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Policy Information

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**Introduction**

This Policy is established to promote diversity and ensure, to the maximum extent possible in balance with financially safe and sound business practices, the inclusion and utilization of Minorities, women, Individuals with Disabilities, Individuals in the lesbian, gay, bisexual, transgender and queer (LGBTQ) Community, and Minority-, Women-, Disabled-, and LGBTQ-Owned Businesses in all business activities of Federal Home Loan Bank (FHLBank), including in management, employment, procurement, insurance and all types of contracts at FHLBank, including services that require the use of investment banking, asset management entities, broker-dealers, financial services entities, underwriters, accountants, investment consultants, and providers of legal services. The Federal Housing Finance Agency (FHFA) regulations pertaining to Minority and Women Inclusion (MWI) at 12 C.F.R. Part 1223, as amended from time to time, are incorporated as part of this Policy.

**Purpose**

The purpose of this Policy is to provide guidance related to the requirements of the MWI regulations. In addition, this Policy promotes adherence to the principles of non-discrimination and the inclusion of Minorities, women, Individuals with Disabilities, and Individuals in the LGBTQ Community, and Minority-, Women-, Disabled-, and LGBTQ-Owned Businesses in FHLBank's business activities, including management, employment and contracting.

**Scope**

This Policy applies to all FHLBank business partners, to all of FHLBank's business units, and all aspects of FHLBank's operations.

**Definitions**

***Applicant*** means an individual who submits an expression of interest in employment in conjunction with all of the following:

- (1) FHLBank acted to fill a particular position;
- (2) The individual followed FHLBank's standard process for submitting an application;
- (3) The individual's expression of interest indicates that the individual possesses the basic qualifications for the position; and
- (4) The individual has not removed him or herself from consideration or otherwise indicated that he or she is no longer interested in the position.

***Contracts*** means any legally-binding and enforceable arrangement or understanding between FHLBank and one or more parties, including Vendor and non-Vendor agreements as defined in the *Vendor Risk Management Policy*. The term Contract also includes material revisions to a current Contract and statements of work or appendices to a master agreement. For purposes of this Policy, the term Contract does not include purchases from retail stores or restaurants, or other similar transactions, which are typically small dollar amounts (\$1,000 or less) and conducted face-to-face, nor does it include purchases of \$1,000 or less made through the following websites: amazon.com, newegg.com, and shi.com.

***Disabled-Owned Businesses*** include those: (1) that qualify as a Service-Disabled Veteran-Owned Small Business Concern; or (2) where: (a) more than fifty percent of the ownership or control of which is held, directly or indirectly, by one or more persons with a disability; and (b) more than fifty percent of the net profit of loss of which accrues to one or more persons with a disability.

***Diverse*** as used herein refers to each of Minorities, women, Individuals with Disabilities, Individuals in the LGBTQ Community, and Minority-, Women-, Disabled-, and LGBTQ-Owned Businesses.

Diversity Spend with Non-diverse-owned Businesses means the dollar amount(s) paid by FHLBank to a Prime Contractor that is not a Minority-, Women-, or Disabled-owned business for professional services (i.e., the amount paid for work performed, as may be adjusted, in connection with providing legal, accounting, or other professional or consulting services) provided by or allocated to a partner, member, or other equity owner who is a Minority, woman, an Individual with a Disability, or an Individual in the LGBTQ Community.

An Individual with Disabilities is an individual who has a physical or mental impairment which substantially limits one or more of that individual's major life activities.

An Individual in the LGBTQ Community is an individual who identifies as lesbian, gay, bisexual, transgender or queer.

LGBTQ-Owned Businesses means a business where more than fifty percent of the: (1) ownership or control is held, directly or indirectly, by one or more LGBTQ individuals; and (2) net profit or loss accrues to one or more LGBTQ individuals.

Minority means any Black or African American, Native Hawaiian or Pacific Islander, American Indian or Alaskan Native, Hispanic or Latino American, Asian American, or an individual of two or more races.

Minority-Owned Business means a business where more than fifty percent of the: (1) ownership or control is held, directly or indirectly, by one or more Minority individuals; and (2) net profit or loss accrues to one or more Minority individuals.

Office of Inclusion means FHLBank's Office of Minority and Women Inclusion (OMWI), which is in HRI and manages the D&I Program day-to-day. HRI is led by the OMWI Officer, who serves as the Director of HRI and reports to the Executive Vice President (EVP), Chief Compliance and Ethics Officer, and General Counsel (the CCEO and GC), who heads the Corporate Services Division. As the sole EVP and second highest ranking executive, the board has concluded that the CCEO and GC is equivalent to a Chief Operating Officer.

Prime Contractor (Tier I) means a supplier that enters into a contract with FHLBank to provide goods and/or services directly to it.

Promotion means the advancement of a business partner within FHLBank and may be the result of a business partner's proactive pursuit of a higher job ranking or a reward for good performance. A promotion is typically associated with an increase in a business partner's pay due to additional or enhanced job responsibilities.

Senior Management means FHLBank's Leadership Team.

Subcontractor (Tier II) means a supplier that enters into a contract with a Prime Contractor (Tier I) of FHLBank to provide goods and/or services to that Prime Contractor (Tier I) for the benefit of FHLBank.

Women-Owned Businesses are those in which: (1) more than fifty percent of the ownership or control is held, directly or indirectly, by one or more women; and (2) more than fifty percent of the net profit or loss accrues to one or more women.

## **Governance**

### *Board of Directors*

The board, through the Compensation, Human Resources and Inclusion committee (CHRIC), is ultimately responsible for ensuring the overall effectiveness of FHLBank's D&I Program. Management shall present the D&I Strategic Plan to the board for its approval every three years, but the board shall review the D&I Strategic Plan annually. Management will provide the board, through the CHRIC, a copy of the MWI report filed with the FHFA (the MWI Annual Report) and quarterly reports summarizing D&I data and activities in order to monitor and assess FHLBank's D&I Program.

### *Senior Management*

Senior management is responsible for implementing appropriate policies and procedures to ensure FHLBank complies with all applicable laws, regulatory requirements, practices and principles.

### *Human Resources and Inclusion*

HRI has been designated by the board as the office responsible for carrying out the requirements of 12 U.S.C. §4520(a) and FHFA regulations, pursuant to 12 C.F.R. §1223.20(a), and accordingly shall provide advice to the board, senior management, and business partners on FHLBank's responsibilities pertaining to MWI.

The following roles in HRI have specific responsibilities regarding D&I:

*Director of HRI:* This position provides leadership to HRI and serves as the Director of the Office of Inclusion. The Director of HRI oversees the day-to-day implementation of the D&I Program and is empowered to bring critical D&I issues to the attention of the board, senior management, and business partners. This position is also the liaison to the CHRIC, which oversees the D&I Program, the FHFA OMWI, and the System OMWI Council.

*D&I Program Manager:* Manages the day-to-day functions of FHLBank's D&I Program and partners with business units in FHLBank's efforts and activities to attract and retain qualified diverse talent, identifies and advocates for the utilization of diverse businesses and broker dealers, increases D&I awareness through education, develops and maintains policies and procedures, and complies with regulatory requirements to support the Office of Inclusion.

*Recruiter and HRI Professional:* Provides assistance and support to HRI leadership in the functional areas of HRI (recruiting, benefits administration, and employee relations). This position assists the department with developing, implementing and maintaining HRI plans, programs, projects, reporting and compliance and serves as the department lead for all governance items related to HRI.

### *Business Units*

Although HRI is responsible for directing and implementing the D&I Program, each business unit shall integrate respect for and attention to D&I throughout FHLBank and all business activities.

Furthermore, the HRI, Operations Risk (OR), and Capital Markets departments' have specific responsibilities regarding the D&I stakeholder areas of workforce, procurement, and finance, respectively. The responsibilities include, but are not limited to:

- Tracking and preparing data for regulatory reporting (Additionally, the Accounting department has responsibilities in this area regarding procurement data.)
- Outreach to increase diversity and engagement

HRI (i.e., The Office of Inclusion) is generally responsible for oversight of the D&I Program and shall have the following specific duties with respect to this Policy:

- Prepare and submit the D&I Strategic Plan to the board, after review by the Executive Team, for approval on an every three-year basis with the D&I Strategic Plan being presented to the board for review annually.
- Prepare, certify, and submit the MWI Annual Report no later than March 31 annually to the FHFA.
- Review this Policy on an annual basis.
- Resolve any conflicts related to the administration or interpretation of any provision of this Policy.
- Provide FHLBank's CHRIC of the board with quarterly reports on the status of the D&I Program.
- Provide the FHFA with quarterly data on FHLBank's activities in the areas of workforce, procurement, and Capital Markets
- Provide FHLBank's Strategic Operations Management committee with regular updates on D&I activities and initiatives.
- Receive and, in consultation with the Legal department: (1) conduct reasonable investigations into complaints involving FHLBank's *Anti-Harassment and Equal Opportunity Policy Statement* and/or this Policy; and (2) analyze any requests for a reasonable accommodation for disabilities and/or religious beliefs or practices.
- Document all action taken with regard to complaints and requests for reasonable accommodation.
- Develop internal procedures as required by this Policy.

### **Diversity and Inclusion Program**

The D&I Program is rooted in the three pillars of Workforce, Supplier Diversity, and Capital Markets (i.e., Finance D&I). From there, the D&I Program focuses on six categories – Employment, Management and Development; Contracting; Other Business Activities; Complaint Handling and Requests for Reasonable Accommodation; Compliance, Internal Audit, and Risk Assessments; and Monitoring/Reporting. In meeting its obligations with regard to each of these categories and in an effort to incorporate D&I in all business aspects, a business unit shall consider the following:

### **Employment, Management and Development**

#### *Recruitment and Employment Outreach*

FHLBank shall conduct outreach to Minorities, women, Individuals with Disabilities, and Individuals in the LGBTQ Community, for purposes of recruitment to and advancement in, employment and management.

Recruitment and outreach activities are those activities directed at encouraging Diverse individuals to seek or apply for employment, and may include: (1) recruiting at colleges that typically serve Minority populations or at job fairs in urban communities; (2) placing employment advertisements on websites oriented towards Diverse individuals; and (3) partnering with organizations that are focused on developing opportunities for Diverse individuals for placement in industry internships, summer employment and full-time positions.

The D&I Strategic Plan shall further set forth FHLBank's employment outreach focus.

#### *Hiring, Promotion, Succession Planning and Retention*

##### *Hiring*

FHLBank shall consider D&I in its hiring practices to improve the possibilities of increased diversity in its workforce.

#### *Promotion*

FHLBank shall consider D&I in its promotion practices as doing so improves the possibilities of increased diversity in higher levels of the organization.

#### *Succession Planning*

FHLBank shall consider D&I in its succession planning practices as doing so improves the possibilities of increased diversity and improved D&I competencies in the leadership of the organization and in its identified successors to FHLBank's various positions.

#### *Retention*

FHLBank shall consider D&I in its retention practices as doing so improves the possibilities of FHLBank maintaining the levels of diversity in its workforce.

FHLBank ensures the consideration of D&I in hiring, promotion, succession planning and retention through practices that shall at a minimum include: (1) reiterating FHLBank's brand, see, e.g., the D&I videos on our website, (2) providing a D&I training program and awareness activities available to all business partners, and (3) further incenting all business partners to attend D&I training and awareness activities each year through applicable incentive compensation plans. Additionally, data shall be tracked and evaluated on an annual basis to determine whether revisions to FHLBank's D&I Strategic Plan should be made to align focus with a potential gap identified via the resulting data. FHLBank believes promoting the consideration of D&I in its hiring, promotion, succession planning and retention practices improves the possibilities of increased diversity in its workforce.

#### *D&I Training and Development*

The Office of Inclusion shall provide D&I training and development opportunities to business partners, managers, the board of directors, and the Affordable Housing Advisory Council (AHAC) on a periodic basis. These educational opportunities are critical toward impacting FHLBank's culture and increasing the D&I competencies of its stakeholders.

Please see the OMWI Oversight and Governance and the OMWI Reporting and Regulatory Procedures for additional Workforce directives.

#### **Contracting**

To ensure the inclusion of Minorities, women, Individuals with Disabilities, Individuals in the LGBTQ Community and Minority-, Women-, Disabled-, and LGBTQ-Owned Businesses in contracting opportunities, unless otherwise excluded from certain provisions of this Policy as noted in Appendix A, herein, FHLBank shall endeavor to publicize and provide outreach to Minorities, women, Individuals with Disabilities, Individuals in the LGBTQ Community, and Minority-, Women-, Disabled-, and LGBTQ-Owned Businesses (Diverse Vendors).

#### *Capital Markets*

FHLBank shall identify, engage, and utilize diverse broker dealers, asset managers, and underwriters in accordance with its safety and soundness practices to conduct financial transactions. As opportunities arise, FHLBank should always consider diverse broker dealers, asset managers, and underwriters when conducting trades. The Capital Markets and HRI business units shall jointly establish procedures to identify, inform and solicit diverse broker dealers, asset managers, and underwriters.

### *Publication and Vendor Outreach*

As a primary component of vendor outreach, FHLBank has engaged a third party to establish and maintain a diverse supplier registration portal (Supplier Portal) on FHLBank's behalf. FHLBank shall provide a link to the Supplier Portal on the D&I page of FHLBank's external website and encourage Diverse Vendors to register. Types of contracting opportunities that are not excluded in Appendix A shall be noted on the Products and Services List on the Supplier Portal (Publication Requirement).

Moreover, to promote competition and inclusion in the contracting process, and to support this D&I Program, each contracting business unit is expected to be knowledgeable regarding the pool of potential vendors available to supply goods or services to the business unit by consulting the Supplier Portal for potential Diverse Vendors. If the business unit is aware of an appropriate Diverse Vendor, the business unit should invite the Diverse Vendor to review the contract or request-for-proposal opportunity. Furthermore, as set forth in the OMWI Procedures and the Vendor Risk Management Framework, the business partner who is primarily responsible for initiating, managing and monitoring the performance of a Vendor relationship (i.e., The Vendor Risk Owner), is required to document the search for diverse vendors unless the selected vendor is a diverse vendor that is documented as such in the Supplier Portal.

The D&I Strategic Plan shall further set forth FHLBank's contracting outreach focus.

### *Consideration and Selection*

Except as provided in Appendix A, each business unit in its review and evaluation of contract proposals shall consider the diversity of the vendor as one component of its selection criteria (the Vendor Selection Requirement). After consideration of diversity and all other relevant criteria, the business unit should select the contract proposal that represents the best value to FHLBank, in accordance with FHLBank's obligations to balance financially safe and sound business practices.

### *Equal Opportunity Requirement*

Except as noted in Appendix A, contracts with vendors must include the following clause (subject to changes necessary to conform to the applicable contract's defined terms) (the Equal Opportunity Requirement):

- (1) The contractor shall practice the principles of equal opportunity and non-discrimination in all its business activities, to the maximum extent possible, and at a minimum regardless of race, color, creed, religion, sex, age, sexual orientation, national origin, ancestry, pregnancy, parental status, citizenship status, disability, genetic information, military status, gender identity and expression, or marital status. Business activities include operational, commercial and economic endeavors of any kind, whether for profit or not for profit and whether regularly or irregularly engaged in by the contractor, and include, but are not limited to, management of the contractor, employment, procurement, and all types of contracts.
- (2) The contractor shall include the provisions of paragraph (1) to the maximum extent possible, in each subcontract it enters for services or goods provided to FHLBank.
- (3) In the event of the contractor's noncompliance with this section, this contract may be cancelled, terminated or suspended, in whole or in part, without penalty to FHLBank.

Variations or modifications to the above provision may be approved only by the Director of HRI, a designate of HRI, or a Senior Vice President (SVP) or above and shall be indicated on the Contract Review Form, administered in the Vendor Risk Management Central Repository.

*Impact of Excluded Contracts*

FHLBank is committed to advancing D&I in all business activities and specifically engaging Minority-, Women-, Disabled-, and LGBTQ-owned businesses. However, there may be instances when the excluded contract types could negatively or adversely impact a diverse-owned business.

In an effort to negate those cases, HRI shall monitor the list of excluded contracts at the appropriate review period of this Policy to determine the impact of excluded contracts on diverse-owned businesses and propose revisions to the Executive Team as deemed necessary by HRI.

Furthermore, analysis regarding the impact of excluded contracts can be found in Appendix C, herein.

**Other Business Activities***Board of Directors*

FHLBank management shall encourage the consideration of D&I in nominating or soliciting nominees for positions on the board.

*Affordable Housing Advisory Council (AHAC)*

FHLBank management shall encourage the consideration of D&I in nominating or soliciting nominees for position on the AHAC.

*Member Outreach*

FHLBank shall establish in the D&I Strategic Plan outreach and recruiting efforts to members or potential members that are owned by diverse individuals.

**Complaint Handling and Requests for Reasonable Accommodation***Complaints*

In accordance with FHLBank's complaint procedure, which provides for a prompt, thorough, and objective investigation of any assertion of a violation of the MWI regulations or this Policy, whether from an Applicant, a business partner, or a potential vendor, any complaint shall be directed to the Director of HRI. In the event of complaints involving HRI, complaints may be directed to the CCEO and General Counsel.

The MWI complaint form is located on FHLBank's website and may be requested via hard copy by calling 1-785-478-8028 or 1-785-478-8077. Completed forms may be submitted electronically to: Amanda.Kiefer@FHLBTopeka.com; or hard copy to: FHLBank Topeka, Attn: Director of HRI, 500 SW Wanamaker, Topeka, Kansas, 66606. In the case of complaints involving HRI, completed forms may be submitted electronically to: Pat.Doran@FHLBTopeka.com; or hard copy at the foregoing address, Attn: CCEO and General Counsel.

After receiving a complaint form, the Director of HRI or the CCEO and General Counsel, as appropriate, in conjunction with the Legal department, shall conduct an investigation and take whatever remedial or preventive measures are necessary to ensure that both the letter and the spirit of this Policy are enforced. All D&I-related complaints shall be tracked for purposes of including in the MWI Annual Report.

### *Requests for Reasonable Accommodation*

In accordance with HRI procedures, any request for a reasonable accommodation for disabilities and/or religious beliefs or practices shall be directed to the Director of HRI. After receiving any such request, the Director of HRI shall follow such procedures as the Director of HRI has developed, with consultation and approval of an attorney in the Legal department as deemed necessary and appropriate, for accepting, reviewing, and granting or denying requests for reasonable accommodations of disabilities and/or religious beliefs or practices and shall document the reasons for granting or denying the request on the request for reasonable accommodation form. All requests shall be tracked for purposes of including in the MWI Annual Report.

Retaliation against anyone for reporting complaints pursuant to this Policy, or for cooperating with an investigation of a complaint, or for making a request for a reasonable accommodation for disabilities and/or religious beliefs or practices, is expressly and strictly prohibited.

### **Compliance, Internal Audit, and Risk Assessments**

The D&I Program shall be subject to periodic reviews conducted by FHLBank's Compliance and Internal Audit departments. These reviews serve to ensure the D&I Program's compliance with the MWI Regulation and further FHFA guidance. Any guidance provided to the Office of Inclusion from the FHFA shall promptly be provided to the Compliance department.

Furthermore, the Office of Inclusion shall collaborate with the Operations Risk department to oversee the evaluation and incorporation of D&I into the entity-wide and department-level risk assessment process.

### **Monitoring and Reporting**

#### *Workforce*

HRI shall implement appropriate internal procedures to track the information necessary to prepare the necessary reports required by this Policy, including information on Diverse Applicants and business partners, complaints involving this Policy, and requests for reasonable accommodation. Such information shall be compiled in the MWI Annual Report, which shall be certified by the Director of HRI and reported to the FHFA, with data as of December 31, no later than March 31, each calendar year. Similar and additional information shall be compiled in the Quarterly Data Report (QDR) submitted to the FHFA with data one quarter behind, no later than the last day of the current calendar quarter.

To aid in the oversight of FHLBank's D&I Program, the Director of HRI shall prepare and submit quarterly reports on the data and activities associated therein to the CHRIC.

#### *Supplier*

HRI in collaboration with OR and Accounting shall implement appropriate internal procedures to track the information necessary to prepare the reports required by this Policy, including information on Diverse Vendors and contracts. Such information shall be compiled in the MWI Annual Report, which shall be certified by the Director of HRI and reported to the FHFA, with data as of December 31, no later than March 31, each calendar year. Similar and additional information shall be compiled in the QDR submitted to the FHFA with data one quarter behind, no later than the last day of the current calendar quarter.

Additionally, the Office of Inclusion shall periodically validate the vendor selection and diverse vendor certification process, which shall be further described in its procedures.

FHLBank shall provide data on its engagement of (i.e., spend with) vendors on a quarterly and annual basis to the FHFA. All spend shall be reported unless otherwise excluded for various reasons noted in Appendix B herein.

### *Capital Markets*

HRI in collaboration with FHLBank's Capital Markets department shall implement appropriate internal procedures to track the information necessary to prepare the reports required by this Policy, including information on Diverse Broker Dealers and investment activities. Such information shall be compiled in the MWI Annual Report, which shall be certified by the Director of HRI and reported to the FHFA, with data as of December 31, no later than March 31, each calendar year. Similar and additional information shall be compiled in the QDR submitted to the FHFA with data one quarter behind, no later than the last day of the current calendar quarter.

### Quality Assurance/Quality Control (QA/QC)

To support an effective and accurate reporting process, HRI shall design and maintain an internal control program that requires QA/QC reviews to be performed on regulatory reporting data submitted to the FHFA, Board of Directors, or Senior Management. The QA/QC reviews prescribed in the internal control program shall require HRI to examine the regulatory data as it progresses through the data creation, preparation, and submission process.

### D&I Strategic Plan

HRI shall prepare a D&I Strategic Plan every three years to be approved by the board, which shall be reviewed annually. The D&I Strategic Plan shall include the goals; annual, quantifiable targets; objectives; action items; and metrics that will aid FHLBank in advancing D&I in all business activities.

Furthermore, HRI shall document the analysis, rationale and factors used to determine quantifiable targets.

### Limitation of Expressed Rights or Benefits

This Policy does not, and should not be construed to create, any right or benefit, substantive or procedural, enforceable at law, in equity, or through administrative proceeding, by any party against FHLBank or its directors, business partners, agents or any other person.

### Access to Information

HRI shall have the right to access all information necessary to carry out its responsibilities as FHLBank's Office of Inclusion. Business partners shall cooperate in supplying such information, as requested by the Director of HRI, the HR Manager, the D&I Program Manager, or the Recruiter and HRI Professional.

### Exceptions/Violation

Exceptions to this Policy are permitted only by the President and CEO or the Director of HRI, unless otherwise contemplated in this Policy or Appendix A. Exceptions to this Policy, other than those reflected in the Vendor Risk Management Central Repository, shall be reported to the CHRIC in the next regular report of HRI regarding D&I.

Any violation of this Policy may result in disciplinary action up to and including termination.

### Policy Publication

This Policy shall be posted on FHLBank's website, in a format that is readable by reading software for the visually impaired.

**Policy Review**

This Policy shall be reviewed annually and revised as needed by the Director of HRI. Following such review, the Policy shall be submitted for review by the Executive Team and approval by the President and CEO. In the event of any proposed revisions to the Policy, such revisions shall be submitted for review and approval by the CHRIC and the board.

**APPENDIX A**  
**Excluded Contracts**

The types of contracts listed below are exempt from certain requirements described in the D&I Program and are effective as of January 1, 2020. If elements within this exemption list should change for any reason, including changes to thresholds, exceptions, limitations, FHLBank will need to notify the FHFA within thirty (30) days.

Exclusion	Exempt from the following requirement			Rationale
	Equal Opportunity	Vendor Selection	Publication	
<p><b>Grandfathered Contracts.</b> Contracts in effect on January 27, 2011, are Grandfathered Contracts.</p> <ul style="list-style-type: none"> <li>• Regardless of the initial effective date, Master agreements and perpetual contracts shall be reviewed every five (5) years inclusive of a diverse vendor search.</li> <li>• Auto renewal provisions may not renew a contract for more than three (3) years and a diverse vendor search must be conducted at each renewal period.</li> </ul>	✓	✓	✓	<p>The regulations pertaining to Minority and Women Inclusion (MWI) at 12 C.F.R. Part 1223, do not require that changes be made to contracts in effect on and prior to January 27, 2011. FHLBank instead is focused on new contracting opportunities.</p>
<p><b>Contracts not for goods or services.</b> Contracts that do not involve the acquisition of goods or services are exempt, including, among other things:</p> <ul style="list-style-type: none"> <li>• Utilities</li> <li>• Postages</li> <li>• Interbank transfers</li> <li>• Corporate operating and similar agreements</li> <li>• Philanthropic foundations, sponsorships, and charitable contributions</li> <li>• Federal, state, and local taxes</li> </ul>	✓	✓	✓	<p>FHLBank believes that contracts for goods and services present the best opportunity to advance the interests of vendor D&amp;I.</p>

Exclusion	Exempt from the following requirement			Rationale
	Equal Opportunity	Vendor Selection	Publication	
<ul style="list-style-type: none"> <li>• Federally required sources (e.g., FDIC, airports, Comptroller of the Currency, FHFA)</li> <li>• State or local government sources (e.g., state regulators)</li> <li>• Dues and membership fees/subscriptions</li> <li>• Letters of credit</li> <li>• Lien release and intercreditor agreements</li> <li>• Contracts evidencing debt or equity issues by FHLBank</li> <li>• Indemnification agreements</li> <li>• Confidentiality and/or non-disclosure agreements</li> <li>• Information sharing agreements</li> <li>• Contracts for the purchase or lease of real property</li> <li>• Food services</li> <li>• Benefit expenses, including pension funding or medical, but does not include the services of brokers or money managers</li> <li>• Garnishments</li> <li>• Accounts receivable</li> </ul>				

Exclusion	Exempt from the following requirement			Rationale
	Equal Opportunity	Vendor Selection	Publication	
<p><b><u>Customer and Counterparty Contracts.</u></b> Customer contracts (including advances agreements and other contracts with members and contracts with recipients and beneficiaries of AHP awards) and contracts with principals in financial transactions (including contracts with swap counterparties and insurance contracts with our carriers) are exempt from the requirements of the D&amp;I Program. If FHLBank pays an institution to broker a financial transaction, contracts for such brokerage services (e.g., insurance brokerage and brokered overnight Fed Funds transactions) are not exempt.</p>	✓	✓	✓	FHLBank believes that contracts for goods and services present the best opportunity to advance the interests of vendor D&I.
<p><b><u>Business Partner or Director Payments and/or Reimbursements.</u></b> Payments includes payroll. Goods or services paid for by business partner or director and then reimbursed by FHLBank pursuant to FHLBank’s reimbursement policies are exempt.</p>	✓	✓	✓	The terms of the MWI regulations only apply to amounts paid by FHLBank to a vendor and do not include amounts paid by a business partner and/or director and then reimbursed by FHLBank.
<p><b><u>Matters involving sensitive issues or emergency situations</u></b> (as determined by an attorney in the Legal department).</p>	✓	✓	✓	In the interest of safety and soundness, certain matters involving sensitive legal issues or emergency situations, as determined by an attorney in the Legal department, shall not be subject to the terms of this D&I Policy.

Exclusion	Exempt from the following requirement			Rationale
	Equal Opportunity	Vendor Selection	Publication	
<p><b>Frequently utilized, large internet marketplace vendors.</b> Frequently utilized, large internet marketplace vendors are those through which FHLBank purchases a high volume of goods and include, for example, New Egg, Amazon, and CDW. Relationships with frequently utilized, large internet marketplace vendors shall be subject to the Publication and Vendor Selection Requirements on an annual basis.</p>	✓			<p>It would be commercially unreasonable to subject arrangements with High Volume Vendors to the Publication or Vendor Selection Requirements, except on an annual basis. In addition, generally with frequently utilized, large internet marketplace vendors, there is no opportunity to insist that the vendor agree to a particular provision or form of FHLBank contract, but FHLBank has added the Equal Opportunity Clause to its standard purchase order to include the clause where possible.</p>
<p><b>Goods under \$25,000.</b> This exemption only applies to the extent FHLBank does not purchase more than \$25,000 in goods from a single vendor in a given calendar year.</p>	✓			<p>Single purchases for goods under \$25,000 are excluded from the D&amp;I Program by the terms of the MWI regulations.</p>
<p><b>Sole Source Contracts.</b> A sole source is defined as the only supplier that can provide FHLBank with the goods or services it needs. Examples include, but are not limited to, situations in which a sole source has established a monopoly, or is the only known source, nationwide, that meets FHLBank’s requirements for a good or service (e.g., Bloomberg or Microsoft).</p>		✓	✓	<p>It would be commercially unreasonable to subject arrangements for which there is only a sole source to the requirements of this Policy. However, the contracting opportunity shall be subject to the Publication and Vendor Selection requirements on a triennial basis to confirm that the vendor remains the “sole source.”</p>

Exclusion	Exempt from the following requirement			Rationale
	Equal Opportunity	Vendor Selection	Publication	
<p><b><u>Purchases with FHLBank Credit Cards.</u></b> Purchases made using FHLBank credit cards are exempt.</p>	✓	✓	✓	Typically, purchases made on FHLBank credit cards are small dollar amount transactions with no opportunity to insist that the vendor agree to a particular form of FHLBank contract. Further, in the vast majority of cases, publication of the opportunity would be impractical.
<p><b><u>Offsite Training Contracts.</u></b> Contracts with vendors that provide training for business partner development off of FHLBank premises</p>	✓	✓	✓	Typically, training is specialized and therefore FHLBank cannot impact the selection of a diverse trainer or training entity when it is provided off of FHLBank premises.
<p><b><u>Other Exceptions.</u></b> An SVP or higher or an attorney in the Legal department may approve additional exceptions, in collaboration with HRI, when deemed to be in the best interest of FHLBank and consistent with applicable legal requirements.</p>	Case by case basis.			The party approving the exception shall document the rationale in the VRM Central Repository at the time of approval.

**APPENDIX B**  
**Excluded Vendor Spend**

The categories listed below are exempt from reporting submitted to the FHFA quarterly and annually and are effective as of January 1, 2020. If elements within this exemption list should change for any reason, including changes to thresholds, exceptions, limitations, FHLBank will need to notify the FHFA within thirty (30) days.

<b>Exclusion</b>	<b>Rationale</b>
<b>Vendor Class ID.</b> The following Vendor Class ID categories located in the "HRA Vendor" file provided by FHLBank's Accounting department:	FHLBank believes that spend with vendors for goods and services present the best opportunity to advance the interests of vendor D&I.
<ul style="list-style-type: none"> <li>• Government</li> </ul>	Transactions in this category are conducted with government entities such as the FDIC, Comptroller of the Currency, and the Shawnee County Treasurer.
<ul style="list-style-type: none"> <li>• Employee</li> </ul>	Transactions in this category are for FHLBank business partner reimbursements.
<ul style="list-style-type: none"> <li>• Director</li> </ul>	Transactions in this category are for FHLBank board of director reimbursements and fees.
<ul style="list-style-type: none"> <li>• AHAC</li> </ul>	Transactions in this category are for FHLBank AHAC member reimbursements and fees.
<ul style="list-style-type: none"> <li>• Mortgage Releases</li> </ul>	Transactions in this category are conducted with government entities such as counties and cities.
<b>ProcessUnity Product/Service Categories.</b> The following ProcessUnity Product/Service Categories: <ul style="list-style-type: none"> <li>• Government Entities/Municipalities</li> <li>• Employee Benefits</li> <li>• Utilities (if provider is a sole source entity)</li> </ul>	The ProcessUnity Product/Service Categories listed align with the data reporting exceptions outlined in the Data Reporting Manual provided by the FHFA.
<b>Non-FHLBank Expenditures.</b> The following Non-FHLBank Expenditures: <ul style="list-style-type: none"> <li>• Garnishments</li> <li>• Payroll withholdings</li> <li>• Accounts Receivable</li> <li>• Deferred Gain/Loss</li> </ul>	The Non-FHLBank Expenditures listed are those that require FHLBank to act as a conduit until the transaction is completed. FHLBank believes that these expenditures are not for goods and services and do not present the best opportunity to advance the interests of vendor D&I.
<b>Other Exclusions.</b> The following various exclusions:	
<ul style="list-style-type: none"> <li>• Salary and Benefits</li> </ul>	FHLBank business partner salaries and benefits are deemed neither goods nor services and therefore do not impact spend with vendors.
<ul style="list-style-type: none"> <li>• Utilities (if provider is a sole source entity)</li> </ul>	Utilities provided by a sole source entity is a data reporting exception outlined in the Data Reporting Manual provided by the FHFA.

**APPENDIX C**  
**Excluded Contract Impact Analysis**

FHLBank includes the following analysis as directed by 12 C.F.R. 1223.21(9)(iii). The table below describes any negative or adverse impact the implementation of thresholds, exceptions, or limitations would likely have on contracting opportunities for minorities, women, individuals with disabilities, individuals in the LGBTQ Community and Minority-, Women-, Disabled-, and LGBTQ-Owned Businesses.

Exclusion	Level of Impact			Conclusion
	No Impact	Minimal Impact	Impact	
<b><u>Grandfathered Contracts.</u></b>			✓	The exclusion of Grandfathered Contracts does impact diverse vendors by limiting new contracting opportunities. Therefore, agreements considered to be Grandfathered Contracts are required to be reviewed every five (5) years with auto renewals capped at no more than three (3) year renewal terms. With each review, a diverse vendor search is required.
<b><u>Contracts not for goods or services.</u></b>		✓		FHLBank believes there is a minimal impact to diverse vendors regarding Contracts not for goods or services. Therefore, FHLBank will review the types of contracts it considers not for goods or services during the appropriate review period of the D&I Policy.
<b><u>Customer and Counterparty Contracts.</u></b>	✓			FHLBank believes there is no impact to diverse vendors regarding Customer and Counterparty Contracts. FHLBank’s customers are not vendors and the Customer and Counterparty Contracts for brokerage services (i.e., Capital Markets) are not included in this exception.
<b><u>Business Partner or Director Payments and/or Reimbursements.</u></b>	✓			FHLBank believes there is no impact to diverse vendors regarding Business Partner or Director Payments and/or Reimbursements. Business partners and directors are not vendors.

Exclusion	Level of Impact			Conclusion
	No Impact	Minimal Impact	Impact	
<u>Matters involving sensitive issues or emergency situations</u>		✓		FHLBank believes there could be a minimal impact to diverse vendors regarding contracts concerning matters involving sensitive issues or emergency situations. However, due to the emergent and sensitive nature of the situation, it is likely there is not sufficient time to search for a diverse vendor.
<u>Frequently utilized, large internet marketplace vendors.</u>		✓		FHLBank believes there is minimal impact to diverse vendors regarding contracts with frequently utilized, large internet marketplace vendors. The vendors impacted by this exclusion are typically large, majority-owned firms. And although FHLBank business needs may be fulfilled through several smaller diverse vendors, it is not feasible as a result of the frequency in which the large internet marketplace vendors are utilized. Due to the level of impact, FHLBank will review the types of contracts it considers to be with frequently utilized, large internet marketplace vendors during the appropriate review period of the D&I Policy.
<u>Goods under \$25,000</u>		✓		FHLBank believes there could be a minimal impact to diverse vendors regarding contracts for Goods under \$25,000. However, this exclusion aligns with the MWI Regulation.
<u>Sole Source Contracts</u>		✓		FHLBank believes there could be a minimal impact to diverse vendors regarding Sole Source Contracts. Therefore, in alignment with this Policy, Sole Source Contracts are reviewed on a triennial basis at which time a diverse vendor search must be conducted, to confirm that the vendor remains the “sole source.”

Exclusion	Level of Impact			Conclusion
<u>Purchases with FHLBank Credit Cards</u>		✓		FHLBank believes there could be a minimal impact to diverse vendors regarding purchases with an FHLBank credit card. However, FHLBank credit card purchases are typically small-dollar transactions that typically classify as Goods under \$25,000.
<u>Offsite Training Contracts</u>	✓			FHLBank believes there is no impact to diverse vendors regarding Offsite Training Contracts. Typically, FHLBank cannot impact the selection of a diverse trainer or training entity when the training is provided off of FHLBank premises.

**APPENDIX D**  
**Related D&I Policies and Procedures**

The following policies and procedures are associated with FHLBank's D&I Program:

- **Vendor Risk Management Policy**
- **OMWI Reporting and Regulatory Procedures**
- **OMWI Oversight and Governance Procedures**
- **Supplier Reporting Procedures**
- **Vendor Risk Management Framework**
- **Capital Markets D&I Procedures**