

JRT REALTY GROUP, INC.

CERTIFIED MINORITY AND WOMAN-OWNED BUSINESS ENTERPRISE (M/WBE)

Diversity Spending Implications for Corporate Real Estate

Diversity, Equity & Inclusion have become trending topics, especially as of late, but the truth is supplier diversity initiatives have been in effect in some corporations for decades. A few have achieved over \$1 billion in annual spending across their diverse supplier base. Yet few of those dollars are contributed through real estate services. It appears that we are at a juncture where corporate supplier diversity goals are growing and corporate real estate can significantly contribute to achieving those goals.

The maturation of supplier diversity efforts applies not only to corporate programs, but also to the suppliers themselves, and the nature of goods and services supplied. Successful corporate supplier diversity starts with policy and becomes an integral part of corporate culture throughout the planning and review process of receiving goods and services.

What Types Of Companies Qualify As Diverse Suppliers? What Does Certification Mean?

The ownership of a company determines if it qualifies as a Diverse Supplier. A Diverse Supplier is generally a business in which at least 51 percent of the ownership or control of the company is in the hands of individuals from a recognized diverse group. Diverse individuals identify themselves as one of the following: Female, Asian, Black, Hispanic, Native American, Veterans, Disabled Veterans, Lesbian, Gay, Bisexual, Transgender. This definition has been established by several of the major national certification bodies. In today's parlance, they are often referred to as "M/WBE"s — Minority/Women-Owned Business Enterprises and other identifiers of diverse status.

Organizations such as the National Minority Supplier Development Council (NMSDC), Women's Business Enterprise National Council (WBENC), Small Business Administration (SBA), and the National Gay and Lesbian Chamber of Commerce (NGLCC) are independent bodies which provide commonly recognized certifications, applying stringent standards. Diverse certification is an important milestone in the life of a Diverse Supplier because it authenticates that the business is owned, managed, and controlled by a qualifying diverse group. Certification also opens the door for opportunities to contract with the federal government, which has a mandate to increase the number of diverse suppliers within an organization's supply chain.

These organizations audit the applicant companies to determine not only the true ownership but to assure that these companies are active participants in the assignments for which they are being compensated. It is only through proven ownership and active participation that a company can receive certification of diverse status.



UTILIZATION RATE OF M/WBES ON STATE CONTRACTS IN 2018-2019 FISCAL YEAR



EMPLOYMENT CONTRIBUTED BY WOMEN OWNED FIRMS



REVENUES CONTRIBUTED BY WOMEN OWNED FIRMS

Why Do Corporations Pursue Supplier Diversity Goals?

Early on, supplier diversity goals were a quid pro quo for doing business with the federal government. In exchange for a government contract, the supplier would agree to set goals for hiring and subcontracting to women, veterans and minorities. Today, even a brief review of the supplier diversity initiatives of many industry leaders illustrates that the commitment to diversity is broad and its benefits varied.

Supplier diversity has grown from its government related roots to social responsibility as part of the Environmental, Social & Governance directives (ESG) and the need to reflect the composition of a corporation's client base with their business partners.

On the federal level, companies can get tax breaks for using minority and women-owned businesses in procuring materials and supplies. There's also a federal tax incentive that reduces tax liabilities for companies using minorities that supply labor or services to a project funded with federal or state grants or loans.

JRT REALTY GROUP, INC.

CERTIFIED MINORITY AND WOMAN-OWNED BUSINESS ENTERPRISE (M/WBE)

Diversity Spending Implications for Corporate Real Estate

How Does A Supplier Diversity Commitment Benefit A Company?

- Promotes innovation through the introduction of new products, services, and solutions
- Provides multiple channels from which to procure goods and services
- Drives competition (on price and service levels) between the company's existing and potential vendors
- Allows a company to take advantage of new opportunities for business expansion with the emergence of new consumer needs based upon shifting demographic realities

Research shows that when companies increase their diverse spend, they see an increase in market share. Specifically, the correlation between high diverse spend and increased market share was markedly superior to the ROI from companies with low diverse spend.

Have Supplier Diversity And Diverse Suppliers Changed?

Supplier Diversity. The history of supplier diversity in the United States is firmly rooted in the civil rights movement of the 1950s and 1960s. Following race riots in Detroit in 1968, General Motors set up what is regarded as one of the first supplier diversity programs, and much of the American auto industry followed suit. Early movers in the electronics industry such as IBM established supplier diversity programs around the same time. Later, Public Law 95-507 established a program to encourage government contractors to include minority-owned businesses in their supply chains.

Diverse Suppliers. In all cases, the contribution of the diverse suppliers must add value to the corporate supply chain and meet the execution and quality criteria set by the company. Most diverse suppliers are small businesses. In general they begin as suppliers of low margin commodity type products such as printing, landscaping, or cleaning services. These small companies often lack access to capital to fulfill some of the requirements of large corporations. However, to focus on only such services makes it near impossible for corporations to meet their ever-expanding supplier diversity goals.

Recognizing this, corporate supplier diversity efforts have developed customer/supplier teaming models, as means to support small businesses and help them to overcome obstacles such as insurance or credit requirements so that they may qualify for more significant opportunities.

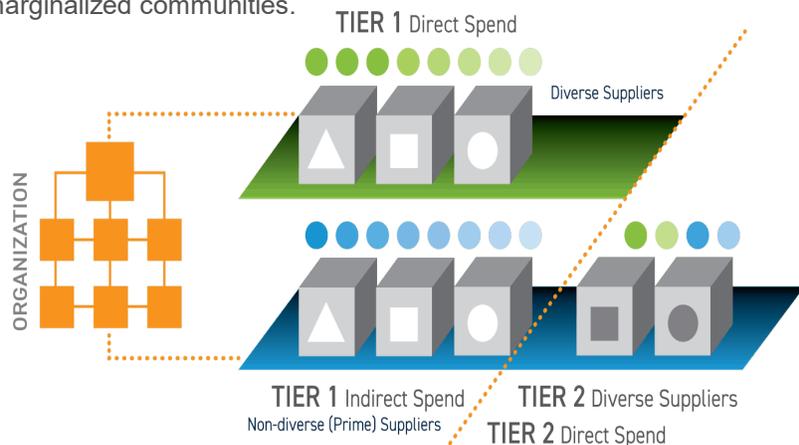
Many small/diverse business professional organizations encourage alliances with larger leaders in their fields as a means of developing the track record and acquiring the execution capabilities which enable them to service large corporate accounts.

Tier One Vs. Tier Two Spend: Explained

Corporations tend to measure supplier diversity participation in a manner that differentiates direct contracting with subcontracting. Direct contracts with diverse suppliers are considered **Tier One** credits, subcontracts to diverse suppliers are considered **Tier Two** contracts. In companies which measure diversity credits in this manner, corporate real estate managers should look for both direct and sub-contract opportunities to meet their corporate goals.

Expanding a company's diverse spend reporting to include Tier Two and beyond tells a bigger story about the economic impact your company spending has on the communities where those diverse businesses operate. Economic impact measures the effect of a purchasing event on the economy in a specified area. When we talk about economic impact in the supplier diversity context, we include metrics such as changes in business revenue, personal wages, and jobs created.

Multi-tier diverse spend reporting gives us insight into the real impact an inclusive supply chain has, often in underserved and marginalized communities.



JRT REALTY GROUP, INC.

CERTIFIED MINORITY AND WOMAN-OWNED BUSINESS ENTERPRISE (M/WBE)

Diversity Spending Implications for Corporate Real Estate

How Corporate Real Estate Executives Can Contribute To Supplier Diversity Goals

The types and scale of contributions to supplier diversity goals are largely dependent upon the organization of the corporate real estate department. The early successes have tended to focus in the areas of facilities management and construction. In both cases, there are long histories of Tier Two subcontracting to cleaning companies, various subcontracting construction trades, and architecture and landscaping. Some of those initial contracts have been the basis from which some of these firms have grown and created opportunities for Tier One contracts with the same entities.

Less impact has been felt in the real estate transaction and consulting arenas. Inroads have begun to be made in areas of subcontracts to specialized research groups, such as demographers, and some regional firms for small transactions. Following the model of other service businesses, some M/WBE firms have begun to form alliances with market leaders to provide professional services on both a Tier One and Tier Two level. When corporations begin to engage the services of M/WBE professional firms, the size of the real estate contributions will begin to make an impact on the corporate level.

Time To Step Up

Creating a supplier diversity program might be difficult in the near term in specialized markets where there are very few qualified suppliers such as defense. But for most major companies, these programs represent an opportunity to actively join the fight against racial discrimination, create economic opportunity, and enhance their businesses.

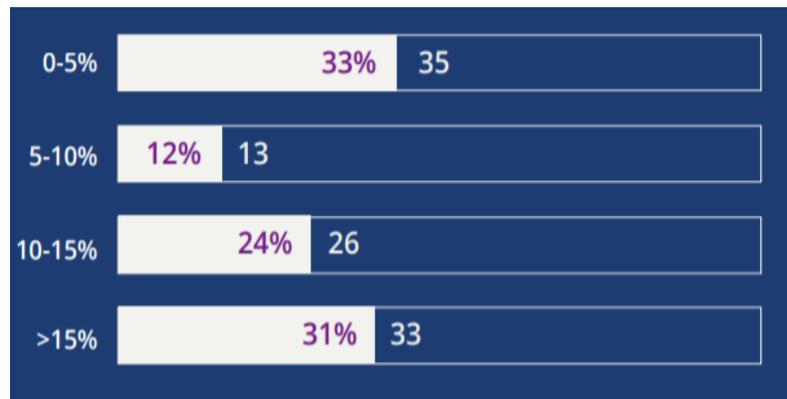
We can help you design and execute custom playbooks, detailing how to achieve your workforce and supplier diversity goals based on our 25 years of experience in the diversity, equity and inclusion space as well as our deep resources and national network connections within the supplier diversity community.



The largest woman-owned commercial real estate firm in the United States.

212 445 1200
jrtrealty.com

780 Third Avenue, New York, NY 10017
1290 Avenue of the Americas, New York, NY 10104
2141 Rosecrans Avenue, El Segundo, CA 90245



Percentage of Tier 1 Spend With Diverse Suppliers

2019 State of Supplier Diversity Report—Supplier Diversity Programs | 135 Supplier Diversity Professionals

Why Is Supplier Diversity Important For You?

- The effectiveness of supplier diversity efforts is enhanced by communication and measurement. These tools can be equally effective in the corporate real estate organization. To assist you in contributing to your corporate goals, it is important to make this a topic of conversation with your suppliers and potential vendors. Once made aware of these criteria, they will work on ways to support your goals
- Supplier diversity programs can be part of a company's efforts to maintain high moral and ethical standards. Inclusive procurement also delivers broader societal benefits by generating economic opportunity for disadvantaged communities.
- An inclusive procurement strategy widens the pool of potential suppliers and promotes competition in the supply base, which can improve product quality and drive down costs.