

**Bank Director**® Strong Board. Strong Bank.

October 2020  
**Research**

# 2020 Governance Best Practices Survey

SPONSORED BY:

BRYAN  
CAVE  
LEIGHTON  
PAISNER **BCLP**



# TABLE OF CONTENTS

<b>Executive Summary</b>	<b>3</b>
<b>Key Findings</b>	<b>4</b>
<b>Board Meetings</b>	<b>5</b>
<b>Board Independence</b>	<b>10</b>
<b>Oversight</b>	<b>15</b>
<b>Training &amp; Education</b>	<b>18</b>
<b>Board Composition &amp; Refreshment</b>	<b>20</b>
<b>Performance</b>	<b>28</b>
<b>About the Survey</b>	<b>32</b>

## About Bank Director

Since its inception in 1991, Bank Director has been a leading information resource for senior officers and directors of financial institutions. Chairmen, CEOs, CFOs, presidents and directors of banks and financial institutions turn to Bank Director to keep pace with the ever-changing landscape of the financial services industry. For more information about Bank Director, visit [www.bankdirector.com](http://www.bankdirector.com).

**Bank**Director.

## About Bryan Cave Leighton Paisner

With 1,400 lawyers in 32 offices across North America, Europe, the Middle East and Asia, Bryan Cave Leighton Paisner LLP is a fully integrated global law firm that provides clients with connected legal advice, wherever and whenever they need it. The firm is known for its relationship-driven, collaborative culture, diverse legal experience and industry-shaping innovation and offers clients one of the most active M&A, real estate, financial services, litigation and corporate risk practices in the world. For more information about Bryan Cave Leighton Paisner, visit [www.bryancave.com](http://www.bryancave.com).





## EXECUTIVE SUMMARY



**Emily McCormick** is the vice president of research for Bank Director, an information resource for directors and officers of financial companies. You can follow her on Twitter or get connected on LinkedIn.

### Numerous factors influence the effectiveness of a corporate board, including its composition, its culture, its relationship with management, and its commitment to training and education.

How bank boards go about their work — from building meeting agendas to evaluating their performance — forms the focus of Bank Director’s inaugural 2020 Governance Best Practices Survey, sponsored by Bryan Cave Leighton Paisner. The survey, conducted in February and March, gathers the views of independent directors, chairs and CEOs of U.S. banks.

The survey identifies two key challenges facing bank boards today: staying abreast of changes that are occurring throughout the banking industry (69%), and cybersecurity and similar emerging issues (69%). The survey, it should be noted, was conducted just before banks had to shift operations to comply with stay-at-home orders and keep their customers and employees safe, and the accompanying wave of mass adoption of digital technology reported by banks large and small.

Covid-19 accelerated an ongoing digital evolution. At the same time, banks also need to weigh how they’ll effectively serve a younger, more ethnically diverse demographic.

The composition of bank boards should reflect these societal and technological changes. Thirty-nine percent indicate that finding qualified directors is one of their board’s greatest challenges. Respondents say they’re seeking directors with expertise in technology (63%) and cybersecurity (51%). They’re also seeking directors who fall within the Generation X or millennial cohorts (51%); just one-quarter have several directors under the age of 55 serving on the board.

But are responding directors making room on the board for new views? Less than half say their board conducts an annual evaluation of its overall performance; of these, just 40% use the results to identify underperforming directors. Yet, 42% admit that some board members should be replaced due to underperformance. And 39% say that at least some directors aren’t actively engaged during board and committee meetings.

Without a board operating at its best, it will be difficult for the bank to face the challenges ahead.

## KEY FINDINGS

### → Decision-Making Process

Three-quarters say the full board meets monthly. Meetings tend to last one or two hours (40%), or three or four hours (47%). Forty-two percent lack an executive committee; those that do have one tend to meet irregularly.

### → Director Independence

More than half (58%) say their board has an independent chair. At these banks, 20% say the chair sets the agenda for every board meeting; 67% say the chair contributes to the agenda. At boards where the CEO is also the chair, only 55% have a lead director.

### → Oversight

Sixty-one percent say most directors are actively engaged; however, 36% say only some are. The majority — 87% — say they're confident that management shares all relevant information with the board in a proactive manner.

### → Pushback on Diversity

Forty percent of respondents believe the performance benefits from greater race, gender or ethnic diversity is overrated, and 8% say it doesn't improve the board's performance at all. Fewer than 40% say their board features several directors who fit that definition of diversity.

### → Assessing Performance

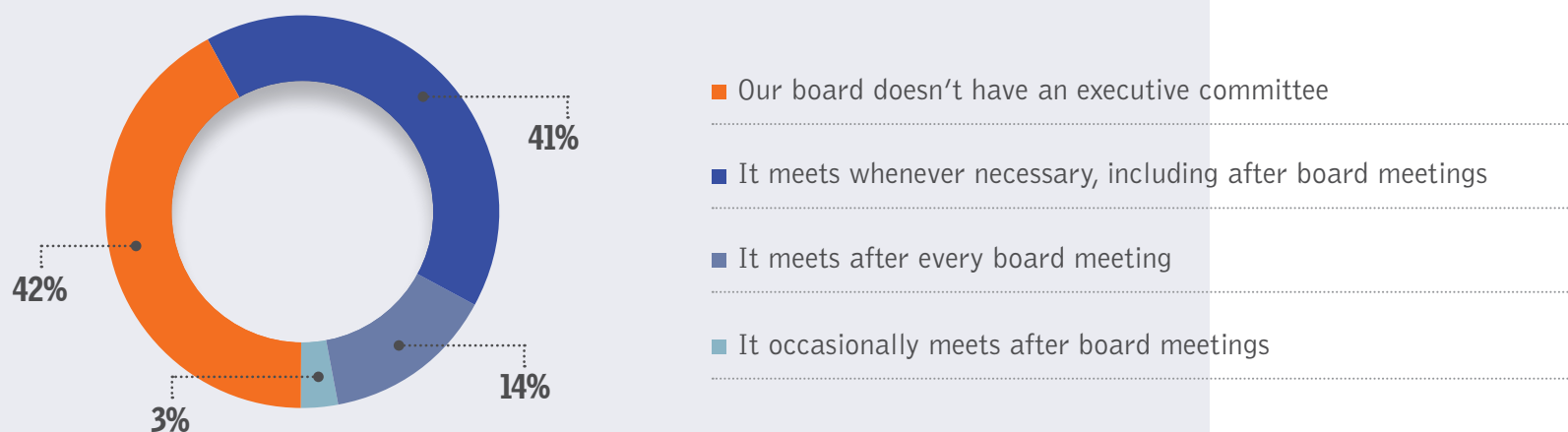
Forty-three percent indicate that at least one or two directors are underperforming and should be replaced. Almost half perform an annual evaluation of the board's overall performance, but only 40% use it to identify underperforming directors.

### → Board Refreshment

Twenty percent say their board doesn't have a process in place to create space for new backgrounds and expertise on the board. Forty-three percent have a firm mandatory retirement age, at a median of 73. Thirty-nine percent say that finding qualified directors is one of the greatest challenges facing their board today.

# BOARD MEETINGS

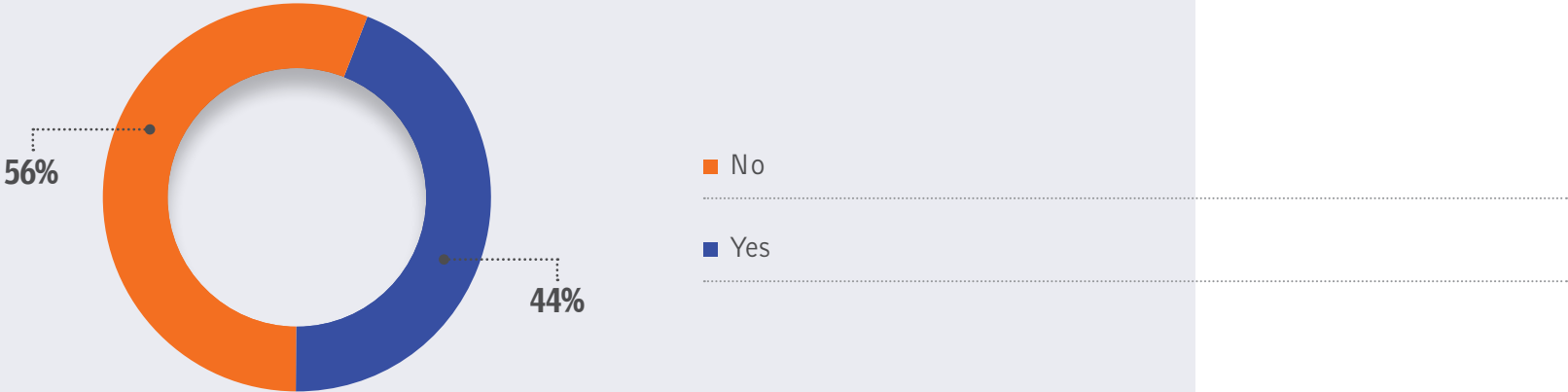
## 1. If your board has an executive committee, what is its normal routine?



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Our board doesn't have an executive committee	18%	41%	37%	57%	42%
It meets whenever necessary, including after board meetings	73%	44%	46%	19%	41%
It meets after every board meeting	9%	12%	12%	22%	14%
It occasionally meets after board meetings	-	3%	5%	3%	3%

## 2. Is your board’s executive committee comprised of only independent directors?

Question only asked of respondents who indicated their board has an executive committee. \*Indicates less than 10 responses within a category.



Bank Asset Size	>\$10B*	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
No	22%	59%	56%	69%	56%
Yes	78%	41%	44%	31%	44%

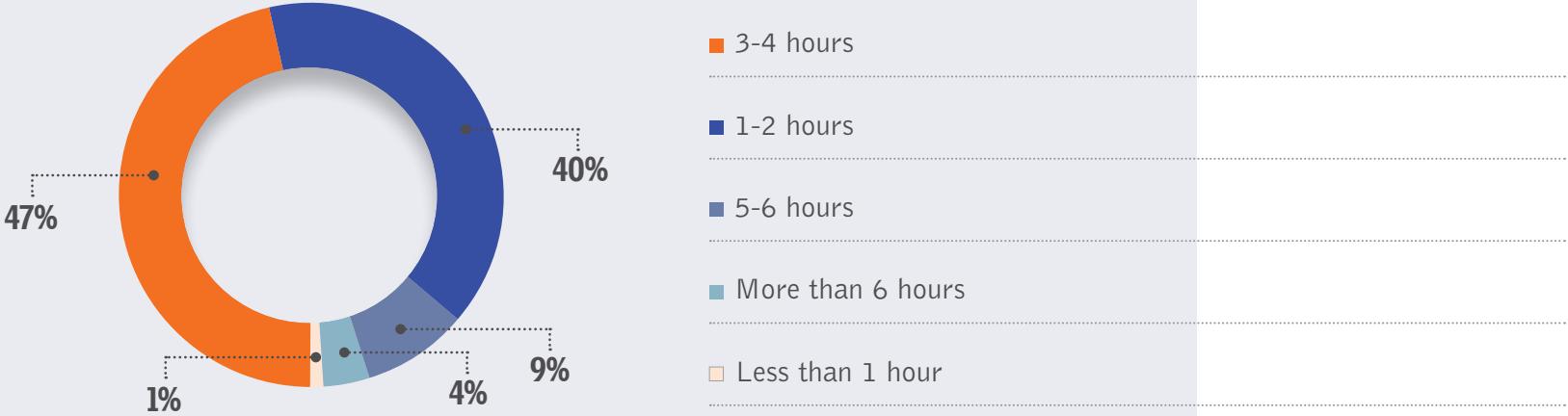
### 3. How often does your full board meet?



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Monthly	33%	67%	86%	89%	75%
Other	8%	22%	7%	5%	13%
Bimonthly (every two months)	33%	8%	2%	3%	7%
Quarterly	25%	3%	5%	3%	5%

# 4. How long is an average meeting of your full board?

Numbers don't add up to 100% due to rounding.

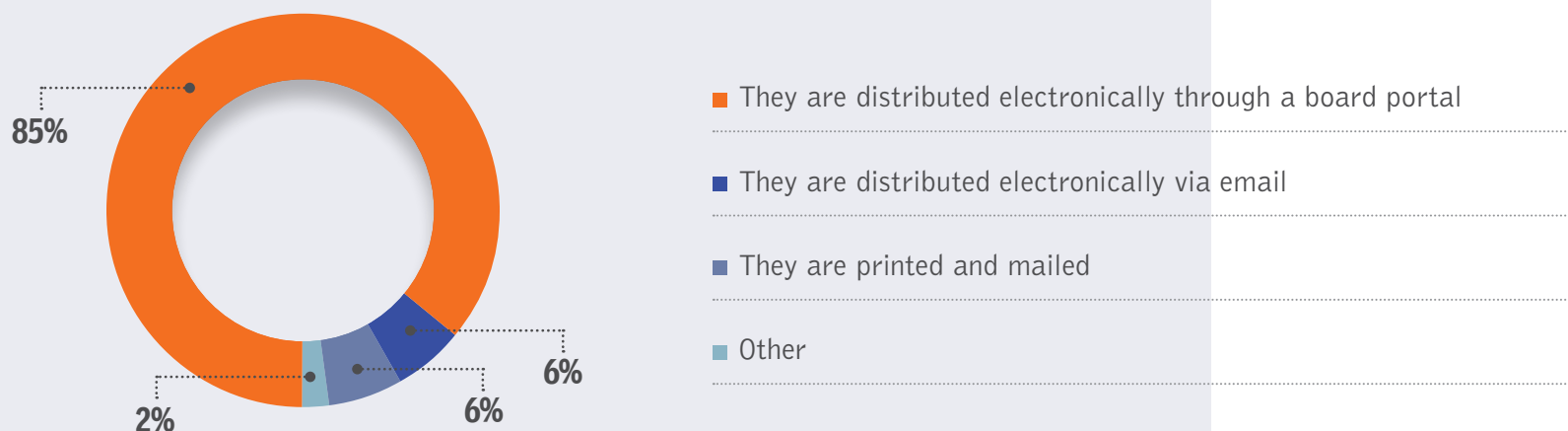


Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
3-4 hours	42%	54%	41%	43%	47%
1-2 hours	8%	30%	55%	51%	40%
5-6 hours	25%	10%	5%	5%	9%
More than 6 hours	25%	5%	-	-	4%
Less than 1 hour	-	2%	-	-	1%



## 5. How do your directors receive their meeting materials prior to every board meeting?

Numbers don't add up to 100% due to rounding.

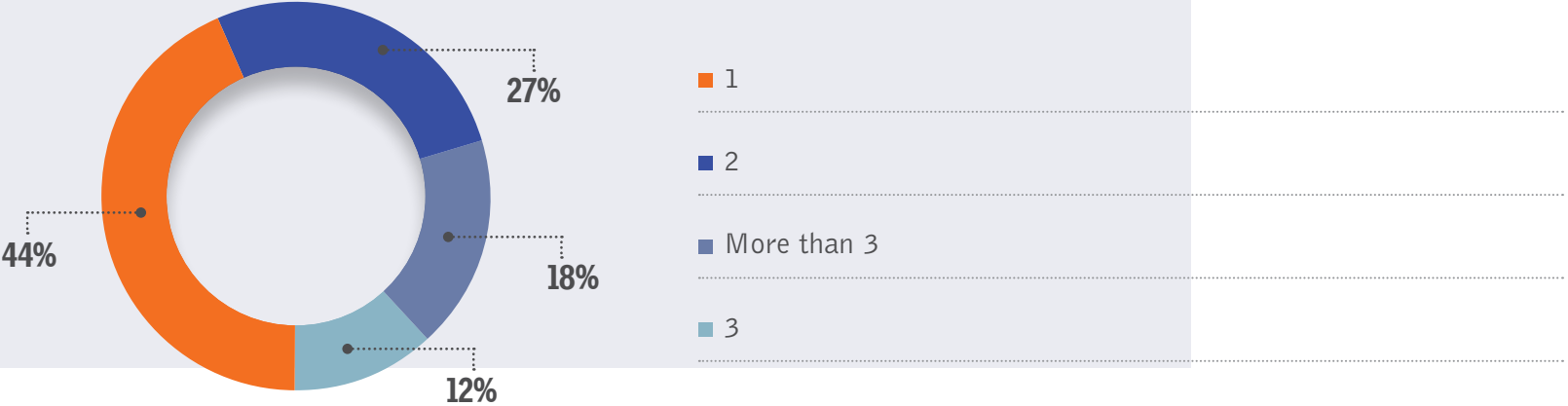


Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
They are distributed electronically through a board portal	92%	91%	83%	76%	85%
They are distributed electronically via email	8%	3%	7%	11%	6%
They are printed and mailed	-	5%	7%	11%	6%
Other	-	2%	2%	3%	2%

# BOARD INDEPENDENCE

## 6. How many inside directors (non-independent) does your board have?

Numbers don't add up to 100% due to rounding.



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
1	50%	49%	43%	33%	44%
2	25%	21%	21%	44%	27%
More than 3	17%	18%	24%	11%	18%
3	8%	12%	12%	11%	12%

## 7. Your board chair is:

■ An independent director

■ Also the CEO

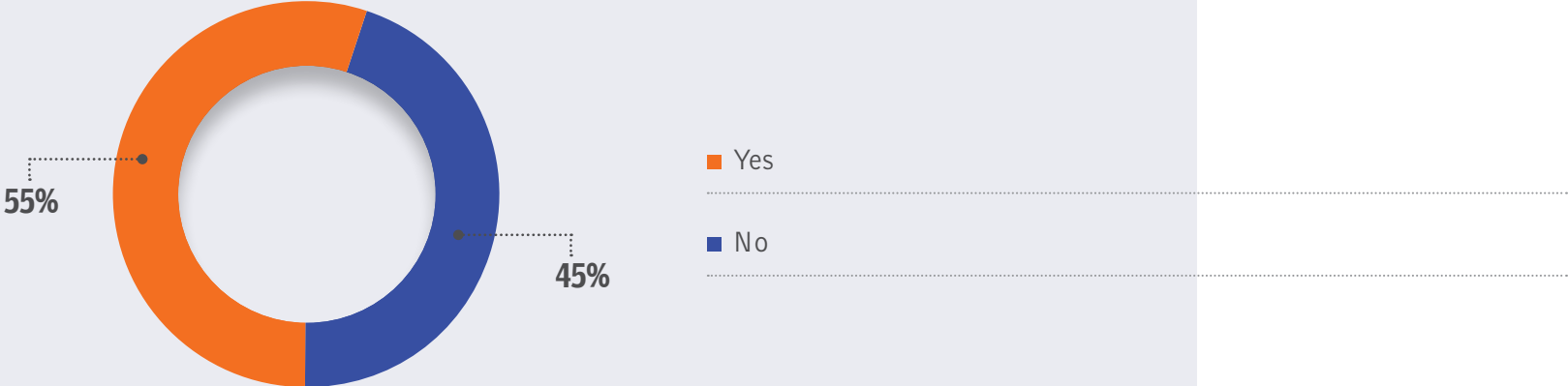
■ Other



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
An independent director	50%	51%	59%	73%	58%
Also the CEO	50%	30%	37%	22%	31%
Other	-	19%	5%	5%	11%

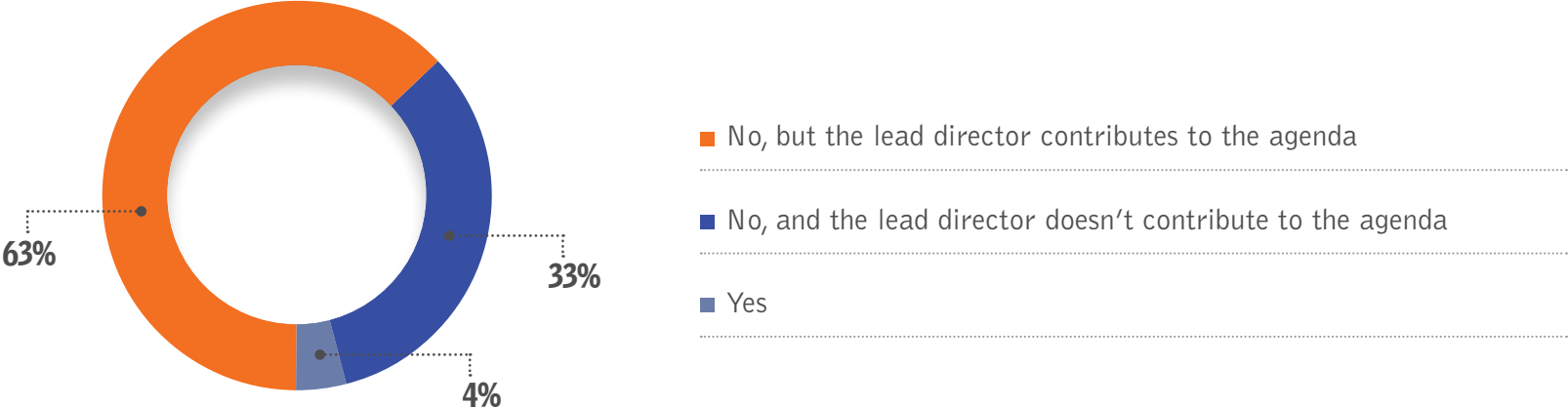
## 8. If the CEO is also the board chair, does the board have a lead director?

Question only asked of respondents who indicated the board chair is also the CEO.



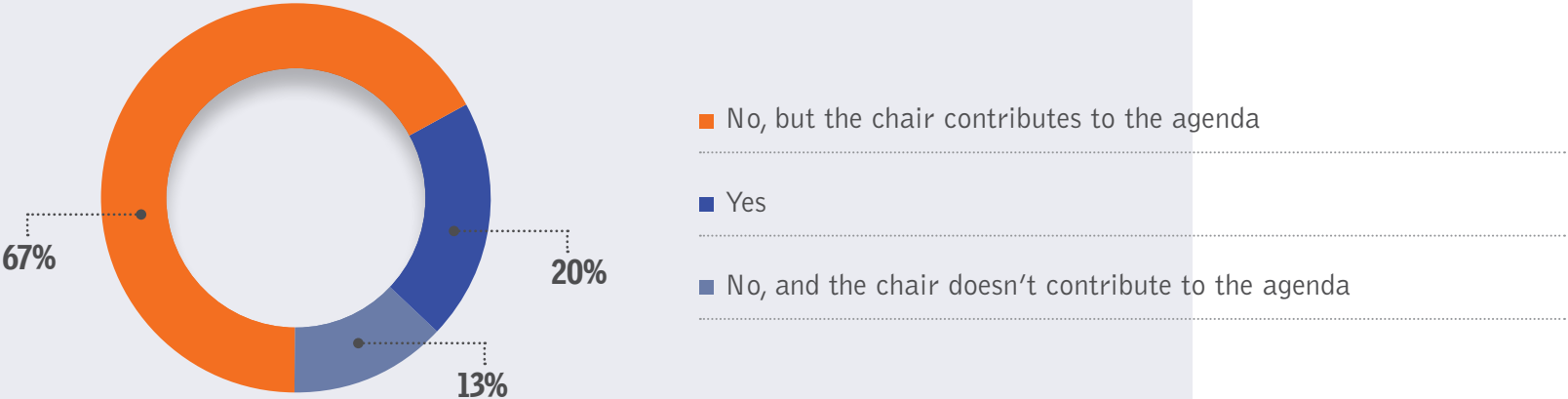
## 9. Does the lead director set the agenda for every board meeting?

Question only asked of respondents who indicated the board chair is also the CEO and that the board has a lead director.



# 10. Does the independent chair set the agenda for every board meeting?

Question only asked of respondents who indicated the board chair is an independent director. \*Indicates less than 10 responses within a category.



Bank Asset Size	>\$10B*	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
No, but the chair contributes to the agenda	83%	68%	67%	63%	67%
Yes	17%	27%	17%	15%	20%
No, and the chair doesn't contribute to the agenda	-	6%	17%	22%	13%

# 11. Do your directors feel that they can raise issues or concerns, even if they don't appear on the agenda?



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	100%	100%	93%	92%	96%
Unsure	-	-	7%	5%	3%
No	-	-	-	3%	1%



# OVERSIGHT

## 12. How would you characterize the level of your board's oversight?

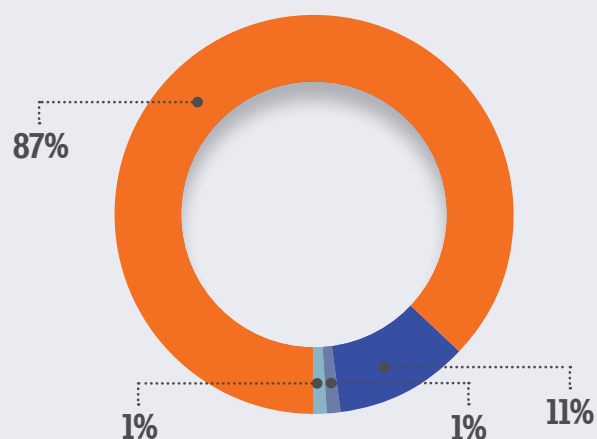
Numbers don't add up to 100% due to rounding.



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
The board respects the management team's prerogatives, but takes governance responsibilities seriously and tries to strike the right balance	100%	89%	90%	86%	90%
The board tends to be too passive and deferential toward management	-	8%	10%	8%	8%
The board tends to overstep its bounds on occasion, which causes friction with management	-	3%	-	6%	3%

## 13. How would you characterize the level of transparency in your board governance process?

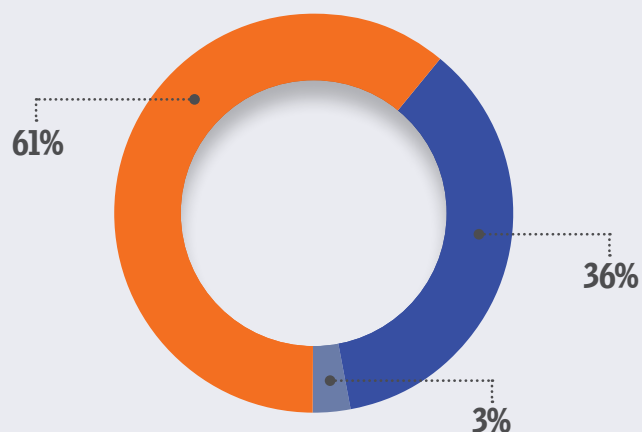
CEOs and "other" titles were not asked this question.



- I am confident that management shares all relevant information in a proactive manner
- Management will answer directors' questions but may withhold certain information unless requested
- I feel that management sometimes holds back negative information from the board and discourages too many questions
- I believe there have been instances when management has deliberately held back information from the board

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
I am confident that management shares all relevant information in a proactive manner	100%	87%	79%	94%	87%
Management will answer directors' questions but may withhold certain information unless requested	-	10%	21%	6%	11%
I feel that management sometimes holds back negative information from the board and discourages too many questions	-	2%	-	-	1%
I believe there have been instances when management has deliberately held back information from the board	-	2%	-	-	1%

## 14. How would you rate the level of your board's engagement in the governance process?

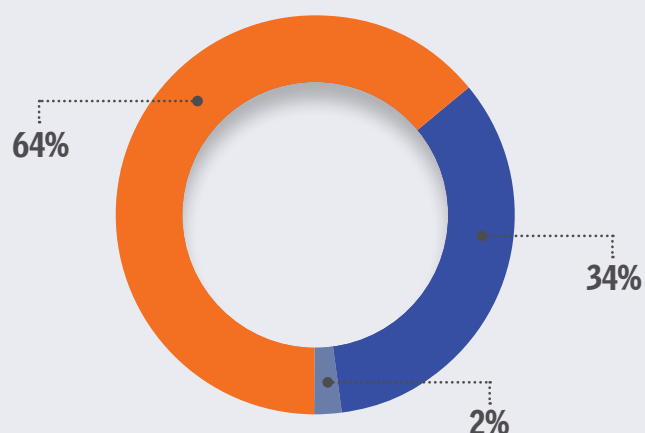


- Most directors are actively engaged and ask questions during board and/or committee meetings
- Some directors are actively engaged and ask questions during board and/or committee meetings, but others do not
- Most directors are not engaged and ask few (if any) questions during meetings

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Most directors are actively engaged and ask questions during board and/or committee meetings	67%	64%	60%	56%	61%
Some directors are actively engaged and ask questions during board and/or committee meetings, but others do not	33%	32%	40%	39%	36%
Most directors are not engaged and ask few (if any) questions during meetings	-	5%	-	6%	3%

## TRAINING & EDUCATION

### 15. How would you rate your independent directors' knowledge of banking?

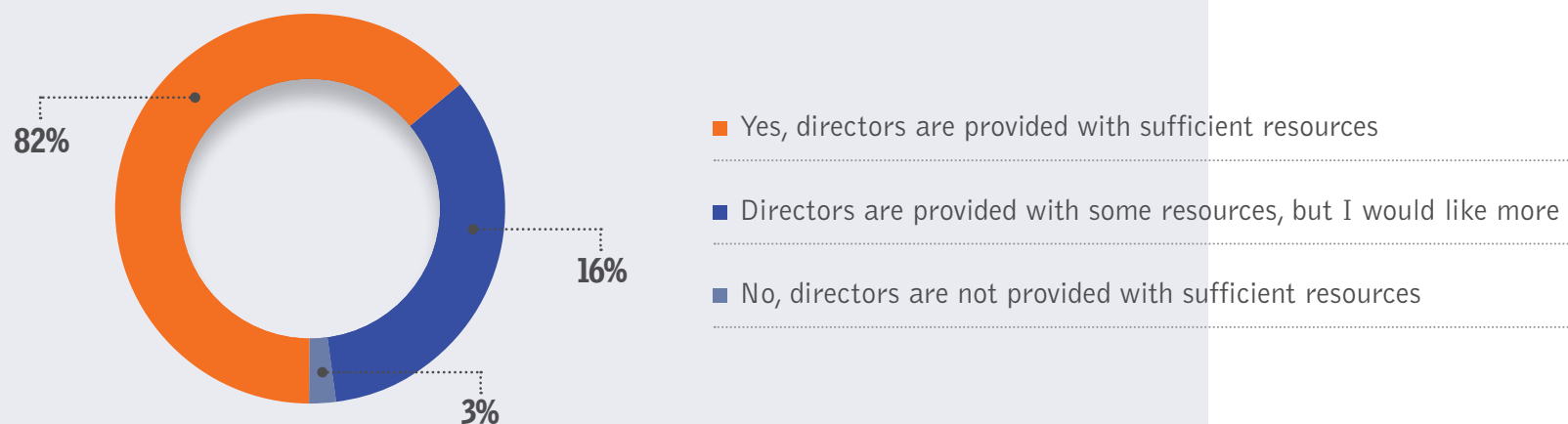


- Most of our independent directors know enough about banking to provide effective oversight
- Some of our independent directors know enough about banking to provide effective oversight, but others do not
- Most of our independent directors lack sufficient knowledge about banking to provide effective oversight

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Most of our independent directors know enough about banking to provide effective oversight	75%	70%	55%	58%	64%
Some of our independent directors know enough about banking to provide effective oversight, but others do not	25%	27%	45%	39%	34%
Most of our independent directors lack sufficient knowledge about banking to provide effective oversight	-	3%	-	3%	2%

## 16. Does your board provide you with sufficient training and educational opportunities to improve your performance as a director?

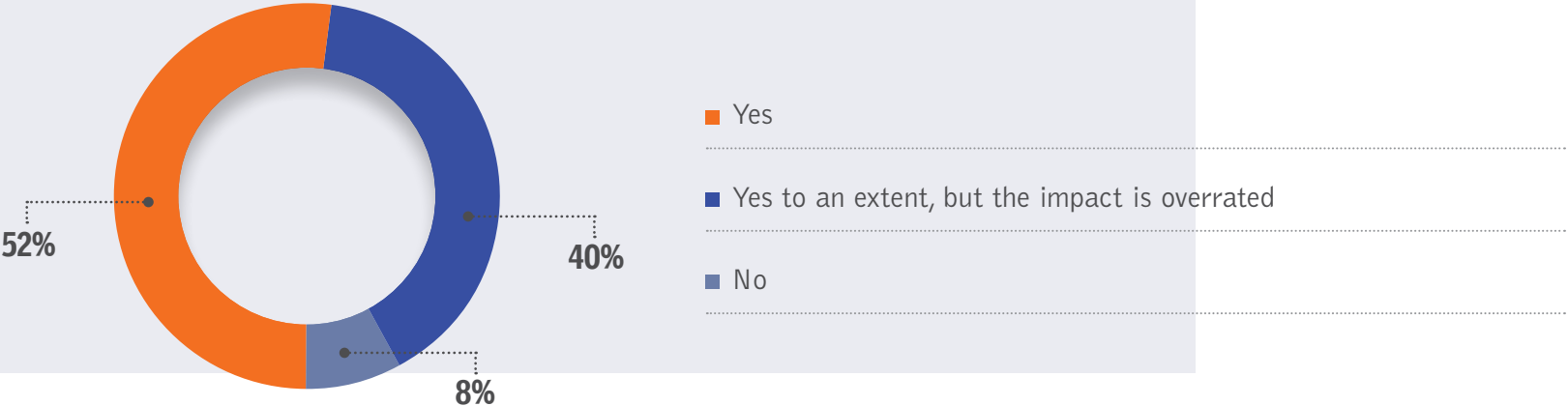
Numbers don't add up to 100% due to rounding. CEOs and "other" titles were not asked this question.



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes, directors are provided with sufficient resources	70%	79%	96%	77%	82%
Directors are provided with some resources, but I would like more	30%	19%	-	18%	16%
No, directors are not provided with sufficient resources	-	2%	4%	6%	3%

# BOARD COMPOSITION & REFRESHMENT

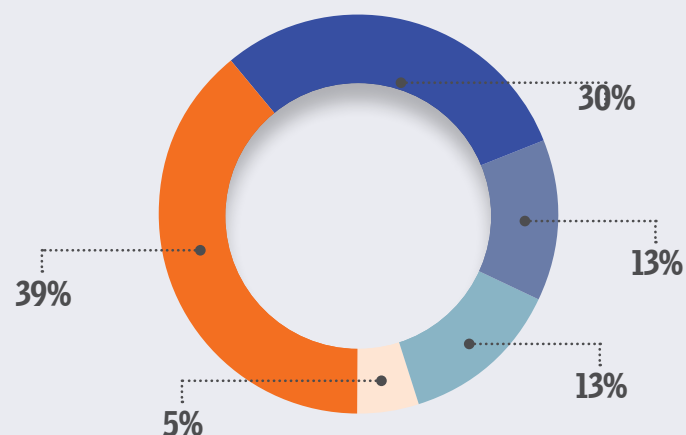
17. Do you believe that greater diversity, defined by race, gender and ethnicity, improves the performance of a corporate board?



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	55%	62%	50%	34%	52%
Yes to an extent, but the impact is overrated	46%	31%	40%	57%	40%
No	-	8%	11%	9%	8%



## 18. How would you characterize your board's diversity as defined by race, gender or ethnicity?



- We have several board members who fit that definition of diversity
- We have one or two directors who fit that definition of diversity, but we want to recruit more
- We have one or two directors who fit that definition of diversity, and we believe that is sufficient
- We don't have any directors who fit that definition of diversity, and we would like to recruit some
- We don't have any directors who fit that definition of diversity and are not seeking to add those attributes

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
We have several board members who fit that definition of diversity	82%	53%	34%	3%	39%
We have one or two directors who fit that definition of diversity, but we want to recruit more	9%	32%	40%	23%	30%
We have one or two directors who fit that definition of diversity, and we believe that is sufficient	9%	8%	13%	26%	13%
We don't have any directors who fit that definition of diversity, and we would like to recruit some	-	6%	11%	31%	13%
We don't have any directors who fit that definition of diversity and are not seeking to add those attributes	-	2%	3%	17%	5%

## 19. Does the board have a process in place to create new seats for board members?

Respondents were asked to select all that apply.

**43%** The board has a mandatory retirement age, and we stick to it

**41%** All directors are elected annually

**31%** The board performs an annual assessment of individual directors



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
The board has a mandatory retirement age, and we stick to it	36%	52%	55%	17%	43%
All directors are elected annually	64%	29%	42%	54%	41%
The board performs an annual assessment of individual directors	55%	42%	26%	9%	31%
We don't have a process in place to create space on the board	-	15%	16%	40%	20%
The board has a mandatory retirement age, with exceptions	46%	12%	5%	20%	15%
Other	-	18%	3%	11%	11%
The board has tenure or term limits	9%	11%	-	-	5%

## 20. What is the mandatory retirement age for directors?

Median value reported. The mandatory retirement age reported ranges from 70 to 80 years. Question asked of respondents who indicate their board has a mandatory retirement age. \*Indicates less than 10 responses within a category.



73

**Median retirement age**

Bank Asset Size	>\$10B*	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Median mandatory retirement age	74.5	72	75	75	73

## 21. How many years have you served on the board?

Median value reported. CEOs and "other" titles were not asked this question.

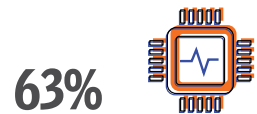


12

**Median Years Served on the Board**

## 22. What skill sets, professional experience or life perspective would you like to add to your board?

Respondents were asked to select all that apply. \*Indicates less than 10 responses within a category.



Technology



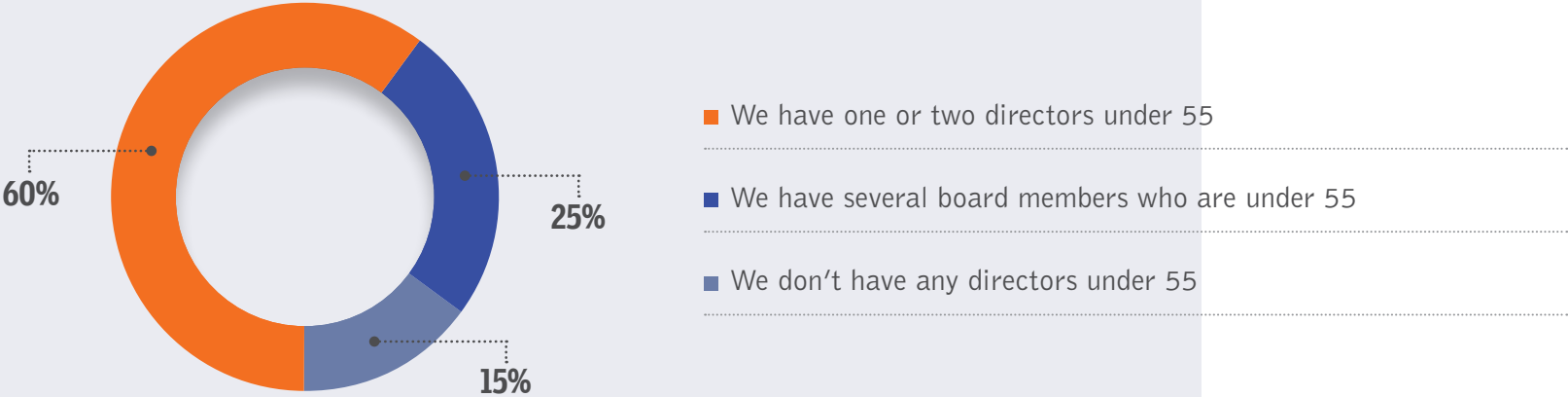
Cybersecurity



Millennial or Gen X directors

Bank Asset Size	>\$10B*	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Technology	56%	55%	75%	69%	63%
Cybersecurity	44%	58%	44%	46%	51%
Directors who belong to the millennial (24-39) or Gen X (40-54) cohort	11%	45%	64%	57%	51%
Digital commerce	56%	36%	28%	23%	32%
Marketing	-	31%	28%	40%	31%
Risk management	11%	31%	31%	26%	29%
Finance	11%	13%	25%	17%	17%
Mergers & acquisitions (M&A)	11%	11%	25%	17%	16%
Public company experience	56%	22%	3%	3%	15%
Social media	11%	9%	14%	20%	13%
Other	11%	13%	11%	11%	12%

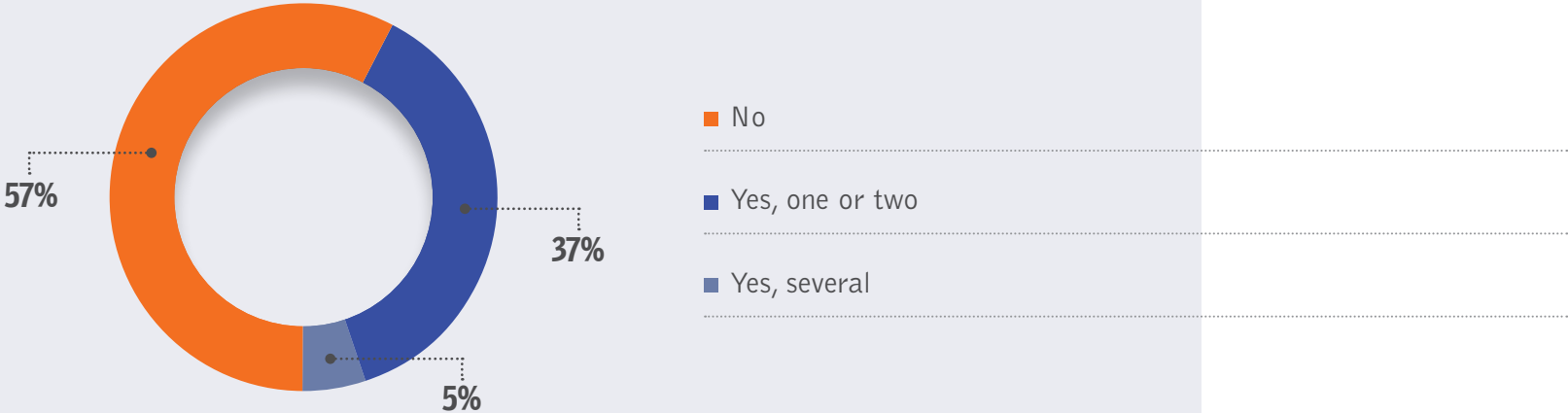
### 23. Are there any directors currently serving on the board who are under the age of 55 years old?



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
We have one or two directors under 55	50%	60%	66%	56%	60%
We have several board members who are under 55	20%	29%	21%	22%	25%
We don't have any directors under 55	30%	11%	13%	22%	15%

# 24. Are there individuals on your board who you believe are underperforming and should be replaced?

Numbers don't add up to 100% due to rounding.



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
No	50%	63%	58%	49%	57%
Yes, one or two	50%	31%	40%	43%	37%
Yes, several	-	6%	3%	9%	5%



## 25. Which of the following describe your background?

Respondents were asked to select all that apply.

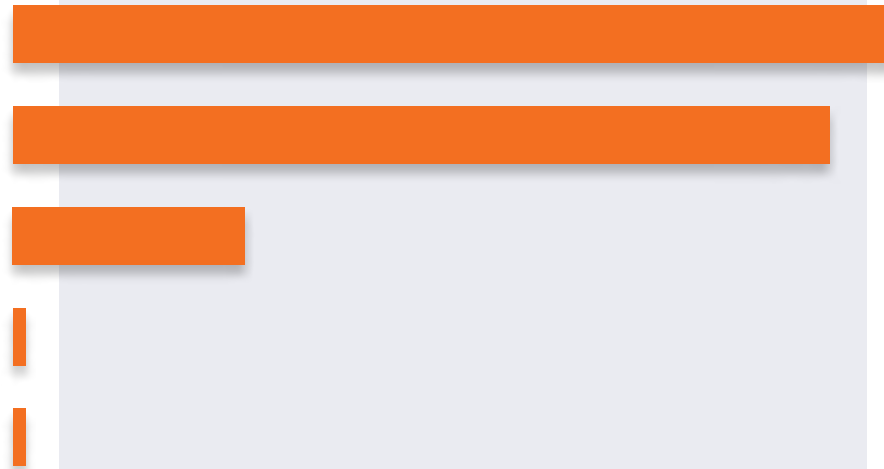
**84%** White

**78%** Male

**22%** Female

**1%** African American

**1%** Hispanic



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
White	70%	86%	87%	80%	84%
Male	70%	73%	82%	86%	78%
Female	30%	27%	18%	14%	22%
African American	10%	-	3%	-	1%
Hispanic	-	2%	-	-	1%

# PERFORMANCE

## 26. What concerns you most about the long-term viability of your bank?

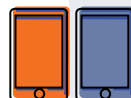
Respondents were asked to select up to three options.

53%



Net interest margin pressure

40%



Meeting the demands of our customers for digital options

39%



Industry consolidation and the growing power of big banks

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Net interest margin pressure	73%	50%	53%	54%	53%
Meeting the demands of our customers for digital options	36%	42%	28%	49%	40%
Industry consolidation and the growing power of big banks	9%	39%	36%	51%	39%
Ability to grow organically in our market(s)	36%	33%	39%	40%	36%
Managing the regulatory burden	27%	28%	36%	40%	33%
Adapting to changing customer demographics	55%	34%	25%	17%	30%
Ability to find an acquisition target(s)	18%	23%	28%	11%	21%
Financial ability to invest in technology	18%	17%	22%	20%	19%
Surviving the next recession	-	5%	11%	6%	6%

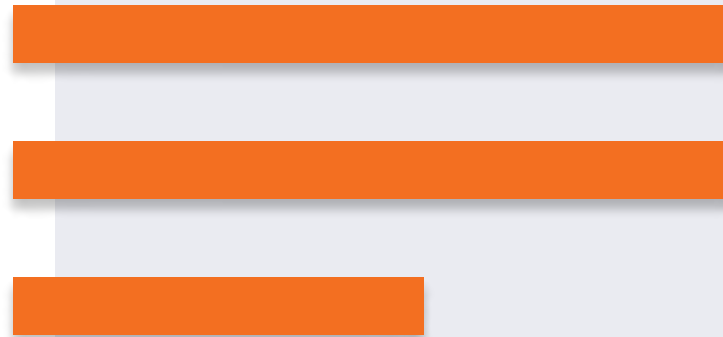
## 27. What are the greatest challenges facing your board?

Respondents were asked to select all that apply.

**69%** Staying abreast of changes that are occurring throughout the banking industry

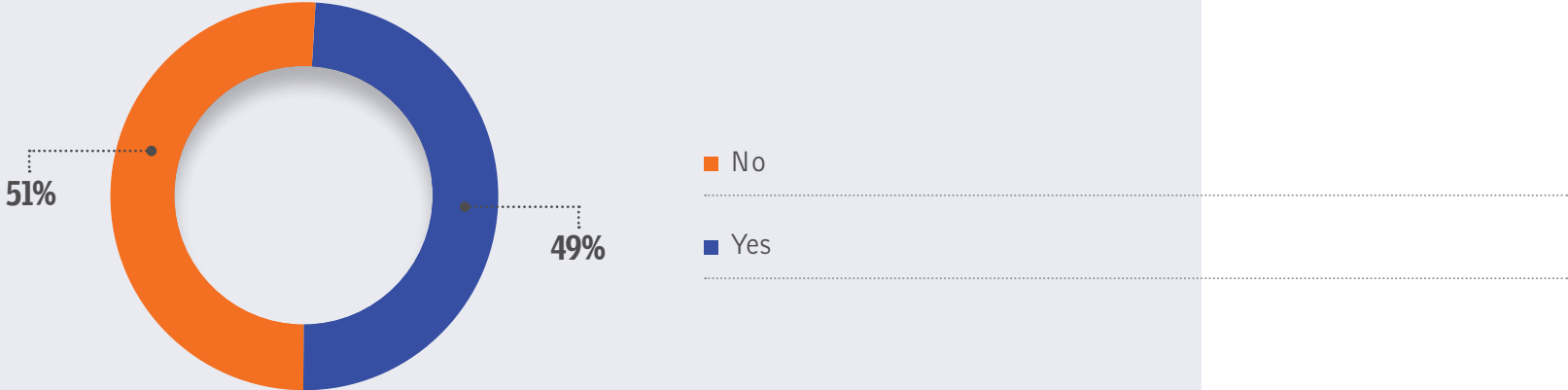
**69%** Staying on top of cybersecurity and similar emerging issues

**39%** Finding qualified directors to serve on the board



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Staying abreast of changes that are occurring throughout the banking industry	73%	68%	65%	71%	69%
Staying on top of cybersecurity and similar emerging issues	64%	70%	59%	77%	69%
Finding qualified directors to serve on the board	18%	37%	41%	46%	39%
Handling the workload required to be an effective board	27%	27%	38%	20%	28%
Managing the regulatory relationship	27%	13%	21%	26%	19%
Managing divisions on the board between various directors or factions	-	8%	9%	3%	6%
Maintaining a good working relationship with management	9%	2%	9%	6%	5%

# 28. Does your board perform an annual assessment of its overall performance?



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
No	9%	33%	56%	91%	51%
Yes	91%	67%	44%	9%	49%

## 29. How does the board use the results of its annual assessment?

Respondents were asked to select all that apply. Question asked of respondents whose board performs an annual assessment of its overall performance.

**79%** To improve governance processes

**68%** To assess committee performance

**68%** To identify training needs for the board

**40%** To identify underperforming directors

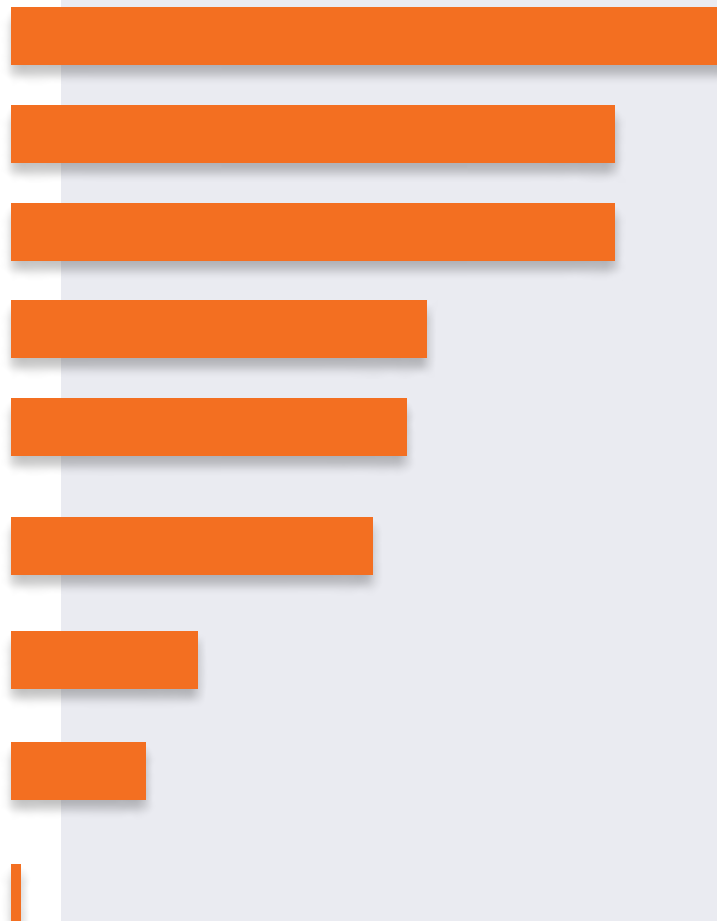
**38%** To inform the strategic plan

**35%** To conduct one-on-one conversations with directors

**18%** To modify the board's composition

**13%** To identify a need for external consultants/advisors

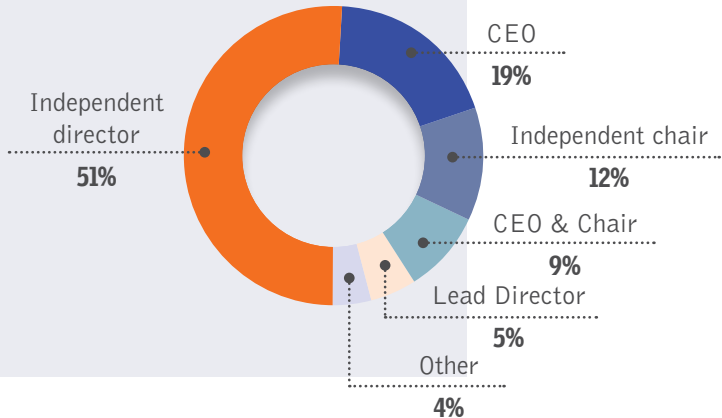
**1%** Other



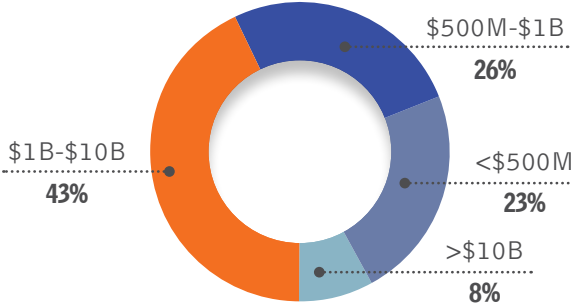
# ABOUT THE SURVEY

Bank Director’s 2020 Governance Best Practices Survey, sponsored by Bryan Cave Leighton Paisner, surveyed 159 independent directors, chairmen and chief executives of U.S. banks under \$50 billion in assets to understand the practices of bank boards, including board independence, discussions and oversight, engagement and refreshment. The survey was conducted in February and March 2020. More than two-thirds serve as an independent director, lead director or chairman; three-quarters are between 61 and 80 years old. Roughly half represent a bank over \$1 billion in assets.

## TITLE

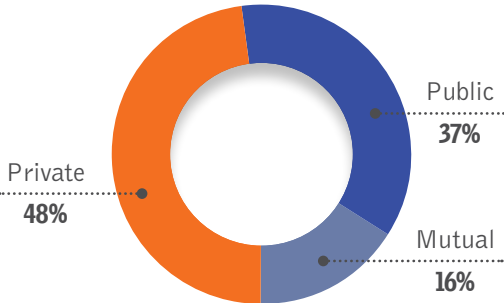


## ASSET SIZE



## OWNERSHIP STRUCTURE

Numbers don't add up to 100% due to rounding.



## RESPONDENT AGE

Numbers don't add up to 100% due to rounding.

