

DIVERSITY & INCLUSION POLICY

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DIVERSITY & INCLUSION POLICY

I. Purpose:

The purpose of this policy is to set forth the Board's commitment to diversity and inclusion (consistent with the diversity & inclusion strategic priority included in the Bank's Strategic Plan), and to formalize the Board's oversight over the diversity and inclusion efforts already being undertaken throughout the Bank.

II. Scope:

This document states the Bank's policy with respect to diversity and inclusion in all aspects of the Bank's business, including in employment, in vendor contracting, in capital markets, and in the composition of the Board of Directors. This policy is intended to provide high-level direction, with the expectation that management will establish and maintain more specific policies and procedures intended to implement the Board's direction.

This Policy, along with the Bank's other related policies and procedures and its Diversity & Inclusion Strategic Plan, is designed to 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, and minority-, women-, and disabled-owned businesses in all business and activities and at all levels of the Bank.

III. Policy Statement

A. General

- (1) Commitment to Equal Opportunity in Employment and Contracting. The Bank is committed to the principles of equal opportunity in employment and in contracting and non-discrimination on the basis of race, color, national origin, sex, religion, age, disability status, sexual orientation, veteran status, genetic information, gender identity, or any other applicable protected status. The Bank is also committed to prohibiting retaliation or reprisal against any individual for making a good faith complaint of discrimination in employment or in contracting, or for assisting in the investigation of such a complaint. The Bank will publish on its external website the procedure for reporting complaints of discrimination in any aspect of employment and contracting.
- (2) Diversity & Inclusion Strategic Plan. The Bank will at all times have and maintain a strategic plan that addresses the Bank's goals, plans and strategies for promoting diversity and inclusion in all aspects of the Bank's business. Such plan may be either a stand-alone plan, or may be included as part of the Bank's Strategic Business Plan. Such plan will include metrics and measures to quantify, assess and report on the Bank's D&I program performance.

- (3) Training. The Director of the Bank’s Office of Minority & Women Inclusion (“OMWI”) will be responsible for establishing an initial and ongoing D&I training and development program for the Board, management and Bank employees.

B. Employment

- (1) Recruitment. The Federal Home Loan Bank of Boston is committed to building and sustaining a diverse workforce that reflects the communities that we serve. The Bank will implement recruitment practices designed to attract qualified women, minorities and persons with disabilities for new and vacant positions, to provide equal opportunity to all qualified applicants, and to use selection techniques that do not improperly or inadvertently exclude women, minorities, or persons with disabilities from being hired.
- (2) Employment. One of the Bank’s core values is “Respect.” Consistent with this value, the Bank is committed to treating all employees with dignity and respect, and placing high value on diversity in background and perspectives.
 - (a) It is the Bank’s policy to provide equal opportunity and to prohibit discrimination in all aspects of the employment relationship, including training, promotion, transfer, compensation, benefits, discipline, and all other employment terms and conditions.
 - (b) The Bank’s Employee Policy Manual will establish an effective procedure for accepting, reviewing and granting or denying requests for reasonable accommodations of disabilities and religious beliefs or practices from employees and applicants for employment.

C. Vendor Diversity/Contracting

- (1) Contracting Opportunities. In connection with its engagement of third-party vendors/suppliers, the Bank seeks to provide contracting opportunities to vendors/suppliers who are minorities, women, disabled persons and minority-, women- and disabled-owned businesses (collectively, “diverse vendors”).
- (2) Outreach. The Bank will implement policies and procedures designed to ensure that employees conduct affirmative outreach in an effort to identify diverse vendors whose qualifications meet those sought by the Bank in connection with contracting opportunities. The diversity of a vendor is a factor to be considered in the vendor selection process.
- (3) Material Clause. To the extent required by law, regulation or internal policy, the Bank will include in its contracts a clause that commits the vendor to practice the principles of equal employment opportunity and non-discrimination in all its business activities, and requires each such vendor to

include this clause in each subcontract it enters for services or goods provided exclusively to the Bank.

D. Capital Markets

- (1) Broker-Dealer Opportunities. In connection with its investment securities portfolio, it is the Bank's policy to provide opportunities to broker/dealers who are minorities, women, disabled persons and minority-, women- and disabled-owned businesses (collectively, "diverse broker/dealers"). The Bank will establish relationships with diverse broker/dealers that offer potential investments meeting the Bank's portfolio needs and requirements, and will institute reasonable credit and other criteria designed to expand opportunities for diverse broker/dealers within safe and sound parameters.
- (2) Outreach for Debt Placement Opportunities. The Bank will identify minority-, women- and disabled-owned firms that are qualified by the Office of Finance to place FHLBank debt and that meet the Bank's own reasonable credit and other criteria designed to expand opportunities for such diverse firms within safe and sound parameters. The Bank will periodically reach out to such diverse firms with opportunities to place debt for the Bank, and will coordinate with the Office of Finance as appropriate to facilitate such opportunities.

E. Board Diversity

- (1) Commitment to Diversity. The Bank's Board of Directors values diversity and supports the election and appointment of diverse candidates to the Board. The Board believes that having directors of diverse gender and race, along with varied skills and experiences, contributes to a balanced and effective Board – one that is well-positioned to address the changing needs of the Bank's members and communities.
- (2) Director Elections. The Board is committed to administering a director election process that encourages and promotes consideration of diverse candidates in the nomination of election of directors to the Board. The Board encourages the Bank's members to consider diversity when nominating individuals for member director positions. In selecting nominees for independent director positions (and, when necessary, vacancies in member or independent directorships), the Board takes into consideration qualifications, skills, experience and diversity of the candidates.

F. Risk and Internal Audit

- (1) Annual Risk Assessment. The Bank's annual risk assessment prepared by the Enterprise Risk Management department will assess D&I risk exposure on an entity-wide basis.

- (2) Internal Audit. The Bank Internal Audit Department's annual risk assessment, plan and scope will include a comprehensive entity-wide review and assessment of the Bank's D&I program.

G. Resources in Support of this Policy

The Board believes that, in order for the Bank's diversity and inclusion initiatives to be effective, they must be championed from the top of the organization and embraced by employees throughout the Bank. To that end, the Board establishes the following roles and expectations:

- (1) Board of Directors Role.
 - (a) General Oversight. The Board of Directors is responsible for overseeing the implementation of this Policy, and for ensuring that adequate resources are devoted to the Bank's diversity and inclusion efforts.
 - (b) Board Diversity. The Board's Governance and Government Relations Committee, with the support of the Bank's General Counsel, is responsible for implementing the board diversity aspect of this Policy.
- (2) Management Committee Role. The Bank's Management Committee is responsible for overseeing the Bank's D&I program, and for fostering a culture of respect and inclusion throughout the organization. The Management Committee is responsible for involving employees of the Bank in diversity and inclusion initiatives, which may include the establishment of a Bank-wide diversity council and/or other ad hoc projects or programs designed to promote diversity, inclusion and respect for people with different backgrounds and perspectives.

In addition, the following members of Management Committee have specifically defined roles:

- (a) Director of Office of Minority & Women Inclusion. The Director of the Bank's Office of Minority & Women Inclusion ("OMWI") is responsible for overall supervision and coordination of the Bank's diversity and inclusion efforts, identifying activities that align with the Bank's overarching objectives, and preparing the annual report for filing with the Federal Housing Finance Agency. The Director of the Bank's OMWI shall at all times be an officer who reports directly to the President of the Bank, and is currently the Bank's SVP/Executive Director of Human Resources.
 - (i) *Reporting*. The Director of the Bank's OMWI will report at least quarterly to both the Management Committee and the Board of Directors regarding the progress the Bank is making in achieving the objectives of its D&I program.

- (b) Executive Director of Human Resources. The Bank's SVP/Executive Director of Human Resources is responsible for implementing the recruitment and employment section of this Policy.
- (c) General Counsel. The Bank's SVP/General Counsel is responsible for implementing the vendor/supplier diversity section of this Policy, within the context of the Bank's decentralized contracting and procurement functions.
- (d) Treasurer. The Bank's SVP/Treasurer is responsible for implementing the capital markets section of this Policy.

IV. Administration of Policy:

A. Roles and Responsibilities

- (1) Owner. The Director of the Bank's Office of Minority & Women Inclusion shall be the owner of this Policy, responsible for maintaining (including reviewing and updating) this Policy.
- (2) Authorized Approver. The Board of Directors shall be authorized to approve all substantive changes to this Policy.

B. Governance

- (1) Re-Adoption Frequency. The Owner of this Policy will be responsible for presenting this Policy for re-adoption by the Authorized Approver at least once every three years, whether or not any changes have been made. The Owner will also present this Policy for re-adoption by the Authorized Approver at any time that the Owner determines that a substantive change is appropriate.
- (2) Review Frequency: The Owner of this Policy is expected to review this Policy on at least an annual basis, and to revise/update this policy (for re-adoption by the Authorized Approver) whenever the Owner deems such a revision/update to be necessary or appropriate.

C. Exception Management/Policy Interpretations

- (1) Approval of Exceptions. All exceptions under this Policy must be approved by the Director of the Bank's Office of Minority & Women Inclusion and reported to the Authorized Approver.
- (2) Responsibility for Interpretations. The Director of the Bank's Office of Minority & Women Inclusion and the Bank's General Counsel are responsible for all interpretations of this Policy.

V. Applicable Laws and Regulations:

The following provisions of the Safety & Soundness Act and the FHFA Regulations are applicable to this Policy:

- 12 U.S.C. 4520
- 12 C.F.R. Part 1207

VI. Related Policies; Procedures:

The following Bank policies and procedures cover subject matter that is related to this Policy:

- Employee Policy Handbook, including Equal Employment Opportunity Policy
- Vendor Policy
- Vendor Contracting Procedures

VII. Glossary/Definitions:

The term “**disability**” has the same meaning as defined in 29 CFR 1630.2(g) and 1630.3 and Appendix to Part 1630—Interpretive Guidance on Title I of the Americans with Disabilities Act.

The term “**disabled-owned business**” means a business, and includes, but is not limited to, financial institutions, firms engaged in mortgage banking, investment banking, financial services, and asset management, investment consultants or advisors, underwriters, accountants, brokers, brokers-dealers, and providers of legal services—

- (1) Qualified as a Service-Disabled Veteran-Owned Small Business Concern as defined in 13 CFR 125.8 through 125.13; or
- (2) More than fifty percent (50%) of the ownership or control of which is held, directly or indirectly, by one or more persons with a disability; and
- (3) More than fifty percent (50%) of the net profit or loss of which accrues to one or more persons with a disability.

The term “**minority**” means any Black (or African) American, Native American (or American Indian), Hispanic (or Latino) American, or Asian American.

The term “**minority-owned business**” means a business, and includes, but is not limited to, financial institutions, firms engaged in mortgage banking, investment banking, financial services, and asset management, investment consultants or advisors, underwriters, accountants, brokers, brokers-dealers and providers of legal services—

- (1) More than fifty percent (50%) of the ownership or control of which is held, directly or indirectly, by one or more minority individuals; and
- (2) More than fifty percent (50%) of the net profit or loss of which accrues to one or more minority individuals.

The term “**women-owned business**” means a business, and includes, but is not limited to, financial institutions, firms engaged in mortgage banking, investment banking, financial services, and asset management, investment consultants or advisors, underwriters, accountants, brokers, brokers-dealers and providers of legal services—

- (1) More than fifty percent (50%) of the ownership or control of which is held, directly or indirectly, by one or more women; and
- (2) More than fifty percent (50%) of the net profit or loss of which accrues to one or more women.

VIII. Policy History Log:

Date Approved	Purpose	Author	Approved by
3/24/2017	New policy adopted to formalize board oversight of Bank’s diversity and inclusion efforts	Pratt	Board of Directors
9/29/2017	Revised to include new regulatory requirements.	Pratt	Board of Directors