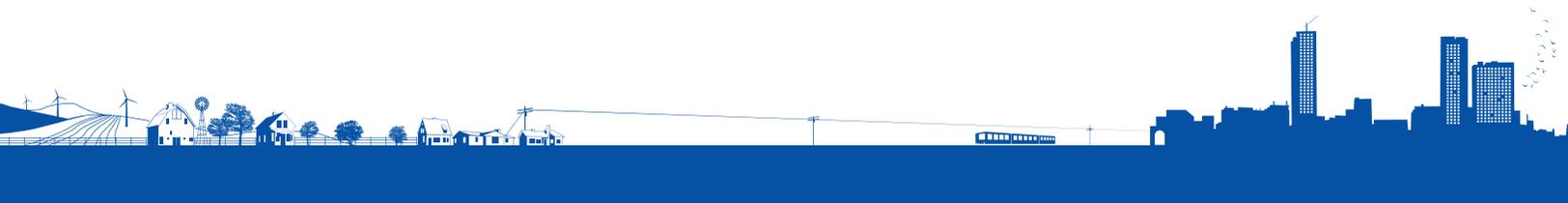
Danielle Beavers • Economic Equity Program Manager Sasha Werblin • Economic Equity Director



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ACKNOWLEDGEMENTS

About The Greenlining Institute

Founded in 1993, The Greenlining Institute is a policy, research, organizing, and leadership institute working for racial and economic justice. We work to bring the American Dream within reach of all, regardless of race or income. In a nation where people of color will make up the majority of our population by 2040, we believe that America will prosper only if communities of color prosper.

The Greenlining Economic Equity Program

The Greenlining Institute's Economic Equity program works to overcome the lingering effects of redlining, help communities of color build wealth, and ensure that our financial system works for all.

About the Authors

Danielle Beavers, Greenlining Economic Equity Program Manager

As the Economic Equity Program Manager, Danielle advocates for a financial sector that looks more like America. She leads Greenlining's work with the federal Offices of Minority and Women Inclusion to increase workforce and supplier diversity. Danielle believes that increasing the representation of people of color in the banking world is essential to economic recovery and prosperity for the entire nation. She received her B.A. from Stanford University in Comparative Studies in Race and Ethnicity with Honors, where she engaged with multiple sectors on racial justice issues. After college, Danielle joined Greenlining as the 2012-2013 Economic Equity Fellow and has continued to grow with her dynamic team.

Sasha Werblin, Greenlining Economic Equity Director

Sasha Werblin is an Oakland native who brings extensive nonprofit, public sector and campaign experience to the Economic Equity team. As Economic Equity Director, she works to build wealth, assets, and financial sustainability in communities of color. Her policy experience began as Greenlining's Sustainable Development Fellow, successfully lobbying for AB 624 (Coto), the Foundation Diversity and Transparency Act, to ensure that large California foundations equitably support minority-led nonprofits.

Between completion of her Academy fellowship and returning to Greenlining, Sasha ran Congresswoman Barbara Lee's successful 2008 reelection campaign. She has also worked in Mombasa, Kenya to ensure that underserved communities were at the vanguard of local development initiatives as well as helping local community-based organizations build fundraising and organizational capacity. Prior to Greenlining, she was assistant director at a progressive campaign consulting firm mobilizing activists, building membership, and fundraising for key non-profit organizations.

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TABLE OF CONTENTS

I. EXECUTIVE SUMMARY	4
II. INTRODUCTION	5
Glossary of Terms	5
The Business Case for Supplier Diversity	5
Greenlining's Supplier Diversity Efforts in California's Utility and Insurance Sectors	7
III. METHODOLOGY	8
Issues in Crafting the Data Request	8
Feedback from Participating Banks	9
IV. RESULTS OF NATIONAL PROCUREMENT	10
National Procurement with All Minority Business Enterprises	10
National Procurement with African American Businesses	12
National Procurement with Asian American Businesses	14
National Procurement with Latino Businesses	15
National Procurement with Native American Businesses	17
V. RESULTS OF CALIFORNIA PROCUREMENT	18
California Procurement with All Minority Business Enterprises	18
California Procurement with African American Businesses	19
California Procurement with Asian American Businesses	20
California Procurement with Latino Businesses	21
California Procurement with Native American Businesses	22
VI. CONCLUSION AND RECOMMENDATIONS	24
Overall Recommendations	24
Company Specific Recommendations and Evaluations	25
VII. APPENDICES	27
Appendix A: Plans for Future Supplier Diversity Banking Reports	27
Appendix B: Poll of Individual Banks' Current Metrics	27
Appendix C: Data Request Utilized in this Report	30
VIII. REFERENCES	32

I. EXECUTIVE SUMMARY

- **Banks are a key engine of our economy; it matters where they spend money.** The top 12 banks in California hold nearly 80 percent of the state's deposits and 33 percent of deposits nationwide. In 2012, the participating banks in this report spent over \$51.05 billion on goods and services. People of color are already the majority in California and several other states, and will be the nation's new majority by 2043. It is imperative that powerful institutions like banks do business with and support the growth of minority business enterprises (MBEs).
- **Entrepreneurship is essential to the health of communities of color.** MBEs outpaced the growth of their counterparts between 2002 and 2007. When MBEs do business with major institutions like banks, they generate wealth, create jobs, and communities of color are overall better resourced to live out their own version of the American Dream. While diverse-owned businesses are resilient, they still face challenges breaking through "old boy networks" and obtaining contracts.
- **Supplier diversity programs exist at many banks to rectify contracting disparities, but more transparency and uniform metrics are needed to move the needle.** This report revealed a tremendous variation in how banks currently track data. Creating a robust and accessible tracking system will increase accountability and allow for an "apples-to-apples" comparison throughout the industry.
- **Nationwide, contracting with minority business enterprises was nominal with median spending at just 5.96 percent.** Bank of America was responsible for over 47 percent of total dollars spent with MBEs. Banks ranged from spending 3.46-8.37 percent of total dollars with minority business enterprises.
- **California MBE contracting pales in comparison to the state's diverse population.** The banks' 7.72 percent median spending with diverse businesses fails to represent a state that is nearly 60 percent people of color. Despite the large deposit market share of each bank in California, only five banks currently track state-specific spending in substantial detail.
- **Distribution of contract dollars differs greatly between minority business enterprises.** African American, Native American, and woman-owned minority businesses are consistently under-invested in when compared to other diverse groups.
- **The federal Offices of Minority and Women Inclusion (OMWIs) must set reporting regulations in the financial sector.** These offices were established in 2010 by the Dodd-Frank financial reform act to, in part, develop standards on supplier diversity. Their role in setting uniform metrics is critical to galvanizing an investment in MBEs from powerful financial institutions. As of February 2014, the OMWIs are working to finalize these standards.
- **Successful models for supplier diversity reporting standards exist in California.** The California Public Utilities Commission's General Order 156 established thorough, consistent metrics within the utility sector over 20 years ago and encouraged unprecedented contracting levels with MBEs simply through transparency and clear reporting. California's Department of Insurance sought to replicate these successes in 2012 and has already produced groundbreaking data.

GLOSSARY OF TERMS	
Supplier Diversity	A proactive business practice to provide diverse suppliers equal access to purchasing opportunities
MBE	Minority Business Enterprise. MBEs have at least 51% ownership by racial minorities
Procurement/ Contracting	Outside purchase of goods and services necessary for a company's operations
Supplier	A business that supplies goods and/or services to another company
Tier 1	Suppliers that are paid directly by companies for goods and/or services
Tier 2	Subcontractors hired by Tier 1 suppliers to supply goods and/or services
Double-Counting	Multi-certified businesses (minority-owned, woman-owned, etc.) may be counted multiple times in a company's "diverse spending." All banks were asked for policies on double-counting to ensure clarity of data in this report

II. INTRODUCTION

Businesses are the lifeline of communities. When businesses do well they generate wealth, create jobs, and families can live out their own version of the American Dream. In this increasingly diverse country, it is essential that minority business enterprises secure contracts with major corporations. Banks and other financial institutions are particularly influential, employing nearly 8 million workers and wielding trillions of dollars in annual purchasing power.¹ While diverse-owned businesses are resilient, they still face challenges breaking through “old boy networks” and obtaining contracts. Minority business enterprises outpaced the growth of their white counterparts by total number and gross receipts between 2002-2007, but still see less business with most institutions.²

Fortunately, some banks have created formal supplier diversity programs, or at least smaller initiatives over the past 30 years to address this disparity. These efforts connect minority, women, disabled veteran, and LGBTQ-owned businesses with procurement officers within banks to identify potential contracting opportunities and support vendors’ growth and development. This process, however, is crafted internally by financial institutions and makes it very difficult for stakeholders to gather and compare information. Greenlining created this report to promote transparency about the state of supplier diversity in the banking world.

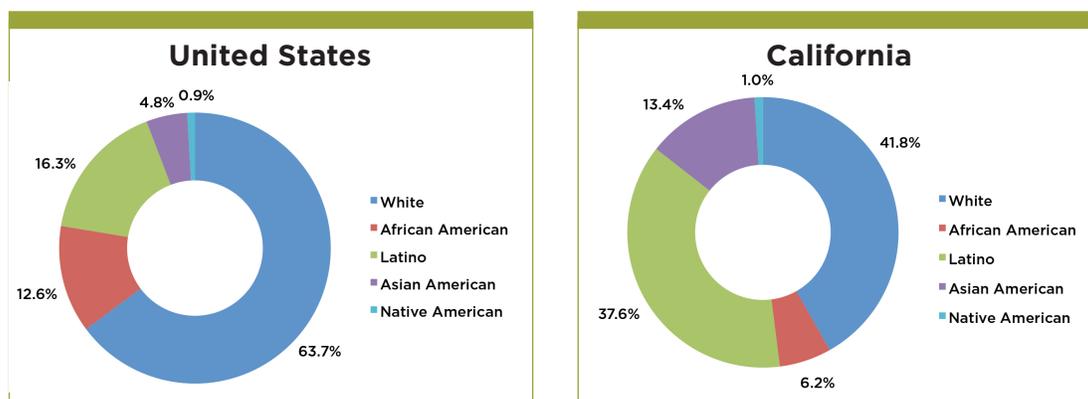
The Business Case for Supplier Diversity

Supplier diversity should not be a “feel good” program — it makes mutual business sense for both corporations and diverse suppliers. An effort by companies to expand their pool of vendors decreases prices and increases the quality of products and services received. Conversely, supplier diversity efforts are a targeted form of economic development, as they proactively invest in diverse-owned businesses and bring wealth into communities of color.

The U.S.'s ongoing demographic revolution makes it urgent that all corporations adopt supplier diversity programs. Communities of color already constitute nearly 60 percent of California and are projected to be the majority in the nation by 2043. How corporations invest in minority business enterprises will affect the health of the larger economy. Further, this increasingly diverse population will become the corporate sector's future customer base. The diverse suppliers that are introduced into the companies' supply chain are not only adept at hiring from these communities, they can also increase the company's engagement with different communities and cultures in their service territories.³

Champions of supplier diversity have done excellent work in highlighting best practices⁵ and aggregate trends,⁶ yet true accountability requires greater transparency and uniformity of data reporting. It is critically important that regulators use their position to set the tone and make this a reality throughout the financial sector.

Chart 1: Diversity of Population (2010 Census Data)⁴



The Offices of Minority and Women Inclusion

Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 established the Offices of Minority and Women Inclusion (OMWIs) within eight financial regulatory agencies and the 12 Federal Reserve regional banks.^a Part of their mandate is to create standards for assessing supplier diversity of approximately 70,000 regulated financial institutions in the private sector.⁷ As of February 2014, six of the OMWIs, including those that regulate the depository banks featured in this report, are working together to finalize these standards.^b

^a Section 1116 of the Housing and Economic Recovery Act of 2008 also established an Office of Minority and Women Inclusion at the Federal Housing Finance Agency.

^b The six OMWIs include: Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, National Credit Union Administration, Securities and Exchange Commission, Consumer Financial Protection Bureau, and the Federal Reserve Board of Governors.

Greenlining's Supplier Diversity Efforts in California's Utility and Insurance Sectors

Successful supplier diversity regulations currently exist under the California Public Utilities Commission (CPUC) and the California Department of Insurance (CDI). As authorized by state law, the CPUC pioneered supplier diversity reporting in 1988 with General Order 156, and more recent legislation, AB 53, established similar reporting for insurance companies. These policies require companies to report the percentages of contracts awarded to minority-, women-, and disabled veteran-owned business enterprises. The transparency generated by these reports has resulted in the development of robust supplier diversity programs and billions of dollars of contracts with diverse-owned businesses in California.

For the past several years, Greenlining has issued an annual report that grades the supplier diversity performance of California's utility companies, telecommunications firms, cable companies, and most recently water companies.

Our 2013 report is available at: <http://greenlining.org/issues/2013/supplier-diversity-2013-report-card/>.

Greenlining published its first supplier diversity report on insurance companies reporting under AB 53 last year.

This report is available at: <http://greenlining.org/issues/2013/greenlining-insurance-supplier-diversity-report-2013/>.

Why Tier 1 and Tier 2 Matter

Just as it is important that MBEs have opportunities with companies, it also matters what type of contracts they receive. Generally, Tier 1 contracts are invoiced directly from banks and go to vendors that can handle large-scale projects. MBEs that fall under Tier 2, in contrast, have been subcontracted by Tier 1 suppliers and are often smaller.

III. METHODOLOGY

Greenlining supports transparency in supplier diversity throughout the entire financial services sector, but highlighted depository banks for this report. We invited the 12 largest banks in California to participate in two capacities:

1. We requested input on data to best measure performance. Five banks provided in-depth input. Supplier diversity can involve a wide spectrum of initiatives, including qualitative programs designed to support business growth (e.g. company-vendor “matchmaking” events and technical assistance workshops). For this report, we chose to focus on quantitative metrics, allowing us to examine actual dollars spent in order to measure banks’ direct investment and impact on MBEs. We anticipate incorporating methods to assess qualitative programs in future iterations of this report.

For a complete list of questions contained in our data request, please see Appendix C. Broad categories of supplier diversity spending analyzed in this report include:

- A) National procurement statistics for 2012
- B) California procurement statistics for 2012
- C) Procurement with MBEs broken down by ethnicity and gender, where available^c
- D) Distribution of contract dollars between Tier 1 and Tier 2 suppliers, where available

2. The data request was then distributed to the same 12 banks, inviting them to publicly share supplier diversity data. Eight banks responded, yielding an almost 70 percent participation rate.

Issues in Crafting the Data Request

Third Party Certification

A special note should be made regarding certification. In order to be deemed a minority business enterprise, most corporations require that vendors verify their status via a third party certifier, while others accept self-certification. The figures in this report reflect the data we received from the banks. Some only provided data on businesses certified by third party agencies, while others also provided data on self-certified MBEs. Appendix B indicates whether banks included self-certified MBEs in their data.

Defining “Total Procurement” for Banks

The most challenging aspect of designing our data request was determining what constitutes “total procurement” for banks. Some companies exclude certain categories such as postage or airfare that have little to no MBE representation, creating discrepancies in how percentages are calculated and preventing “apples-to-apples” comparisons. Our data request made this concern clear and requested the figure for total company procurement without category exclusions.

Creating Uniform Metrics

The data received varied wildly in what was tracked and how, indicating great inconsistency in how different banks track procurement with diverse suppliers and illustrating the need for uniform metrics. We appreciate that banks disaggregated data to the maximum extent possible to fit our data request, and urge them to more thoroughly track spending. Appendix B contains a detailed breakdown of what metrics each respective bank currently employs.

^c Ethnic categories tracked in this report are African American, Asian American, Latino, and Native American. “Multiethnic” and “Other” are not included as categories because the majority of participating banks did not track spending in these categories. Greenlining renamed some categories. For example, what we label as Latino was tracked as Hispanic by several banks.

Feedback from Participating Banks

A draft of this report was circulated to participating banks before publication to ensure the accuracy of our analysis. We allowed banks to update pertinent information.

Chart 2: Banks Invited to Participate in this Study⁸ Ranked by California Deposit Market Share

Bank	Deposit Market Share in California %	Deposits in California (\$)	Deposits in U.S. (\$)
Bank of America	26.40	239,380,003,000	991,685,005,000
Wells Fargo	19.31	184,109,459,000	847,727,000,000
JPMorgan Chase	7.67	73,084,062,000	832,455,000,000
Union Bank	6.33	60,363,943,000	63,921,846,000
Citibank*	4.99	47,593,793,000	394,664,798,000
US Bank	3.47	33,125,721,000	220,663,392,000
Bank of the West	3.12	29,745,090,000	43,647,214,000
City National Bank	2.03	19,375,102,000	21,222,207,000
First Republic	1.86	17,741,658,000	24,215,303,000
OneWest Bank*	1.60	15,287,170,000	15,287,170,000
East West Bank	1.57	14,933,760,000	16,795,596,000
Comerica	1.55	14,815,520,000	48,635,847,000
Total	79.90%	\$749,555,281,000	\$3,520,920,378,000⁹

- Banks that participated in this study *and* met with Greenlining to conduct informational interviews to determine the scope of the data request.
- Banks that participated in this study and shared data for public use.
- Banks that did not participate in this study. Banks marked with a (*) were willing to share data with The Greenlining Institute under the condition of a nondisclosure agreement. This would prevent us from publishing their data. We chose not to pursue that option.

Greenlining commends the leadership of **Bank of America, Wells Fargo, JPMorgan Chase, Union Bank, US Bank, East West Bank, Bank of the West,** and **Comerica** for participating in this first banking supplier diversity report. We hope that **Citibank, City National Bank, First Republic,** and **OneWest Bank** will follow this example in the future and communicate their commitment to supplier diversity and investment in communities of color.

We would also like to acknowledge the variety of participating banks in this report. While all are major depository banks in California, they vary substantially in product profiles, geographic footprint, and size. Greenlining is sensitive to the fact that many of the larger banks in this report are successful in procurement with MBEs because of greater resources. We thank the smaller institutions for their transparency and offer our support as they work to grow and develop more robust programs.

Total deposits in all U.S. banks for 2012 were \$10,817,338,060,000.

The banks participating in this study hold approximately 32.55% of these consumers' dollars.

IV. RESULTS OF NATIONAL PROCUREMENT

Overall, spending with minority business enterprises was low, with large disparities between ethnic groups. Nationally, African Americans and Native Americans only received 1.96 percent of contract dollars combined, showing a great need for increased attention to these groups.^d

Greenlining requested information on banks' national procurement in 30 different categories.^e The results show a lack of contracting with MBEs, but they also illustrate an inconsistency in how banks track data. For example, only three out of eight banks track MBE spending by gender. JPMorgan Chase tracked the greatest number of categories, at 26 out of 30, while East West Bank tracked the least at five out of 30.

A. National Procurement with All Minority Business Enterprises

2012 national procurement shows a great need for increased investments in MBEs, both at the Tier 1 and Tier 2 levels. At \$1.81 billion, Tier 1 MBE spending accounted for 3.57 percent of total spending.^f Tier 2 MBE spending, at \$925.92 million, accounted for 1.82 percent of total spending for all banks. No bank spent more than 9 percent of its total procurement dollars with MBEs.

In total, the banks in this report spent \$51,048,433,134 in 2012.

Though ranked fifth in percentage of spending with MBEs, Bank of America spent more in total dollars with MBEs than Bank of the West, Comerica, Union Bank, JPMorgan Chase, East West Bank, and US Bank combined.

When analyzing Tier 1 and Tier 2 MBE spending, US Bank was a leader, spending over 95 percent of MBE dollars with Tier 1 suppliers. Bank of America had the lowest percentages of Tier 1 MBE spending at 51.9 percent.

Chart 3: National Procurement with All Minority Business Enterprises (Ranked by Percentage)

	Total National Procurement (\$)	MBE Tier 1 (\$)	MBE Tier 2 (\$)	MBE Total (\$)	% MBE
Bank of the West ^g	338,440,831	21,805,933	10,700,066	32,505,999	8.37
Union Bank	838,847,836	51,178,890	6,299,562	57,478,452	6.85
Comerica	571,000,000	26,100,000	8,300,000	34,400,000	6.02
JPMorgan Chase	13,369,969,134	619,319,069	181,991,596	801,310,665	5.99
Bank of America	21,900,000,000	675,319,634	623,525,394	1,298,845,028	5.93
East West Bank	210,981,867	N/A ^h	N/A	9,310,405	4.41
US Bank	3,835,514,442	161,011,017	8,288,298	169,299,315	4.41
Wells Fargo	9,983,679,024	258,433,498	86,817,130	345,250,628	3.46
Total	51,048,433,134	1,813,168,041	925,922,046	2,748,400,492	5.38

^d In calculating this percentage, the total national procurement for Bank of the West and Comerica was excluded because these banks do not break down spending by ethnicity.

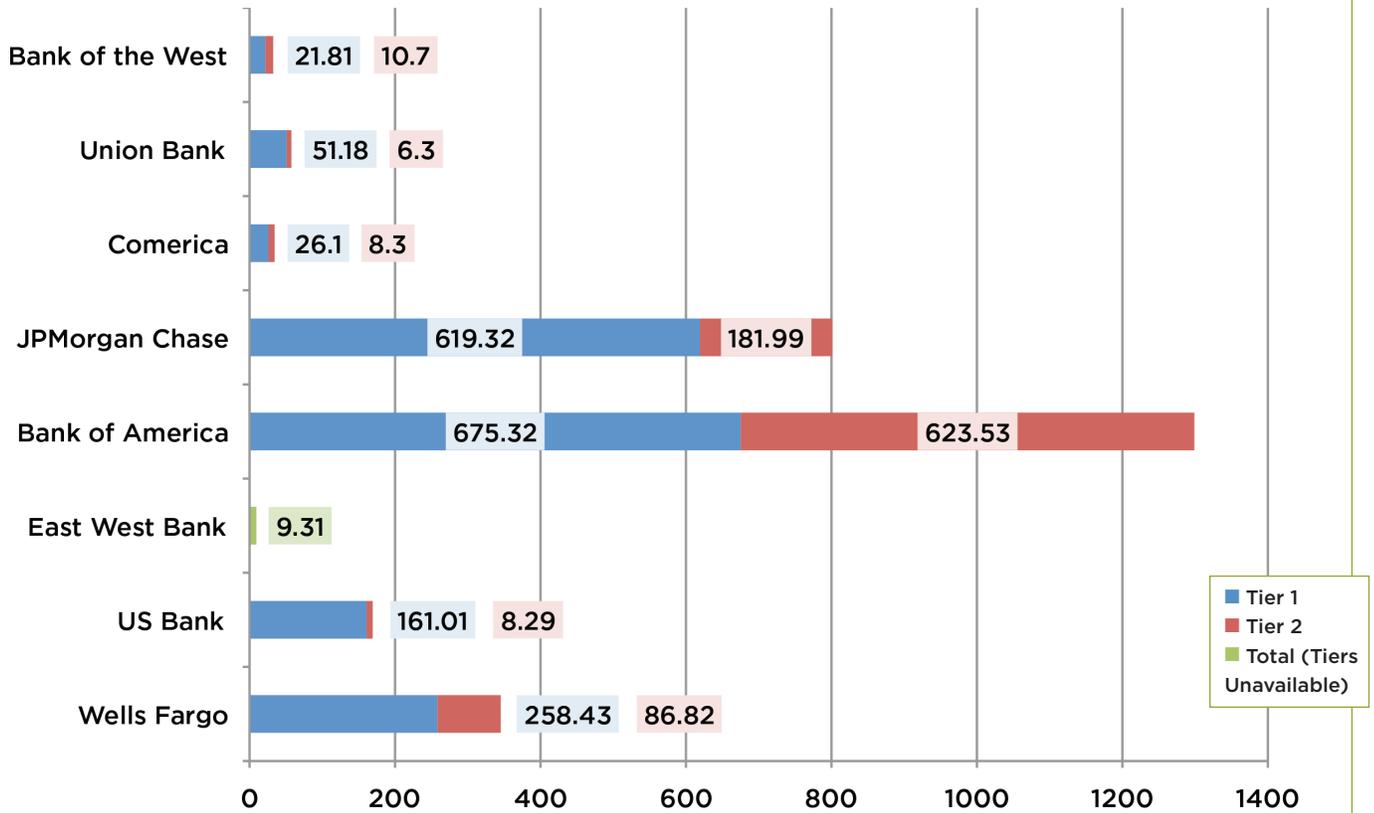
^e For a full list of fields, please see Appendix B.

^f In calculating these percentages the total national procurement for East West Bank was excluded because the Bank does not break down spending by tiers.

^g Bank of the West collects data on procurement with woman and minority business enterprises but is currently unable to further disaggregate. These numbers reflect total dollars spent with **both** WBEs and MBEs. This prevents Greenlining from including the Bank's data in further analysis.

^h N/A: requested data was not available.

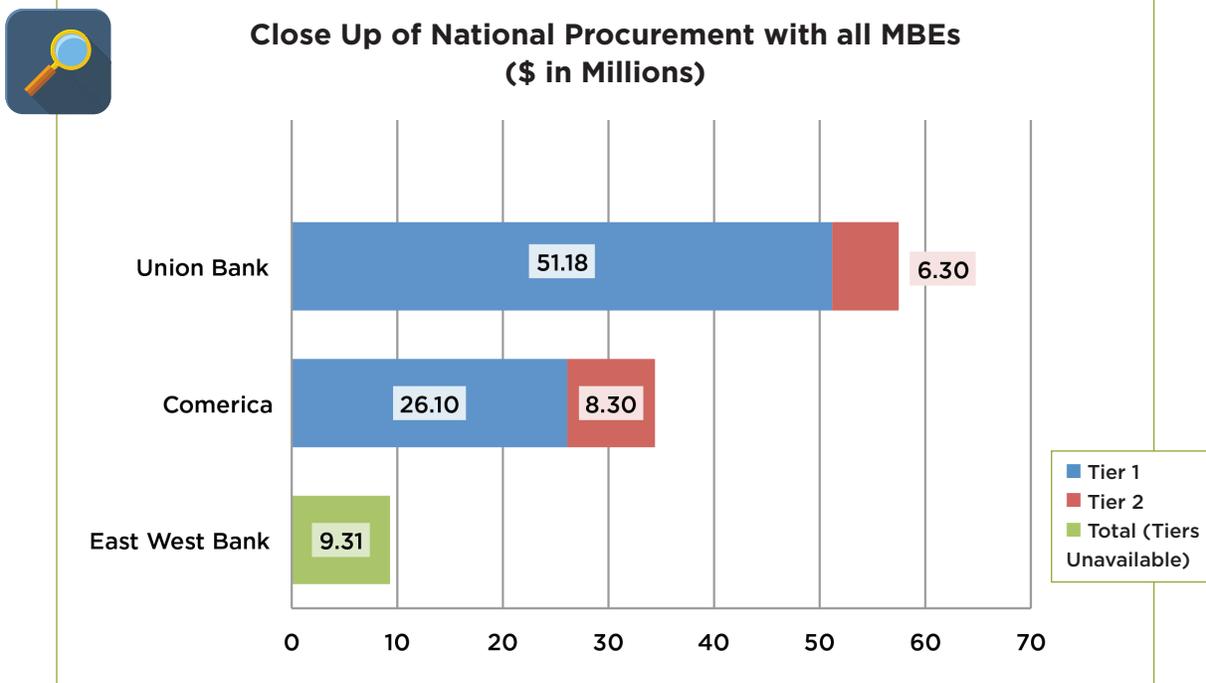
National Procurement with all MBEs (\$ in Millions)



Some figures in the graphs of this report are difficult to read because of their smaller values. In these cases, “Close Up” graphs have been created to give readers a larger image of select data. These graphs contain the same information as their predecessors in each section.

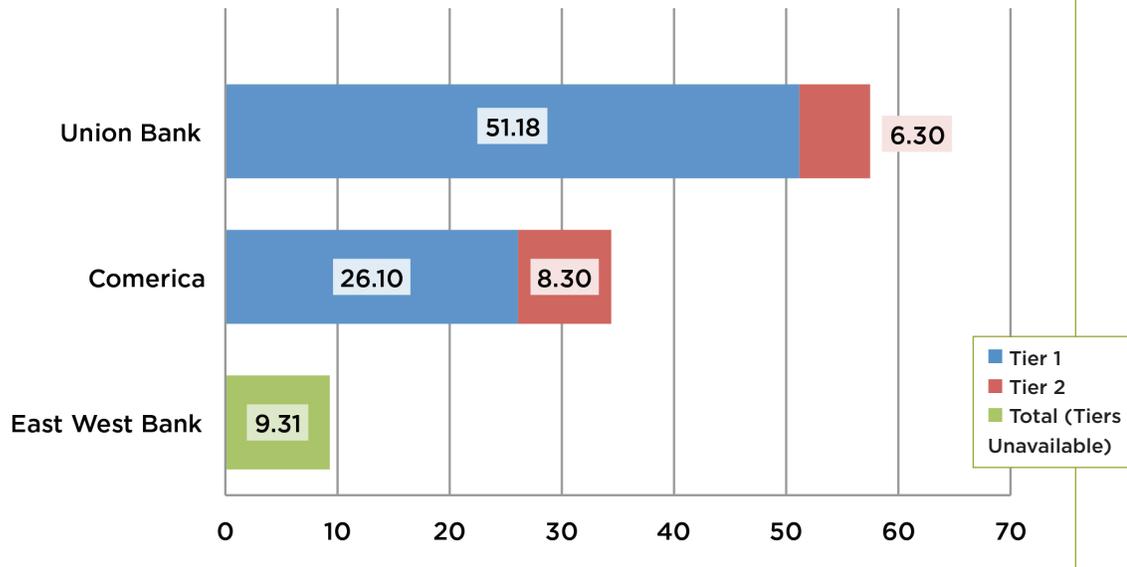


Close Up of National Procurement with all MBEs (\$ in Millions)





**Close Up of National Procurement with all MBEs
(\$ in Millions)**



B. National Procurement with African American Businesses

Contracting with African American-owned businesses has varied the most between banks. The highest performing bank (US Bank at 3.50 percent) contracted with African American firms at 70 times the rate of the lowest (East West Bank at 0.05 percent). While we applaud US Bank for exceeding its competitors in African American spending, it is unfortunate that these numbers are so low across the board.

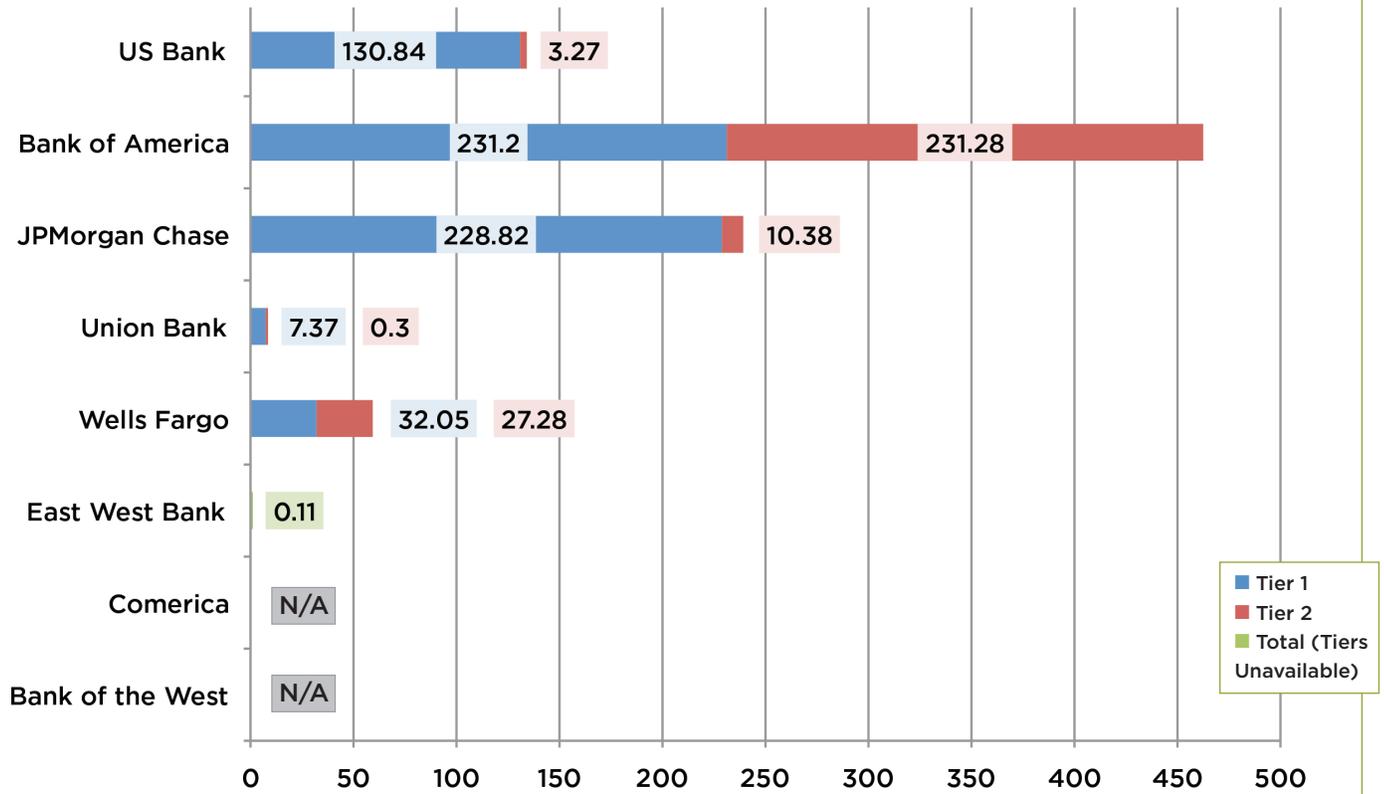
Some of the largest banks driving our economy — JPMorgan Chase, Union Bank, and Wells Fargo — spend much more with African American man-owned Tier 1 suppliers than with women. Together, 96.8 percent of Tier 1 contracts with African American businesses went to man-owned businesses.

Bank of America spent 50 percent of its dollars with African American businesses through Tier 2 contracts.

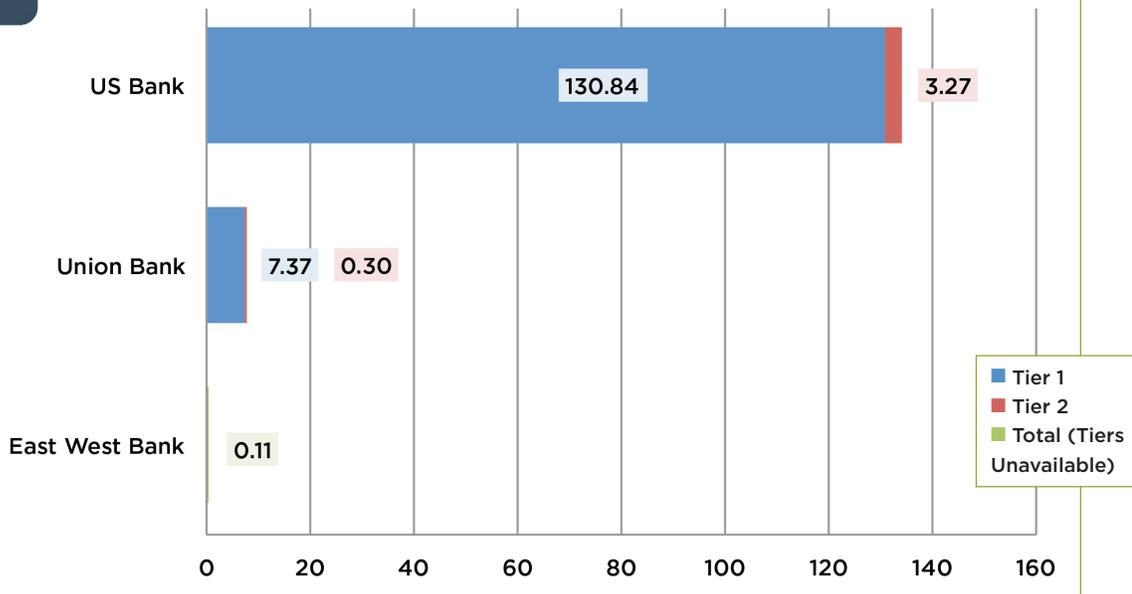
Chart 4: National Procurement with African American Businesses (Ranked by Percentage)

	% African American	Tier 1, Woman-Owned (\$)	Tier 1, Man-Owned (\$)	Tier 1 Total (\$)	Tier 2 Total (\$)
US Bank	3.50	N/A	N/A	130,842,497	3,272,006
Bank of America	2.11	N/A	N/A	231,201,240	231,279,147
JPMorgan Chase	1.79	3,196,947	225,623,697	228,820,644	10,383,563
Union Bank	0.92	67,222	7,306,757	7,373,979	304,568
Wells Fargo	0.59	5,299,659	26,752,164	32,051,823	27,280,800
East West Bank	0.05	N/A	N/A	N/A	N/A
Comerica	N/A	N/A	N/A	N/A	N/A
Bank of the West	N/A	N/A	N/A	N/A	N/A

National Procurement with African American MBEs (\$ in Millions)



Close Up of National Procurement with African American MBEs (\$ in Millions)



C. National Procurement with Asian American Businesses

With \$816,660,686, Asian American businesses received the most contract dollars from these banks.

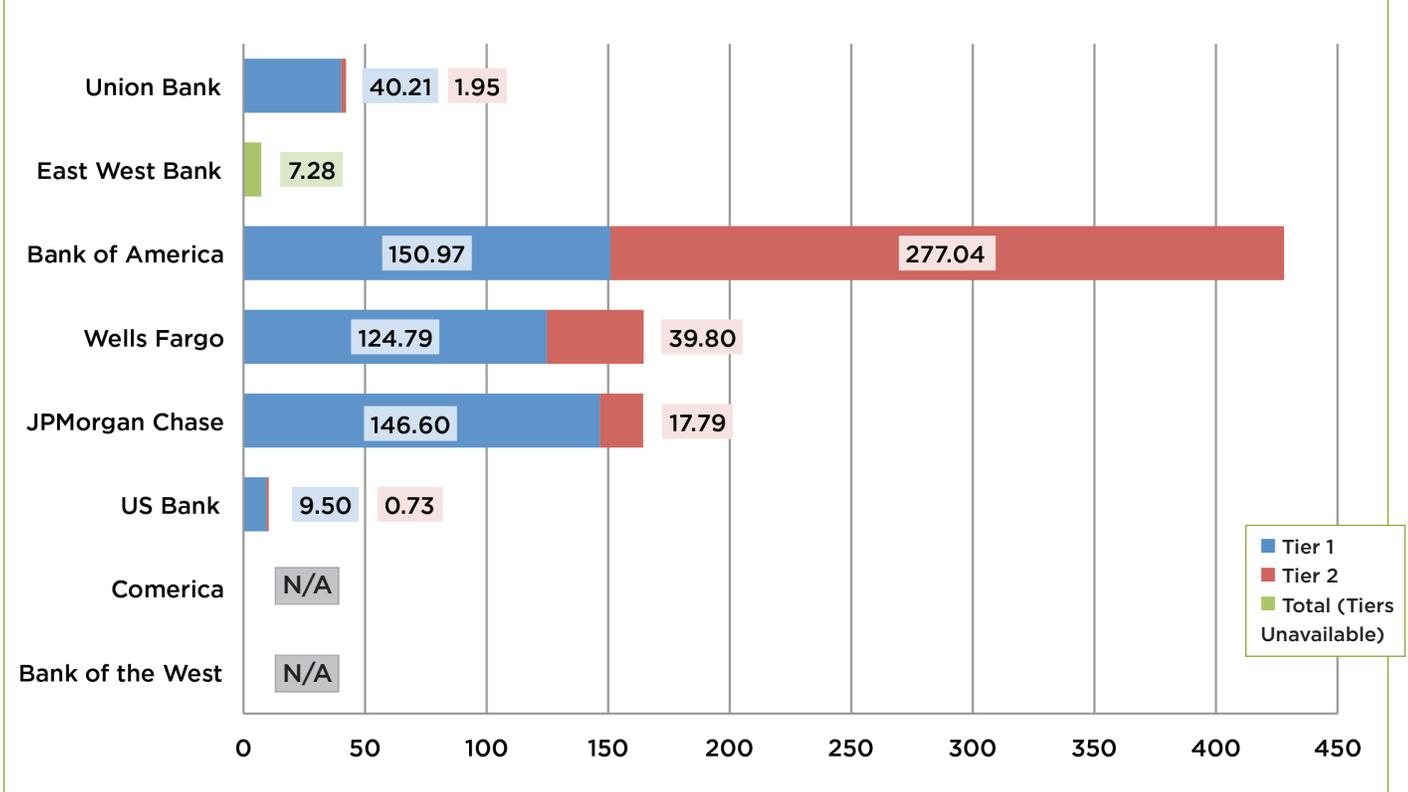
Of the total dollars Union Bank and Wells Fargo combined spent with Asian American Tier 1 businesses, 97.5 percent went to man-owned businesses.

JPMorgan Chase spent more with woman-owned Tier 1 suppliers and 89 percent of dollars went to Tier 1 suppliers. Bank of America spent 64.6 percent of its dollars with Tier 2 suppliers.

Chart 5: National Procurement with Asian American Businesses (Ranked by Percentage)

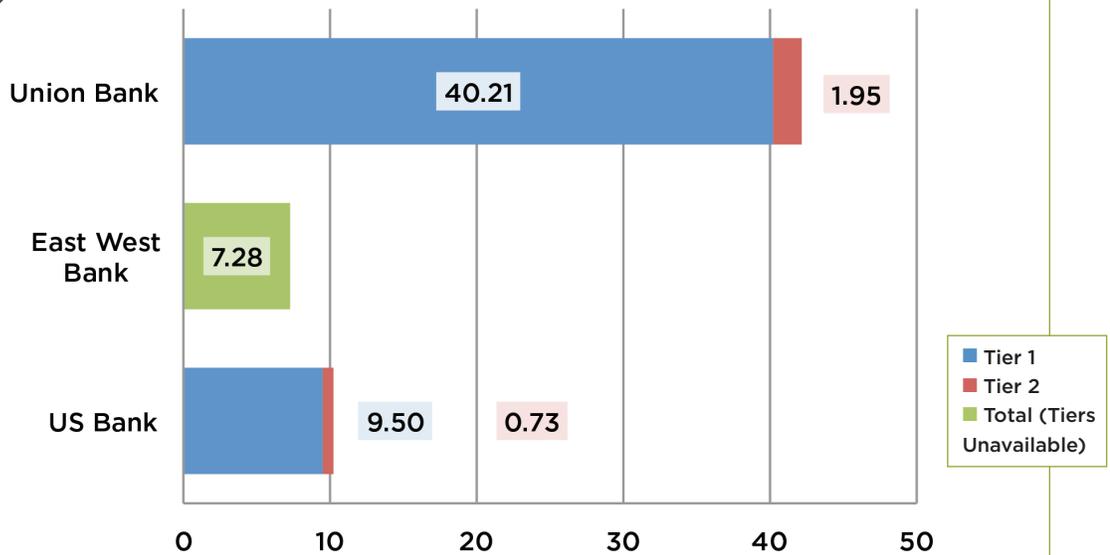
	% Asian American	Tier 1, Woman-Owned (\$)	Tier 1, Man-Owned (\$)	Tier 1 Total (\$)	Tier 2 Total (\$)
Union Bank	5.03	4,163,472	36,043,679	40,207,151	1,945,935
East West Bank	3.45	N/A	N/A	N/A	N/A
Bank of America	1.95	N/A	N/A	150,971,469	277,036,911
Wells Fargo	1.65	1,212	124,789,800	124,791,012	39,804,695
JPMorgan Chase	1.23	113,305,078	33,297,735	146,602,813	17,787,862
US Bank	0.27	N/A	N/A	9,497,622	732,657
Comerica	N/A	N/A	N/A	N/A	N/A
Bank of the West	N/A	N/A	N/A	N/A	N/A

National Procurement with Asian American MBEs (\$ in Millions)





Close Up of National Procurement with Asian American MBEs (\$ in Millions)



D. National Procurement with Latino Businesses

Overall contracting numbers are very low in this category.

Bank of America spent the most total dollars and the second largest percentage with Latino businesses. Atypical for this bank, the vast majority of its Latino spending was with Tier 1 suppliers.

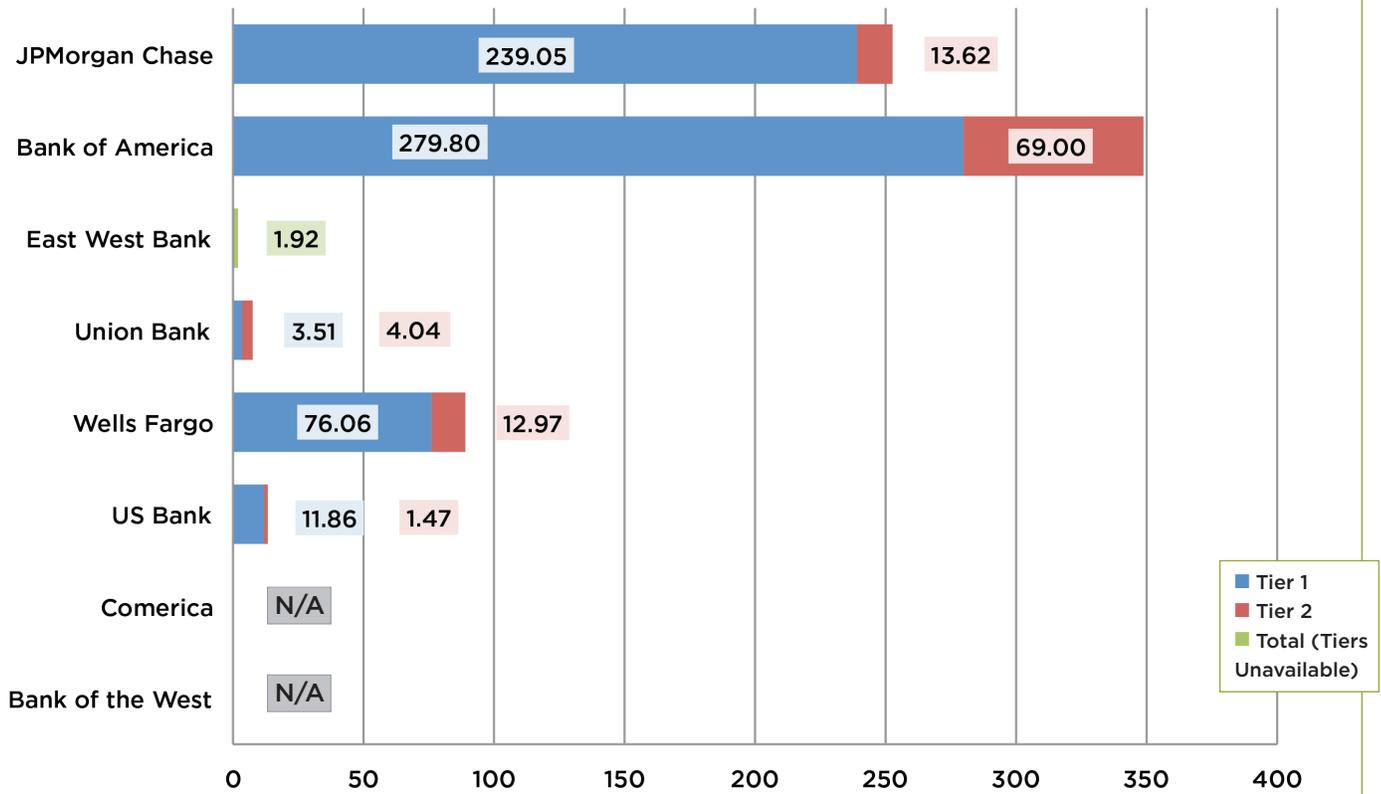
Union Bank achieved comparable spending levels between men and women Tier 1 suppliers, while JPMorgan Chase and Wells Fargo spent much more with Latino men than women.

Despite its smaller size, East West Bank outperformed larger institutions like Union Bank, Wells Fargo, and US Bank.

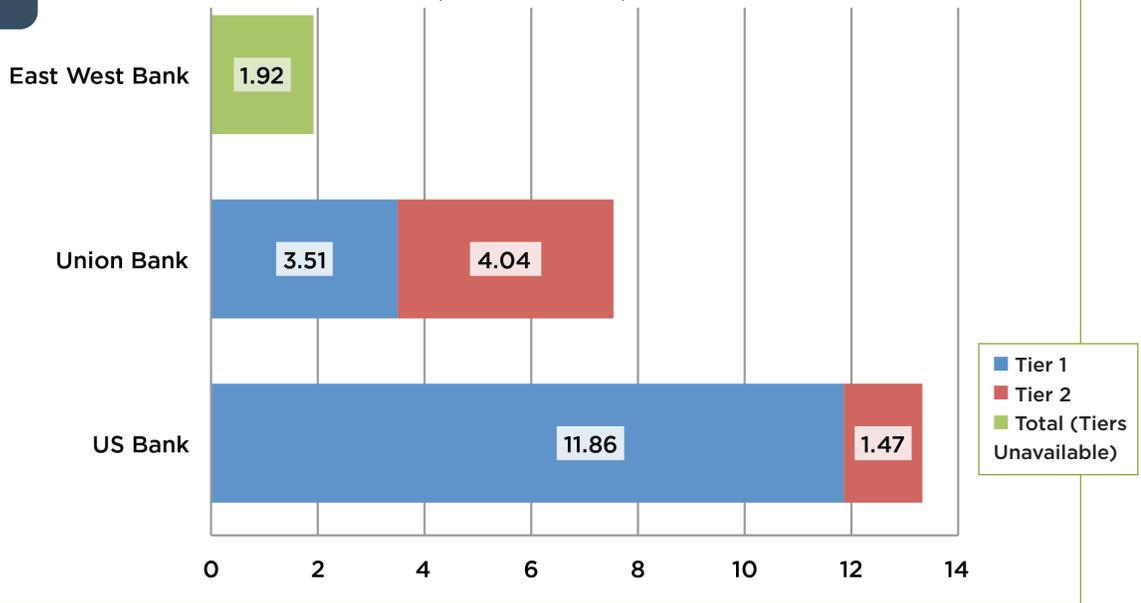
Chart 6: National Procurement with Latino Businesses (Ranked by Percentage)

	% Latino	Tier 1, Woman-Owned (\$)	Tier 1, Man-Owned (\$)	Tier 1 Total (\$)	Tier 2 Total (\$)
JPMorgan Chase	1.89	20,351,741	218,696,333	239,048,074	13,622,908
Bank of America	1.59	N/A	N/A	279,797,870	68,995,244
East West Bank	0.91	N/A	N/A	N/A	N/A
Union Bank	0.90	1,527,381	1,979,299	3,506,680	4,035,944
Wells Fargo	0.89	445,183	75,613,840	76,059,023	12,968,076
US Bank	0.35	N/A	N/A	11,860,978	1,466,292
Comerica	N/A	N/A	N/A	N/A	N/A
Bank of the West	N/A	N/A	N/A	N/A	N/A

National Procurement with Latino MBEs (\$ in Millions)



Close Up of National Procurement with Latino MBEs (\$ in Millions)



E. National Procurement with Native American Businesses

National spending with Native American-owned businesses was the lowest in dollars (\$81.1 million) and percentages of any ethnic subgroup (no bank spent more than 0.3 percent). Some of this can be attributed to this ethnic group's small population size.

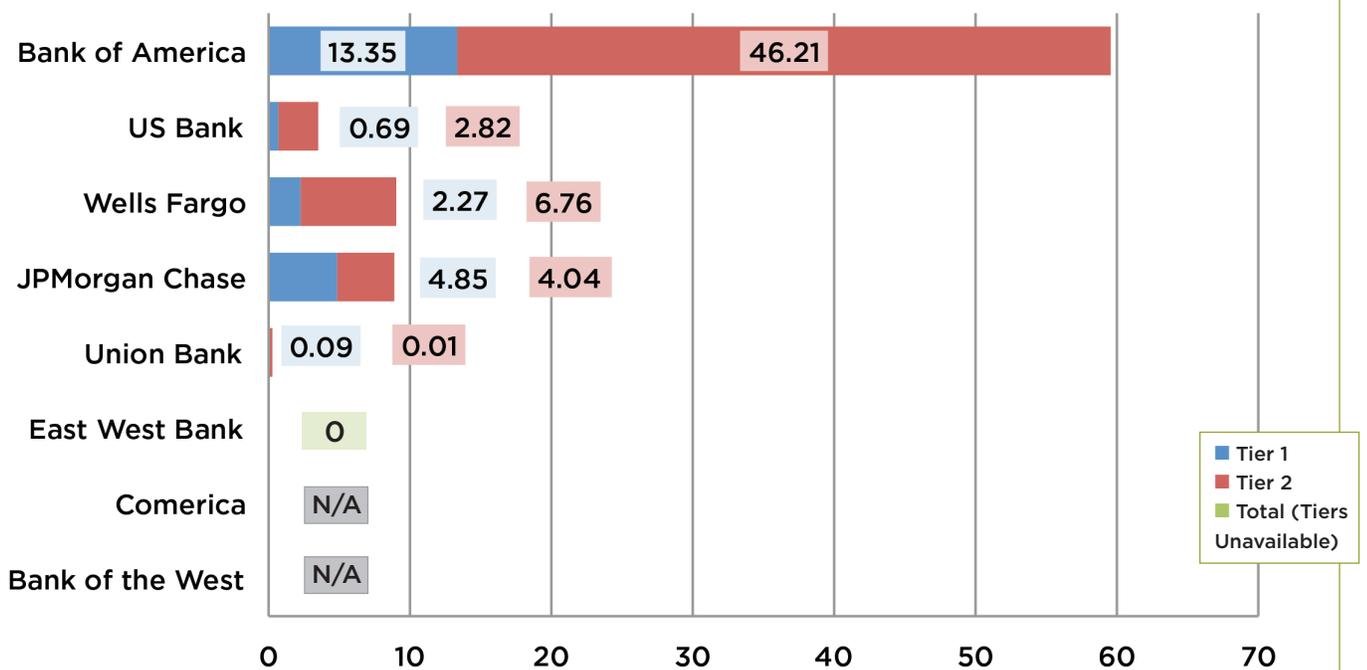
Wells Fargo stood out by spending 81.8 percent of its Tier 1 dollars in this category with woman-owned businesses.

Taken together, Bank of America, US Bank, Wells Fargo, and Union Bank spent 73.8 percent of their dollars with Tier 2 suppliers in this category. Only JPMorgan Chase reported a higher Tier 1 total.

Chart 7: National Procurement with Native American Businesses (Ranked by Percentage)ⁱ

	% Native American	Tier 1, Woman-Owned (\$)	Tier 1, Man-Owned (\$)	Tier 1 Total (\$)	Tier 2 Total (\$)
Bank of America	0.272	N/A	N/A	13,349,054	46,214,092
US Bank	0.091	N/A	N/A	694,215	2,817,343
Wells Fargo	0.090	1,859,988	411,380	2,271,368	6,763,559
JPMorgan Chase	0.066	225,604	4,621,934	4,847,538	4,040,975
Union Bank	0.012	0	91,080	91,080	13,115
East West Bank	0.000	N/A	N/A	0	N/A
Comerica	N/A	N/A	N/A	N/A	N/A
Bank of the West	N/A	N/A	N/A	N/A	N/A

National Procurement with Native American MBEs (\$ in Millions)



ⁱ Greenlining expanded our decimal place for this category to accommodate for the lower levels of spending.

V. RESULTS OF CALIFORNIA PROCUREMENT

Tracking investments in the state's businesses of color is critical to growing the economy. It ensures that California's corporations, especially banks taking billions in deposits, are adequately investing in the state's rich small business economy.

Using feedback from participating banks in this report, we defined "California procurement" as contracts invoiced within the state. Overall, banks spent a median of 7.72 percent with MBEs.

The geographic footprint of participating banks impacts their California spending. Similar to national procurement, participating banks have a variety of methods for tracking and disaggregating data. Currently, Union Bank and Bank of the West, two banks with a strong market presence in California, do not track spending by state and therefore could not be assessed in this analysis.

A. California Procurement with All Minority Business Enterprises

Overall, contracting with California MBEs is extremely low. A total of \$486.79 million was spent with MBEs in the state in 2012. Only \$33.5 million went to Tier 2 MBEs.

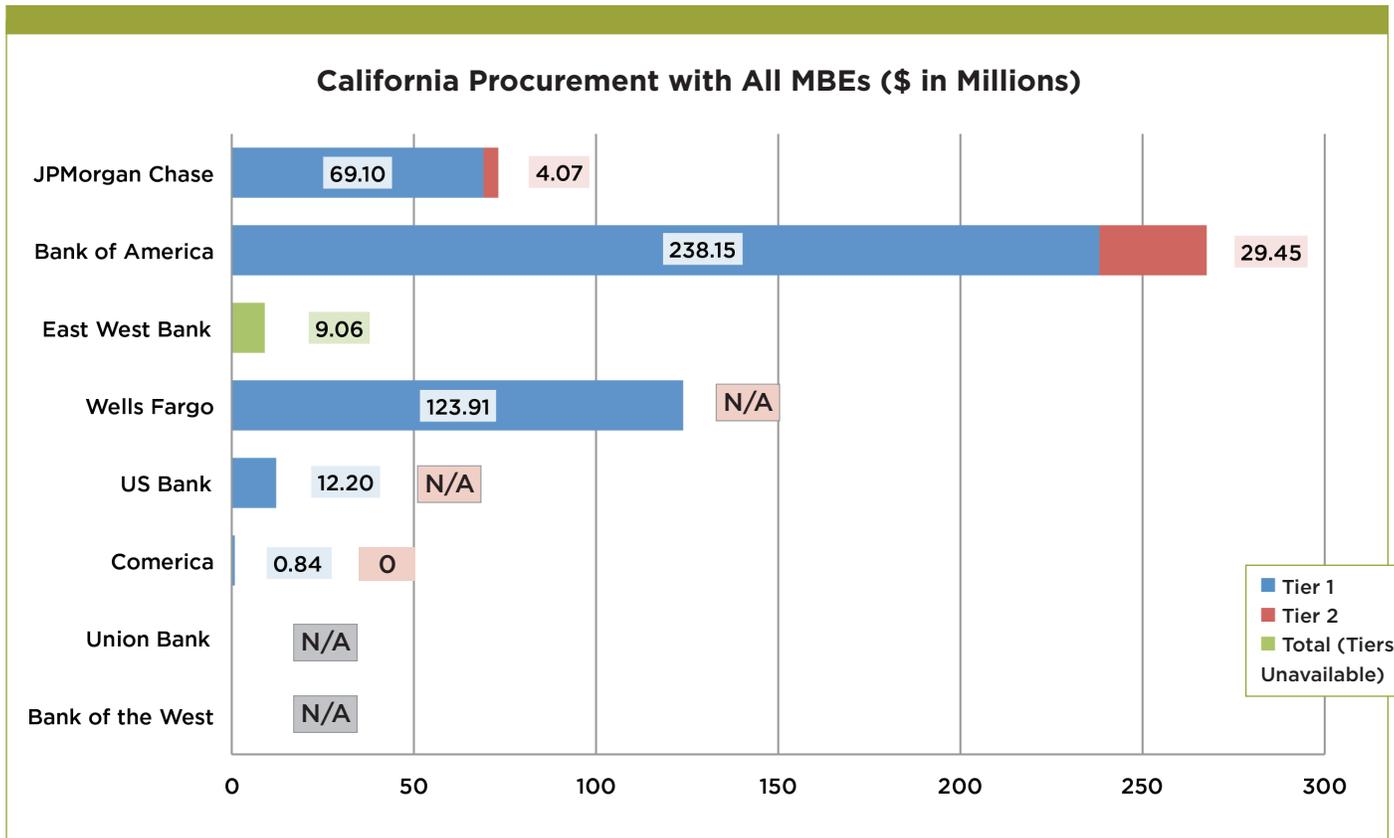
JPMorgan Chase does an impressive percentage of its business in California with MBEs.

All of Comerica's California MBE spending went to Tier 1 suppliers, but Comerica had the lowest percentage of MBE spending in the state.

Compared to their national figures, most banks spent a larger percentage with diverse businesses in California, likely a reflection of California's diverse population.

Chart 8: California Procurement with All Minority Business Enterprises (Ranked by Percentage)

	Total California Spend (\$)	MBE Tier 1 (\$)	MBE Tier 2 (\$)	MBE Total (\$)	% MBE
JPMorgan Chase	255,954,346	69,103,977	4,065,957	73,169,934	28.59
Bank of America	2,150,000,000	238,151,270	29,452,862	267,604,132	12.45
East West Bank	104,312,360	N/A	N/A	9,059,309	8.68
Wells Fargo	1,832,197,208	123,909,487	N/A	123,909,487	6.76
US Bank	308,339,823	12,202,902	N/A	12,202,902	3.95
Comerica	83,000,000	840,000	0	840,000	1.01
Union Bank	N/A	N/A	N/A	N/A	N/A
Bank of the West	N/A	N/A	N/A	N/A	N/A



B. California Procurement with African American Businesses

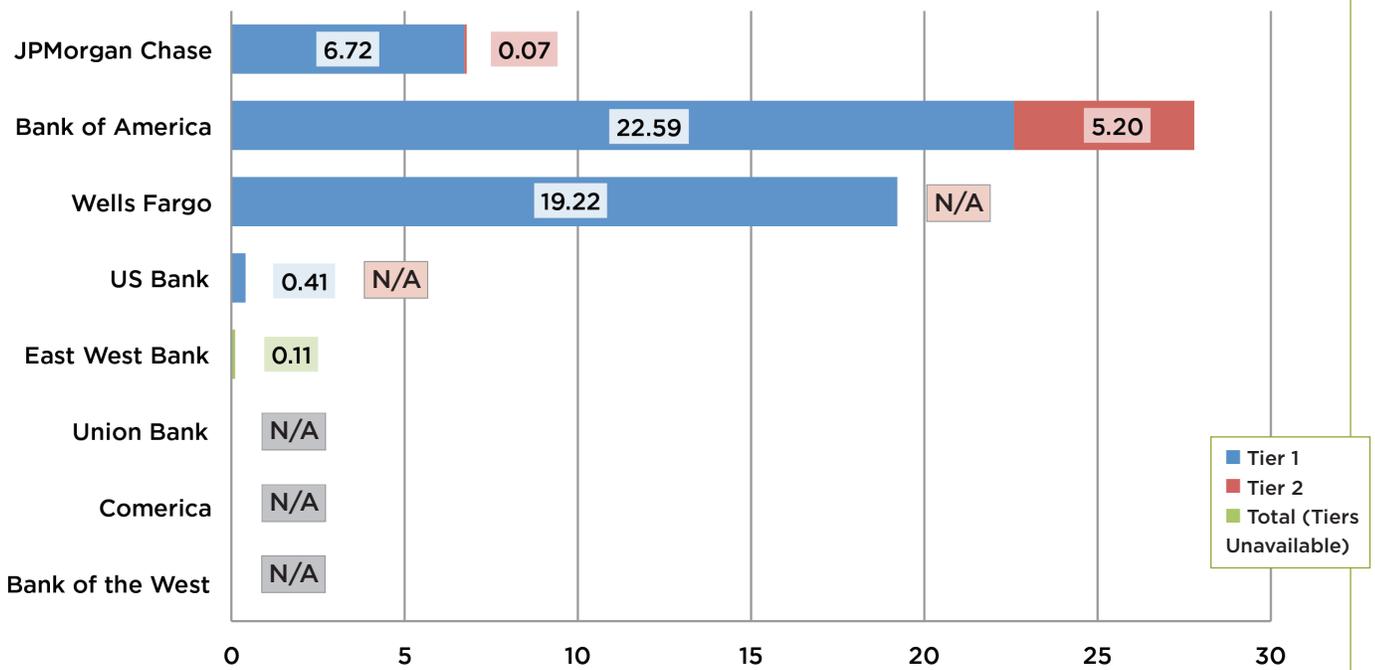
Like the national figures, California spending continues to be low with African American MBEs. With the exception of JPMorgan Chase, no bank reaches even 1.30 percent in this category. The lack of disaggregation in California for many banks makes it hard to draw a clear picture of how African American businesses in the state are utilized.

Over 90 percent of JPMorgan Chase's Tier 1 dollars in this category were spent with man-owned businesses, and just 1.03 percent of dollars went to Tier 2 African American business enterprises.

Chart 9: California Procurement with African American MBEs (Ranked by Percentage)

	% African American	Tier 1, Woman-Owned (\$)	Tier 1, Man-Owned (\$)	Tier 1 Total (\$)	Tier 2 Total (\$)
JPMorgan Chase	2.65	655,335	6,068,320	6,723,655	69,824
Bank of America	1.29	N/A	N/A	22,593,383	5,200,625
Wells Fargo	1.05	4,869,813	14,349,184	19,218,997	N/A
US Bank	0.13	N/A	N/A	414,199	N/A
East West Bank	0.11	N/A	N/A	N/A	N/A
Union Bank	N/A	N/A	N/A	N/A	N/A
Comerica	N/A	N/A	N/A	N/A	N/A
Bank of the West	N/A	N/A	N/A	N/A	N/A

California Procurement with African American MBEs (\$ in Millions)



C. California Procurement with Asian American Businesses

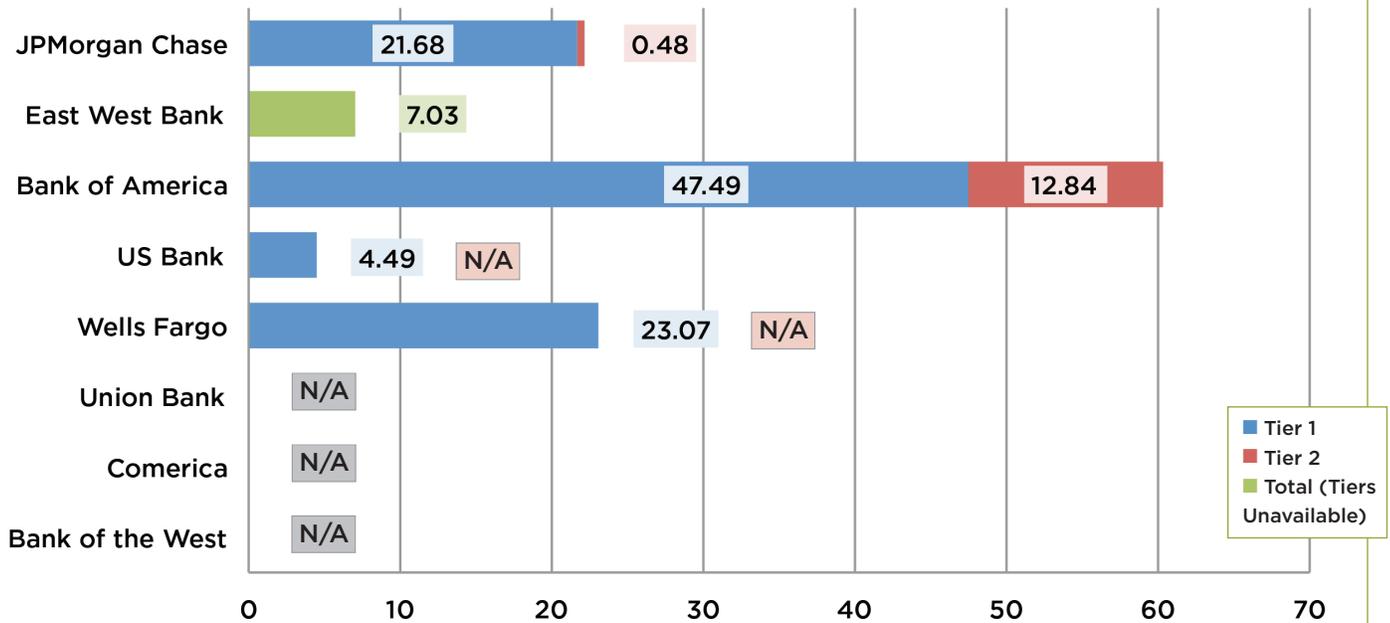
JPMorgan Chase and East West Bank outperformed all other banks by a landslide, with 8.66 percent and 6.74 percent of dollars going to Asian American businesses, respectively. This contrasts with their national spending with Asian Americans at just 1.23 percent and 3.45 percent.

Wells Fargo has the largest disparity between women and men Tier 1 suppliers in this report, with a men to women ratio of \$99,432.65:\$1

Chart 10: California Procurement with Asian American MBEs (Ranked by Percentage)

	% Asian American	Tier 1, Woman-Owned (\$)	Tier 1, Man-Owned (\$)	Tier 1 Total (\$)	Tier 2 Total (\$)
JPMorgan Chase	8.66	10,320,304	11,359,590	21,679,894	480,445
East West Bank	6.74	N/A	N/A	N/A	N/A
Bank of America	2.81	N/A	N/A	47,490,644	12,841,365
US Bank	1.46	N/A	N/A	4,492,780	N/A
Wells Fargo	1.26	232	23,066,286	23,066,518	N/A
Union Bank	N/A	N/A	N/A	N/A	N/A
Comerica	N/A	N/A	N/A	N/A	N/A
Bank of the West	N/A	N/A	N/A	N/A	N/A

California Procurement with Asian American MBEs (\$ in Millions)



D. California Procurement with Latino Businesses

JPMorgan Chase achieved an impressive 16.67 percent of its total spending in California with Latino MBEs. This is the highest percentage spent across any ethnic group in this report.

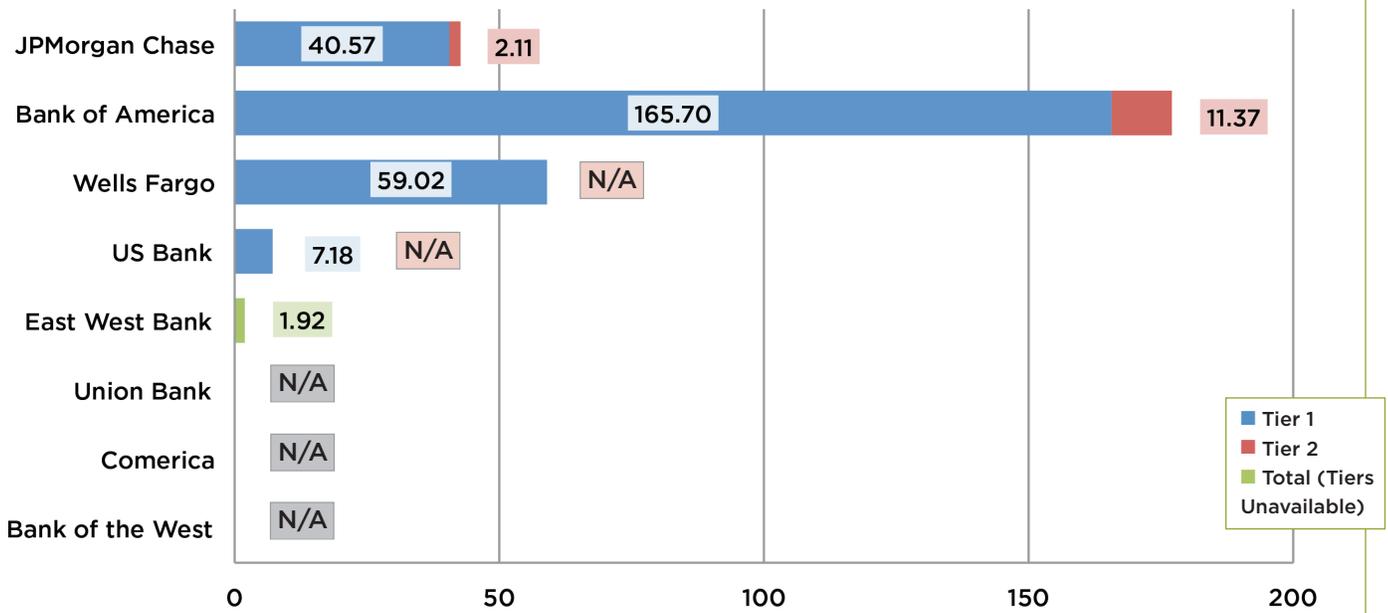
Disparities between Tier 1 and Tier 2 suppliers remain.

Across the board, banks spent more with Latino businesses in California than with any other ethnic group. These contracts primarily went to man-owned Tier 1 businesses.

Chart 11: California Procurement with Latino MBEs (Ranked by Percentage)

	% Latino	Tier 1, Woman-Owned (\$)	Tier 1, Man-Owned (\$)	Tier 1 Total (\$)	Tier 2 Total (\$)
JPMorgan Chase	16.67	339,281	40,230,046	40,569,327	2,107,626
Bank of America	8.24	N/A	N/A	165,700,754	11,369,598
Wells Fargo	3.22	445,608	58,575,143	59,020,751	N/A
US Bank	2.33	N/A	N/A	7,178,489	N/A
East West Bank	1.84	N/A	N/A	N/A	N/A
Union Bank	N/A	N/A	N/A	N/A	N/A
Comerica	N/A	N/A	N/A	N/A	N/A
Bank of the West	N/A	N/A	N/A	N/A	N/A

California Procurement with Latino MBEs (\$ in Millions)



E. California Procurement with Native American Businesses

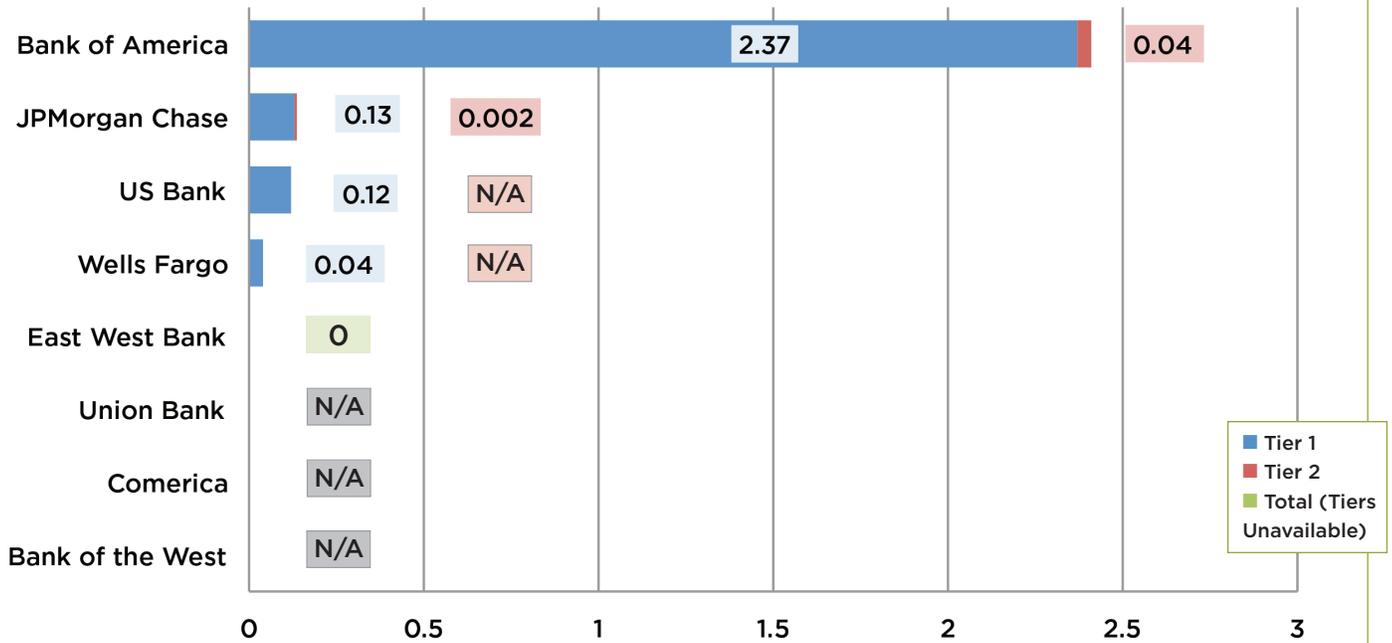
The low levels of spending in this category are consistent with the banks' national figures.

Bank of America was responsible for over 89 percent of total dollars spent with Native American MBEs in California.

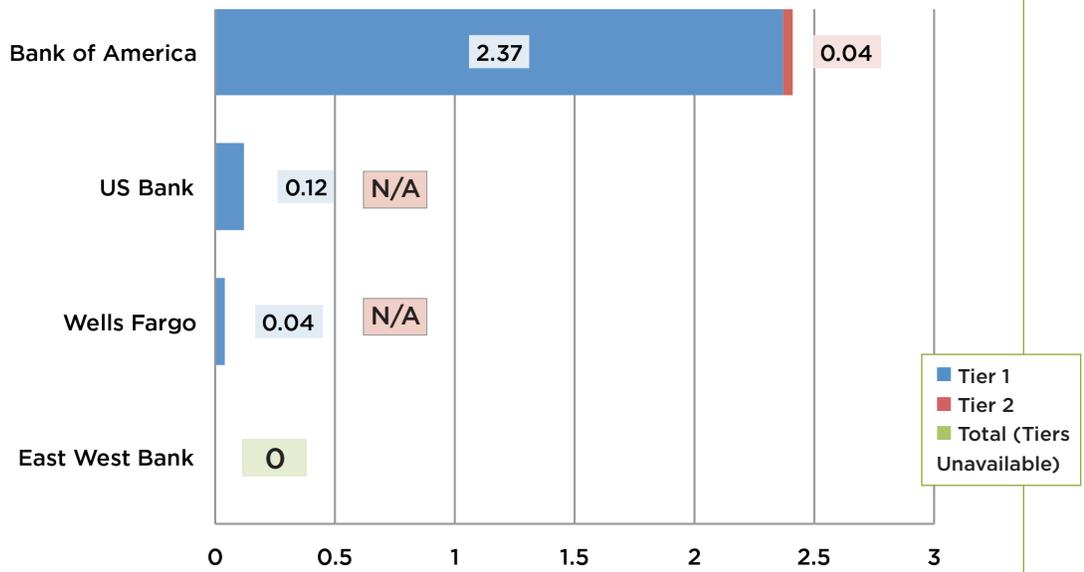
Chart 12: California Procurement with Native American MBEs (Ranked by Percentage)

	% Native American	Tier 1, Woman-Owned (\$)	Tier 1, Man-Owned (\$)	Tier 1 Total (\$)	Tier 2 Total (\$)
Bank of America	0.112	N/A	N/A	2,366,489	41,275
JPMorgan Chase	0.052	130,201	900	131,101	2,356
US Bank	0.038	N/A	N/A	117,434	N/A
Wells Fargo	0.002	0	40,697	40,697	N/A
East West Bank	0.000	N/A	N/A	N/A	N/A
Union Bank	N/A	N/A	N/A	N/A	N/A
Comerica	N/A	N/A	N/A	N/A	N/A
Bank of the West	N/A	N/A	N/A	N/A	N/A

California Procurement with Native American MBEs (\$ in Millions)



Close Up of California Procurement with Native American MBEs (\$ in Millions)



VI. CONCLUSION AND RECOMMENDATIONS

The banks that participated in this report served as role models for all companies in the financial sector and beyond. We were encouraged by the participation rate in Greenlining's first bank supplier diversity report and look forward to working with these and other partners to refine the quality and scope of this work. This baseline report demonstrates that banks must improve both tracking and actual spending in supplier diversity. We recommend the following as first steps to improve supplier diversity metrics and overall spending:

Overall Recommendations

1. The financial sector must increase the transparency of its supplier diversity spending. Little publicly available data exists on individual companies' contracting. This is a key element in promoting accountability and establishing supplier diversity goals for like institutions. Regulation that promotes transparency in California's utilities has produced unprecedented levels of procurement with MBEs, and new reporting requirements for insurance companies promises to do the same. "Sunshine" in the financial sector has the potential to replicate these successes. We are encouraged by the high participation rate of this first report and hope that other stakeholders begin utilizing information on supplier diversity to positively impact communities of color.

2. Banks must work together to create thorough, uniform metrics. Sharing data is just the first step towards seeing real progress. Banks should support, and lend their expertise to, the creation of common metrics to allow for streamlined comparison. On a micro level, thorough metrics allow key staff to understand purchasing trends and refine MBE outreach. In a macro sense, uniform metrics allow banks to share best practices and analyze market trends, opportunities, and challenges throughout the sector. Regulators like the Offices of Minority and Women Inclusion have started this effort and we encourage supplier diversity professionals to collaborate with them.

3. Banks should disaggregate their supplier diversity data by multiple categories, including ethnicity, tiers, gender, geography, and industry. Contracting dollars are not distributed equitably in procurement, even among diverse businesses. Documenting procurement by *ethnicity* is essential. Analyzed data showed consistent disparities in investments between ethnic groups, with procurement from African American and Native American businesses especially lacking. Tracking spending by *tiers* gives information on vendor size, dollar value of contract, and business engagement with the bank. While tracking woman-owned businesses is common across all banks, *gender* breakdowns within each diverse category are needed. Only three out of the eight participating banks in this report did this.⁹ Figures by *geography* are necessary to evaluate how contracts affect local economies, though only five banks employ this metric in detail. Banks must also track their spending by *industry*. This report did not capture MBE spending by industrial category, but data from the CPUC's supplier diversity program indicate a lack of contracts for diverse firms in professional service industries.¹⁰ Furthermore, providing this level of data allows for companies to better understand contract forecasting for future business relationships.

Establishing metrics in these categories will allow banks to develop strategies to contract with consistently low-spend categories and ensure that all diverse businesses get a piece of the pie.

4. Companies should strategically contract with Tier 1 and Tier 2 vendors. We are pleased by the high levels of contracting with Tier 2 businesses and encourage banks to increase contracting with Tier 1 companies to increase competition among "big box" companies. Banks can and should encourage their Tier 1 vendors to subcontract with diverse businesses, but must keep their internal standards high as well. Finally, we support the "unbundling" of larger contracts so more diverse businesses can compete for bids.

⁹ "Double counting" of diverse businesses is a concern, but methods are available to avoid this issue.

Company Specific Recommendations and Evaluations

1. Bank of America dominated the pack this year in terms of total dollars spent with MBEs. In fact, 47.26 percent of all dollars spent with MBEs by the banks in this report came from Bank of America, which was the top total spender in every category in this report.

However, Bank of America also had a high proportion of its diverse procurement, 48 percent, with Tier 2 indirect suppliers. We urge this industry leader to contract with more diverse Tier 1 suppliers and to establish a direct Tier 2 contracting program. Bank of America should also begin tracking the gender breakdown of MBEs to address disparities common to supplier diversity.

2. Bank of the West has a complex vendor outreach system that made disaggregation of its supplier diversity data difficult. The 8.37 percent procurement figure for women *and* minority business enterprises suggests that this bank has room to greatly increase its investments with diverse vendors. This is especially important in comparison to peer institutions that achieved similar percentages with MBEs alone. After conversations based on this report, Bank of the West has expressed its desire to create more robust metrics in order to better understand how it invests in businesses of color.

3. Citibank has an established supplier diversity program, yet did not provide data for this report. We encourage this bank to join its competitors and share information in the future. This is especially important given that Citibank is the fifth largest bank in California and maintains a strong national presence.

4. City National, the eighth largest bank in California, did not respond to Greenlining's data request. We cannot confirm whether this bank currently has a supplier diversity initiative, but hope to engage in the future and learn how it invests in minority business enterprises.

5. Comerica displayed both strong successes and opportunities for growth. This bank had the second highest percentage of MBE spending in the nation but the lowest in California, at 6.02 percent and 1.01 percent respectively. While these aggregate statistics are important, Comerica does not disaggregate its spending by ethnicity or gender, making further evaluation impossible. We strongly encourage Comerica to begin tracking data more extensively. This would allow the bank's procurement team to refine its successful outreach strategies and better understand how dollars are distributed among MBEs.

6. East West Bank ranked in the middle of the pack in its percentage spent with MBEs for both national and California procurement. While the bank was successful in procurement with Latino and Asian American MBEs, it struggled with African American entities and spent zero dollars with Native American-owned businesses. East West Bank was also the only bank to not provide data broken down by tiers. The bank should target underrepresented groups and track its data by tier and gender.

7. First Republic is currently developing a supplier diversity strategy. We are pleased by this initiative and offer our support as the bank works to develop metrics.

8. JPMorgan Chase provided the most robust tracking in this report. This bank already maintained data for most of the categories requested for this initial report. While the bank's percentages for most national categories were average, it dominated every category for California. Part of this great success could be attributed to the relatively small amount spent in the state when compared to peer institutions of similar size. We encourage the bank to invest more overall in the state and continue to use effective strategies to find diverse California vendors.

9. OneWest Bank currently tracks its supplier diversity spending, but unfortunately, did not provide data for this public report. Similar to Citibank, we urge OneWest to share its information with stakeholders.

10. Union Bank was a frontrunner in overall percentage of national procurement with MBEs. The Bank also supplied detailed national metrics, but does not currently track its procurement on a state level. This is critically important for a company headquartered in California with a concentrated geographic footprint. Union Bank should apply and replicate the sophisticated metrics it has on a state level so that it can assess and strategically invest in local economies.

Greenlining would also like to note that Union Bank was the only company to provide substantive feedback after the circulation of a draft of this report. The bank's comments are:

1) [Union Bank] applauds [Greenlining's] efforts to establish common metrics in reporting supplier diversity results by defining Total Procurement. However, excluding Caucasian Women, and multi-ethnic suppliers minimizes the significant efforts financial institutions have experienced in these growing supplier segments.

2) Recommendations for future reports:

a) Include women-owned business data regardless of ethnicity. Financial service industry surveys indicate 96 percent of all financial services companies track women-owned businesses.

b) Include multi-ethnic owned supplier data. As our multi-ethnic population increases, so grows the pool of multi-ethnic owned suppliers.

3) The Union Bank Supplier Diversity and Development office will develop an automated reporting process to identify spend invoiced in California.

11. US Bank set itself apart from competitors with unique figures on MBE procurement. The bank awarded over 95 percent of its business to MBEs through Tier 1 contracts. Unlike peer institutions, US Bank had relatively high percentages with Native American and African American-owned businesses. In fact, 79 percent of its MBE procurement was with the latter. US Bank should track its MBE procurement by gender and track Tier 2 spending within California to better understand how MBE dollars are distributed.

12. Wells Fargo ranked third in the nation and second in California for total dollars spent with MBEs. Its overall percentages, however, were very weak given its size. We applaud the bank for being one of the few to proactively disaggregate MBE spending by gender, though this did reveal stark disparities. Overall, Wells Fargo has one of the more extensive tracking systems of banks included in this report. It maintained information for most major categories in this report, with the exception of Tier 2 data for California MBEs. We urge Wells Fargo to develop this metric and increase its percentage spent in California, currently at 6.8 percent, to reflect its headquarters' location.

VII. APPENDICES

Appendix A: Plans for Future Supplier Diversity Banking Reports

Greenlining intentionally kept the scope of our data request in this report narrow due to the lack of consistent metrics currently employed by banks. We intended for this report to serve as a baseline survey of how banks track their procurement with MBEs. The responses we received, however, demonstrated that not one participating bank had an internal tracking system in place to answer all questions on our data request. Greenlining will continue to advocate for and work with banks to create common metrics, and hope to analyze the following areas in future editions of this report:

- 1) Number of contracts
 - a. Newly awarded contracts
 - b. Existing/committed contracts
- 2) Procurement by industry
- 3) Qualitative programs administered by bank to promote the growth of businesses
- 4) Procurement spending with additional diverse businesses, including:
 - a. Women-owned business enterprises;
 - b. Disabled veteran-owned business enterprises;
 - c. LGBT (Lesbian, Gay, Bisexual and/or Transgender)-owned business enterprises;
 - d. Veteran-owned business enterprises; and
 - e. Multi-ethnic as an ethnic category.
- 5) Contract language, including:
 - a. Spending projections for future years; and
 - b. Language to encourage Tier 1 suppliers to work with diverse Tier 2 suppliers.

Appendix B: Poll of Individual Banks' Current Metrics

As mentioned throughout this report, each participating bank has its own internal tracking mechanisms. Various supplier diversity categories were combined to analyze overall trends, therefore the current report does not include all details requested. Appendix B further showcases the spectrum of reporting capacities of the banks based on our data request.

Note on “double counting.” Our data request asked all banks how they count businesses with multiple diverse certifications. For example, this could refer to a business that is certified as both minority owned and woman owned. With the exception of Bank of the West, all banks reported that their internal systems prevent double counting.

(“✓” = Bank supplied this information)

Chart 13: Poll of Basic National Metrics

	Total National Procurement for 2012	Value for Excluded Categories (e.g. postage, airfare, etc.)	Certified MBEs	Non-Certified/ Self Certified MBEs	Gender Breakdown of MBEs	Total
Bank of America	✓		✓			2/5
Bank of the West	✓		✓			2/5
Comerica	✓	✓	✓	✓		4/5
East West Bank	✓		✓			2/5
JPMorgan Chase	✓		✓	✓	✓	4/5
Union Bank	✓	✓	✓	✓	✓	5/5
US Bank	✓		✓	✓		3/5
Wells Fargo	✓	✓	✓		✓	4/5
TOTAL	8/8	3/8	8/8	4/8	3/8	

Chart 14: Poll of Tier 1 and Tier 2 National Metrics

	Tier 1 National MBE Tracking	Tier 1 National MBE Tracking by Ethnicity	Tier 2 National MBE Tracking (Direct + Indirect)	Tier 2 National MBE Tracking by Ethnicity	Indirect Tier 2 Tracking by Ethnicity	Direct Tier 2 Tracking by Ethnicity	Total
Bank of America	✓	✓	✓	✓	✓		5/6
Bank of the West	✓		✓				2/6
Comerica	✓		✓				2/6
East West Bank							0/6
JPMorgan Chase	✓	✓	✓	✓		✓	5/6
Union Bank	✓	✓	✓	✓			4/6
US Bank	✓	✓	✓	✓			4/6
Wells Fargo	✓	✓	✓				3/6
TOTAL	7/8	5/8	7/8	4/8	1/8	1/8	

Chart 15: Poll of Additional Tracked Categories of Diverse Business Enterprises (These were optional fields in our data request)

	National Tracking for Women Business Enterprises	National Tracking for Disabled Veteran Business Enterprises	National Tracking for LGBT (Lesbian, Gay, Bisexual and/or Transgender) Business Enterprises	National Tracking for Veteran Bus. Enterprises	Total
Bank of America	✓			✓	2/4
Bank of the West	✓				1/4
Comerica	✓				1/4
East West Bank	✓	✓		✓	3/4
JPMorgan Chase	✓	✓	✓	✓	4/4
Union Bank	✓	✓			2/4
US Bank	✓				1/4
Wells Fargo	✓	✓	✓	✓	4/4
TOTAL	8/8	4/8	2/8	4/8	

Chart 16: Poll of Basic California Metrics

	Total California Procurement for 2012	Value for Excluded Categories	Certified MBEs	Non-Certified/ Self Certified MBEs	Gender Breakdown of Tier 1 MBE	Total
Bank of America	✓		✓			2/5
Bank of the West						0/5
Comerica	✓	✓	✓	✓		4/5
East West Bank	✓		✓			2/5
JPMorgan Chase	✓		✓	✓	✓	4/5
Union Bank						0/5
US Bank	✓		✓	✓		3/5
Wells Fargo	✓		✓		✓	3/5
TOTAL	6/8	1/8	6/8	3/8	2/8	

Chart 17: Poll of Tier 1 and Tier 2 California Metrics

	Tier 1 California MBE Tracking	Tier 1 California MBE Tracking by Ethnicity	Tier 2 California MBE Tracking (Direct + Indirect)	Tier 2 California MBE Tracking by Ethnicity	Indirect Tier 2 Tracking by Ethnicity	Direct Tier 2 Tracking by Ethnicity	Total
Bank of America	✓	✓	✓	✓	✓		5/6
Bank of the West							0/6
Comerica	✓		✓				2/6
East West Bank							0/6
JPMorgan Chase	✓	✓	✓	✓		✓	5/6
Union Bank							0/6
US Bank	✓	✓					2/6
Wells Fargo	✓	✓					2/6
TOTAL	5/8	4/8	3/8	2/8	1/8	1/8	

Chart 18: Poll of Additional Tracked Categories of Diverse Business Enterprises (There were optional fields in our data request)

	California Tracking for Women Business Enterprises	California Tracking for Disabled Veteran Business Enterprises	California Tracking for LGBT (Lesbian, Gay, Bisexual and/or Transgender) Business Enterprises	California Tracking for Veteran Bus. Enterprises	Total
Bank of America	✓			✓	2/4
Bank of the West					0/4
Comerica	✓				1/4
East West Bank	✓	✓		✓	3/4
JPMorgan Chase	✓	✓	✓	✓	4/4
Union Bank					0/4
US Bank	✓				1/4
Wells Fargo	✓	✓	✓	✓	4/4
TOTAL	6/8	3/8	2/8	4/8	

Out of the 30 fields listed above, each bank currently tracks the following metrics:

Bank	Total Score
Bank of America	18
Bank of the West	5
Comerica	14
East West Bank	10
JPMorgan Chase	26
Union Bank	11
US Bank	14
Wells Fargo	20

Appendix C: Data Request Utilized in this Report

Greenlining provided this data request and accompanying tables in Microsoft Excel format. Please contact The Greenlining Institute if you would like a copy of these tables.



Supplier Diversity Report on the Banking Industry: Assessing the Current Landscape of Supplier Diversity Data

Please provide information in a Microsoft Excel Format

Please Note: This Document is Subject to Change

National

Total U.S. procurement spend for 2012.

Please list your U.S. procurement spend for 2012.

How do you define procurement spend? What categories do you exclude from your procurement spend? Please list the categories and their corresponding amounts.

Comments:

Total first-tier dollar spend with all WMBEs. (Please provide certified (ie. 3rd party certified) and non-Certified (including self-certification) and indicate if your team makes a distinction between certified and non-Certified.)

How do you define first-tier?

Total first-tier dollar spend broken down by gender, race & ethnicity for the following categories:

White Women, African American, Hispanic/Latinos, Asian American and Pacific Islander, Native American, and Multiethnic.

If possible, please provide the gender break-down for each race and ethnic category (Example: African American Women, African American Men.)

Please list other categories for which you track spend. (Example: Disabled, LGBT, Veterans, Disabled Veterans.)^k

Total second-tier dollar spend with all WMBEs. (Please provide certified and non-certified and indicate if your team makes a distinction between certified and non-certified.)

How do you define second-tier? Do you count second-tier spend from first-tier WMBEs? Please explain.

Total second-tier dollar spend broken down by gender, race & ethnicity for the following categories:

White Women, African American, Hispanic/Latinos, Asian American Pacific Islander, Native American, and Multiethnic.

If possible, please provide the gender break-down for each race and ethnic category (Example: African American Women, African American Men.)

What is your policy on categorization for businesses that are multi-certified? (Do you double count certifications? For example, if a business is certified as both minority and woman-owned, how are they counted in the supplier diversity reports?)

Do you track tier-three spend? If so, please explain and use the same reporting format for Tier 1 and Tier 2 spend.

Do you track direct and indirect spend? If so, what percentage of diverse spend is indirect? What is the racial and ethnic breakdown of the indirect spend?

^k Greenlining is only tracking race and ethnic spend for this report.

California (WMBEs invoiced in California)

Total California procurement spend for 2012.

Please list your total California procurement spend for 2012.

What categories do you exclude from your procurement spend? Please list.

Comments:

Total first-tier dollar spend with all WMBEs invoiced in California. (Please provide certified and non-certified and indicate which ones are certified and non-certified.)

Total first-tier dollar spend in California broken down by gender, race & ethnicity for the following categories: White Women, African American, Hispanic/Latinos, Asian American and Pacific Islander, Native American, and Multiethnic.

If possible, please provide the gender break-down for each race and ethnic category (Example: African American Women, African American Men.)

Total second-tier dollar spend with all WMBEs in California. (Please provide certified and non-certified and indicate which ones are certified and non-certified.)

Total second-tier dollar spend in California broken down by gender, race & ethnicity for the following categories: White Women, African-American, Hispanic/Latinos, Asian American Pacific Islander, Native American, and Multiethnic.

If possible, please provide the gender break-down for each race and ethnic category (Example: African American Women, African American Men.)

VIII. REFERENCES

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