

# 2021 Governance Best Practices Survey

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## About Bank Director

Bank Director reaches the leaders of the institutions that comprise America's banking industry. Since 1991, Bank Director has provided board-level research, peer-insights and in-depth executive and board services. Built for banks, Bank Director extends into and beyond the boardroom by providing timely and relevant information through *Bank Director* magazine, board training services and the financial industry's premier event, Acquire or Be Acquired. For more information, please visit [www.bankdirector.com](http://www.bankdirector.com).

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## EXECUTIVE SUMMARY



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**The best banks balance short-term thinking with long-term strategy.**

**"Long-term performance is always our paramount objective," Bank OZK Chair and CEO George Gleason told Bank Director at its recent Inspired by Acquire or Be Acquired virtual event. The \$27 billion bank topped Bank Director's 2021 RankingBanking study. "If short-term results suffer because of our focus on long-term objectives, then that's just part of it."**

Strategic discipline starts with a bank's leadership team — and the board should play an important role in developing the strategy and monitoring its execution. But that's not always the case, according to the results of the 2021 Governance Best Practices Survey.

The survey explores the board's approach to strategic planning, as well as governance practices, board composition and the relationship between executives and the board. The results find that most boards don't drive strategic planning at their institutions: Just 20% say the board drives this process and collaborates with management to develop the strategic plan. Most — 56% — say their board establishes the risk appetite but relies on management to develop the strategy.

The vast majority believe their strategic planning process is effective. But of the 11% who believe their process to be ineffective, some express regret over the lack of input from their board. One respondent believes their bank's strategic plan to be "too in the weeds," while another holds the opposite concern. "It flies at 30,000 feet for [the] most part," says one independent chair. "[We] need to get a little closer to the ground with metrics and clear paths for management to build."

Most — 84% — reviewed their strategic plan during the pandemic, but few shortened the time horizon of their strategy. This may seem surprising, given previous indicators that Covid-19 accelerated bank strategy in some areas, particularly around the implementation of digital technology. Perhaps this indicates that, for most bank leadership teams, balancing short-term results and long-term strategy remains top of mind.

## KEY FINDINGS

### → Strategic Review

Three-quarters of respondents say their board reviews the strategic plan annually. Roughly two-thirds bring in an outside advisor or consultant to assist in developing the strategic plan — but not generally every year.

### → Board Responsibilities

When asked to identify the board's most important functions, the majority of respondents point to holding management accountable for achieving goals in a safe and sound manner (61%) and meeting its fiduciary responsibilities to shareholders (60%). Just 34% say that setting strategy is a key board responsibility.

### → Competitive Pressures

Respondents say that pressure on net interest margins (52%), the ability to grow organically in their markets (44%) and meeting customer demands for digital options (37%) threaten the long-term viability of their bank.

### → Credible Challenge

Three-quarters say their board has several directors willing to ask tough questions when warranted; 92% find their management team receptive to feedback.

### → Interacting With Management

The vast majority of independent directors, chairs and lead directors believe they're getting the right level of information from bank executives. Almost all interact at least quarterly with the bank's CEO (98%), CFO (94%) and chief risk officer (85%).

### → Needle Moving on Board Diversity

Almost 60% believe that fostering diversity in the boardroom improves corporate performance. Thirty-nine percent have three or more board members who bring diverse characteristics to the board, based on gender, race or ethnicity.

### → Assessing Performance

Less than half conduct an annual evaluation of their board's performance, which most use to assess the effectiveness of the board as a whole (84%), improve governance processes (60%), identify training needs for the board (59%) or assess committee performance (58%).

# BOARD PRACTICES

## 1. Considering your bank's board and its responsibilities, what are its three most important functions?

Respondents were asked to select no more than three options.

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Holding management accountable for achieving strategic goals in a safe and sound manner	61%	68%	64%	42%	61%
Meeting the board's fiduciary responsibilities to the bank's shareholders	61%	59%	51%	74%	60%
Setting the bank's strategy	33%	31%	33%	40%	34%
Establishing the bank's risk appetite	22%	31%	33%	28%	30%
Establishing and maintaining the bank's values, mission and vision	17%	29%	42%	23%	30%
Supporting an independent audit/risk function	22%	21%	16%	16%	19%
Establishing a succession plan for the CEO and key executives	28%	22%	9%	19%	19%
Providing a credible challenge to management	22%	18%	9%	7%	14%
Reviewing and approving bank policies	6%	7%	13%	23%	11%
Approving loans	6%	5%	11%	19%	9%
Establishing expectations for the bank's corporate culture	17%	7%	7%	5%	7%
Overseeing compensation practices	6%	4%	9%	-	4%

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

Respondents were asked to select no more than three options.



Net interest margin pressure



Ability to grow organically in our market(s)



Meeting the demands of our customers for digital options

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Net interest margin pressure	61%	50%	53%	54%	52%
Ability to grow organically in our market(s)	28%	41%	62%	40%	44%
Meeting the demands of our customers for digital options	33%	45%	33%	21%	37%
Industry consolidation and the growing power of big banks	28%	27%	20%	51%	30%
Adapting to changing customer demographics	39%	30%	24%	28%	29%
Managing the regulatory burden	22%	25%	31%	33%	28%
Succession planning for the CEO and/or key executives	28%	27%	20%	26%	25%
Ability to find an acquisition target(s)	22%	23%	18%	16%	20%
Financial ability to invest in technology	22%	11%	13%	16%	13%
Surviving the next recession	-	4%	9%	2%	4%

### 3. Considering the challenges facing your bank, do you believe your board's agenda regularly includes the relevant issues facing your institution?



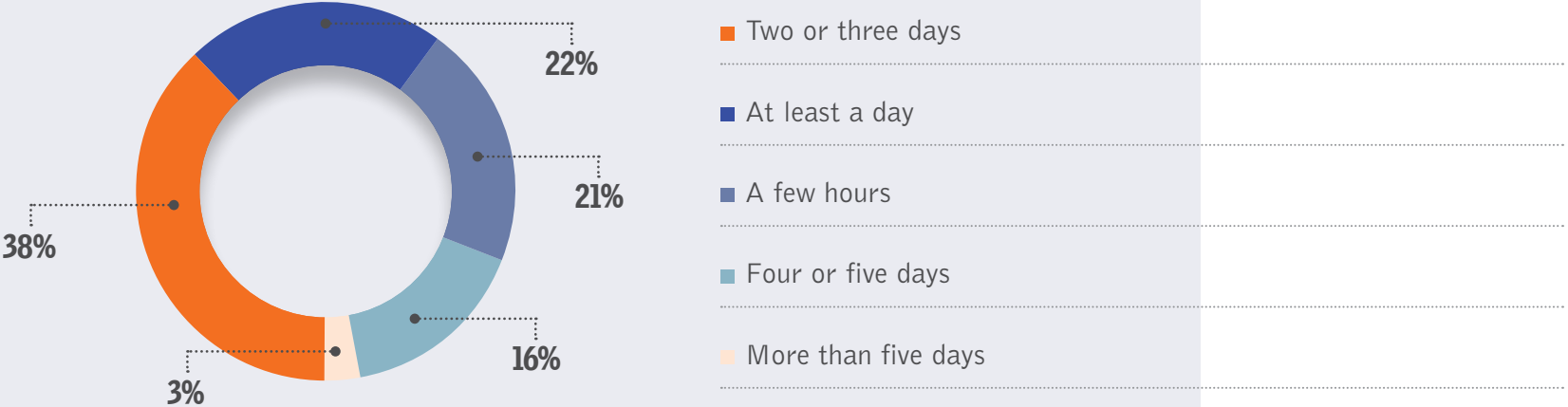
Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	94%	95%	89%	81%	91%
No	6%	5%	11%	19%	9%

### 4. Are materials provided to directors with enough time for review prior to board meetings?



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	89%	93%	93%	95%	93%
No	11%	8%	7%	5%	7%

# 5. How much time do you believe you need to review board materials?

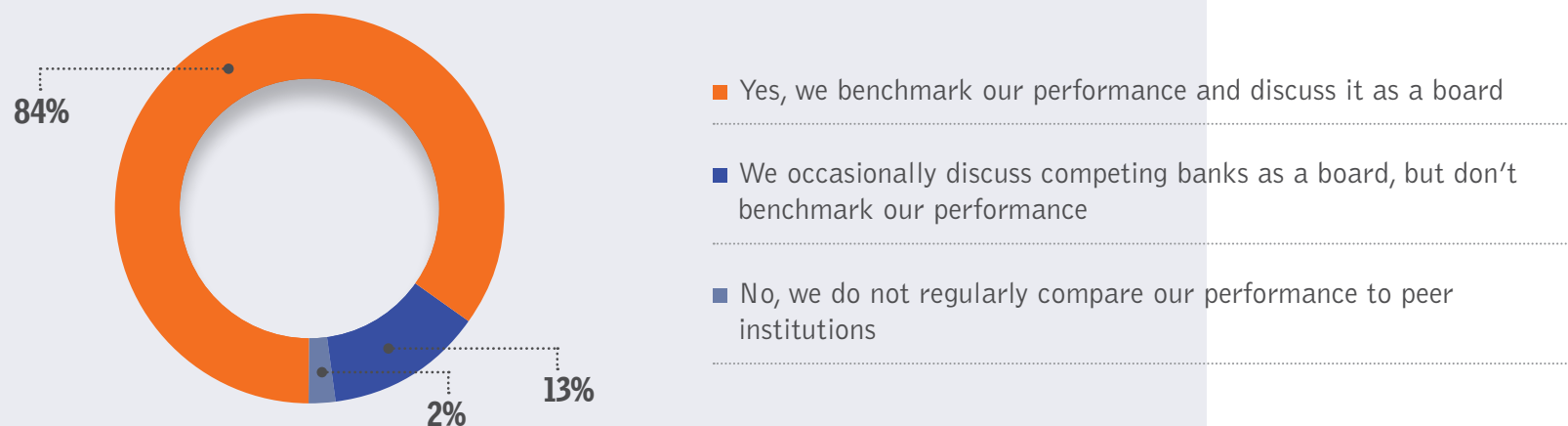


Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Two or three days	22%	43%	31%	42%	38%
At least a day	28%	21%	24%	21%	22%
A few hours	11%	18%	31%	21%	21%
Four or five days	28%	17%	11%	12%	16%
More than five days	11%	2%	2%	5%	3%



## 6. Does your bank know how it compares on financial performance metrics relative to its peers?

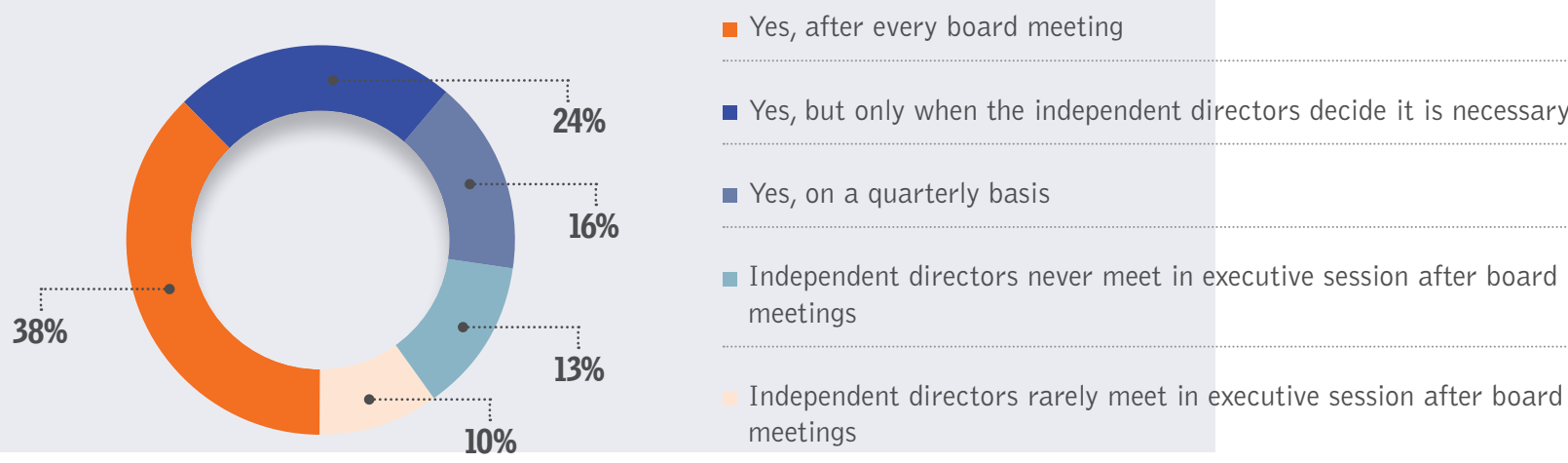
Numbers don't add up to 100% due to rounding.



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes, we benchmark our performance and discuss it as a board	78%	90%	89%	70%	84%
We occasionally discuss competing banks as a board, but don't benchmark our performance	22%	10%	4%	26%	13%
No, we do not regularly compare our performance to peer institutions	-	-	7%	5%	2%

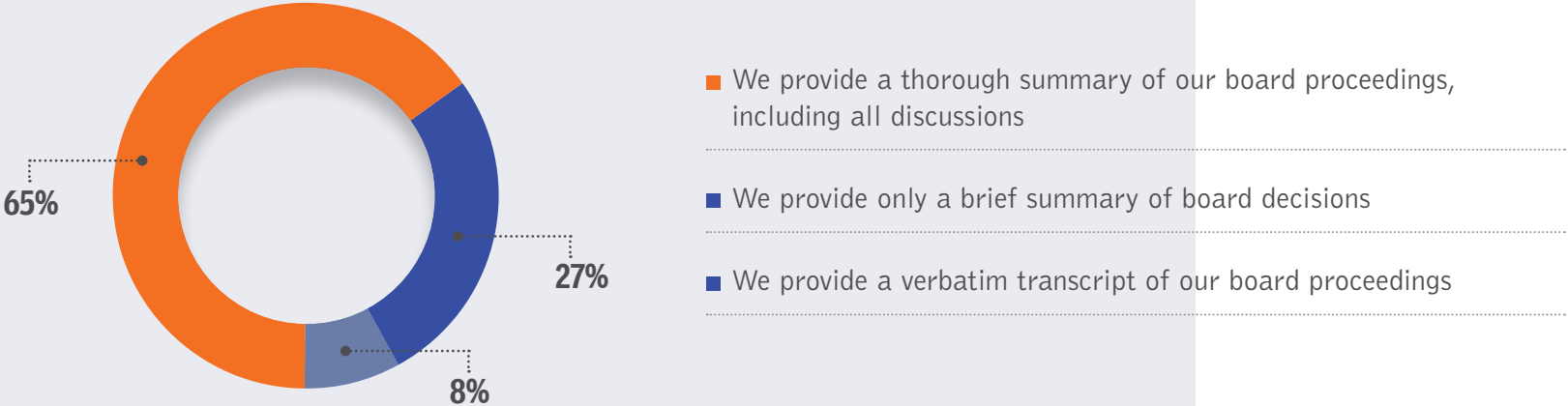
## 7. Do independent directors meet in executive session after regular board meetings?

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



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes, after every board meeting	72%	46%	20%	21%	38%
Yes, but only when the independent directors decide it is necessary	-	21%	29%	35%	24%
Yes, on a quarterly basis	28%	20%	11%	7%	16%
Independent directors never meet in executive session after board meetings	-	8%	27%	16%	13%
Independent directors rarely meet in executive session after board meetings	-	6%	13%	21%	10%

# 8. What is your board’s practice regarding minutes?



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
We provide a thorough summary of our board proceedings, including all discussions	78%	65%	67%	58%	65%
We provide only a brief summary of board decisions	17%	26%	22%	40%	27%
We provide a verbatim transcript of our board proceedings	6%	9%	11%	2%	8%

## THE BOARD/MANAGEMENT RELATIONSHIP

### 9. Are you getting the right level of information from bank management?

Question only asked of independent chairs, independent directors and lead directors.



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	73%	93%	94%	86%	90%
No, we get too much information	27%	8%	-	14%	9%
No, we don't receive enough information	-	-	6%	-	1%

## 10. At least quarterly, does the board interact directly in meetings with the following officers?

<b>CEO</b>					
<b>Bank Asset Size</b>	<b>&gt;\$10B</b>	<b>\$1B-\$10B</b>	<b>\$500M-\$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Yes	100%	97%	100%	95%	98%
No	-	2%	-	5%	2%
N/A - We don't have an equivalent officer in this role	-	1%	-	-	0.5%

<b>Chief financial officer</b>					
<b>Bank Asset Size</b>	<b>&gt;\$10B</b>	<b>\$1B-\$10B</b>	<b>\$500M-\$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Yes	100%	97%	96%	81%	94%
No	-	3%	2%	17%	5%
N/A - We don't have an equivalent officer in this role	-	-	2%	2%	1%

<b>Chief risk officer or equivalent</b>					
<b>Bank Asset Size</b>	<b>&gt;\$10B</b>	<b>\$1B-\$10B</b>	<b>\$500M-\$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Yes	100%	89%	84%	71%	85%
No	-	5%	5%	10%	5%
N/A - We don't have an equivalent officer in this role	-	7%	11%	19%	10%

**Chief technology/information officer or equivalent**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	88%	77%	79%	60%	75%
No	12%	19%	16%	33%	21%
N/A - We don't have an equivalent officer in this role	-	4%	5%	7%	4%

**Chief information security officer (CISO) or equivalent**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	71%	58%	62%	59%	60%
No	18%	28%	26%	22%	25%
N/A - We don't have an equivalent officer in this role	12%	14%	12%	20%	14%

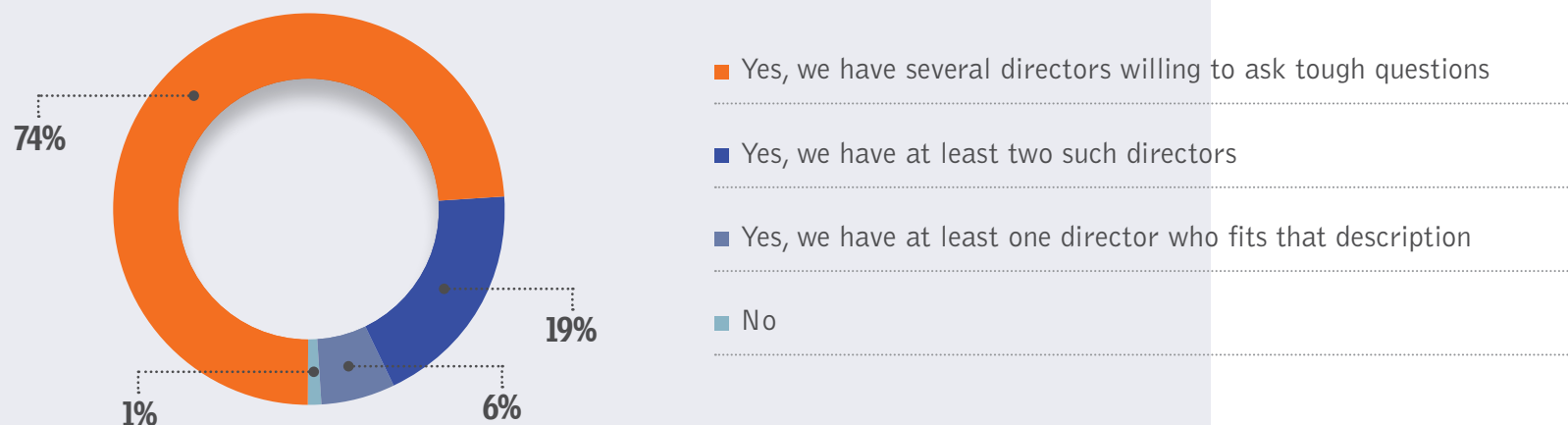
**Human resources officer or equivalent**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	81%	61%	51%	51%	58%
No	19%	38%	47%	29%	37%
N/A - We don't have an equivalent officer in this role	-	1%	2%	20%	5%

**General counsel**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	88%	29%	17%	15%	29%
No	12%	32%	31%	56%	35%
N/A - We don't have an equivalent officer in this role	-	38%	52%	29%	36%

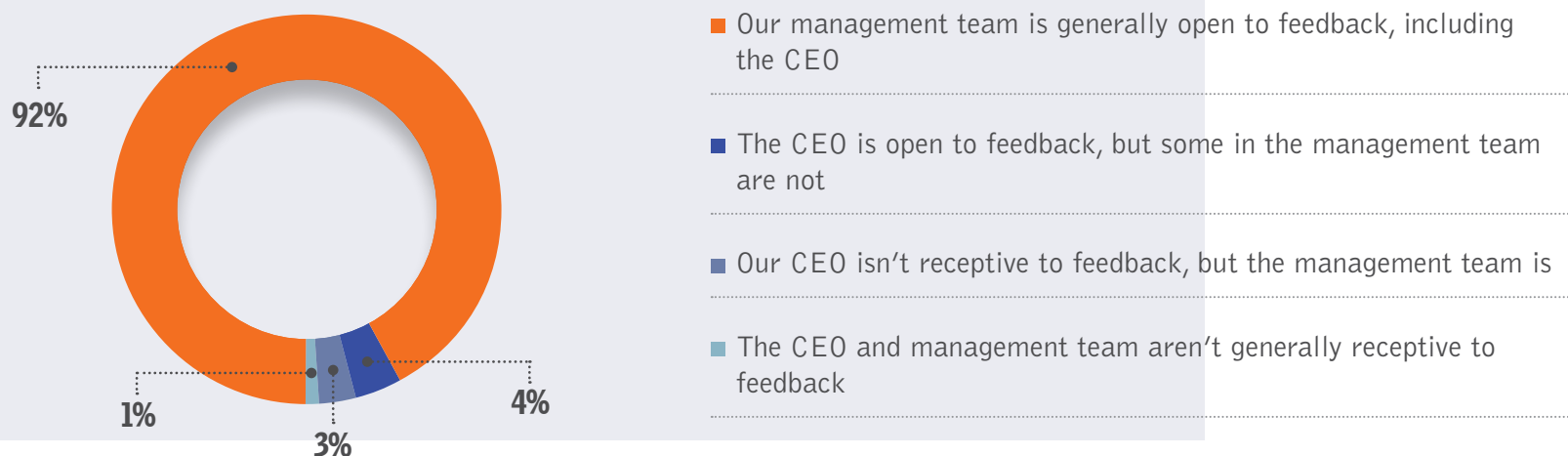
## 11. Based on your experience, does your board have directors who you believe are willing to ask difficult, challenging questions when warranted?



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes, we have several directors willing to ask tough questions	88%	81%	58%	67%	74%
Yes, we have at least two such directors	12%	13%	31%	21%	19%
Yes, we have at least one director who fits that description	-	4%	9%	12%	6%
No	-	2%	2%	-	1%

## 12. How do executives generally react when directors ask probing questions or pose a credible challenge to management?

Question only asked of respondents indicating that they have at least one director who is willing to ask difficult, challenging questions when warranted.



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Our management team is generally open to feedback, including the CEO	94%	92%	93%	91%	92%
The CEO is open to feedback, but some in the management team are not	-	4%	2%	7%	4%
Our CEO isn't receptive to feedback, but the management team is	6%	3%	2%	2%	3%
The CEO and management team aren't generally receptive to feedback	-	1%	2%	-	1%



### 13. Does your CEO receive a performance evaluation from the board?

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



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes, our CEO's performance is reviewed annually	94%	87%	75%	56%	79%
We do not review our CEO's performance on a regular basis	6%	9%	21%	28%	15%
Our CEO's performance has been reviewed in the past, but not every year	-	5%	5%	16%	7%

# SETTING STRATEGY

## 14. How often does your board review the bank’s strategic plan?

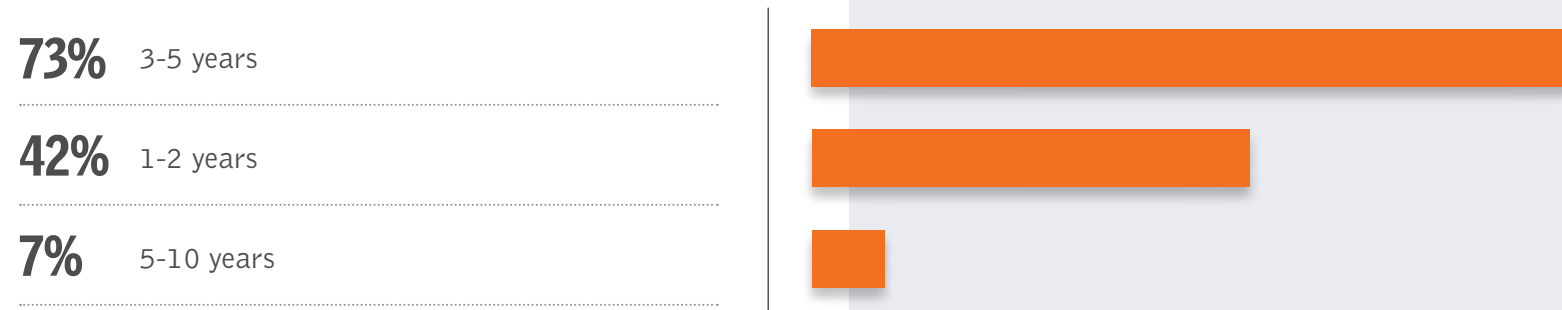
Numbers don’t add up to 100% due to rounding.



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Annually	77%	76%	72%	76%	75%
Every 2-3 years	18%	16%	21%	17%	17%
Other	6%	8%	5%	5%	6%
Every 5 years	-	1%	2%	2%	2%

## 15. Which of the following time horizons does your board consider for the bank’s strategic plan?

Respondents were asked to select all that apply.



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
3-5 years	82%	78%	58%	71%	73%
1-2 years	29%	34%	61%	46%	42%
5-10 years	12%	6%	9%	5%	7%

## 16. Has your board reviewed the bank's strategic plan in the past six to nine months?



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	94%	90%	77%	73%	84%
No	6%	10%	23%	27%	16%

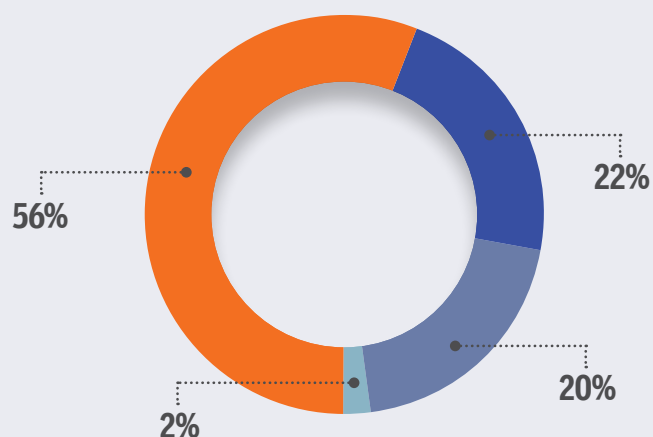
## 17. Has the pandemic compelled your board to shorten the time horizon of its strategic plan?

*Question only asked of respondents indicating that their board has reviewed the bank's strategic plan in the past six to nine months.*



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
No	75%	80%	61%	73%	75%
Yes	25%	20%	39%	27%	25%

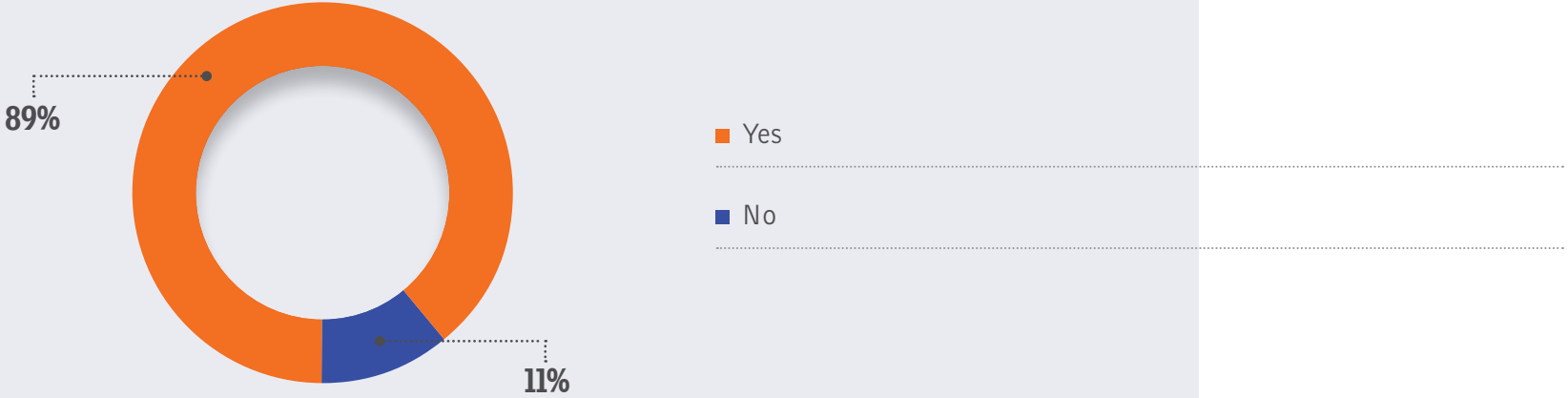
## 18. Which of the following statements best describes the board's role in developing the bank's strategic plan?



- The board establishes the bank's risk appetite, but the plan is developed by management
- The board does not play a significant role in establishing the bank's risk appetite or developing the plan, but it does approve the plan
- The board drives the process and develops the plan with management
- The board does not formally approve the strategic plan

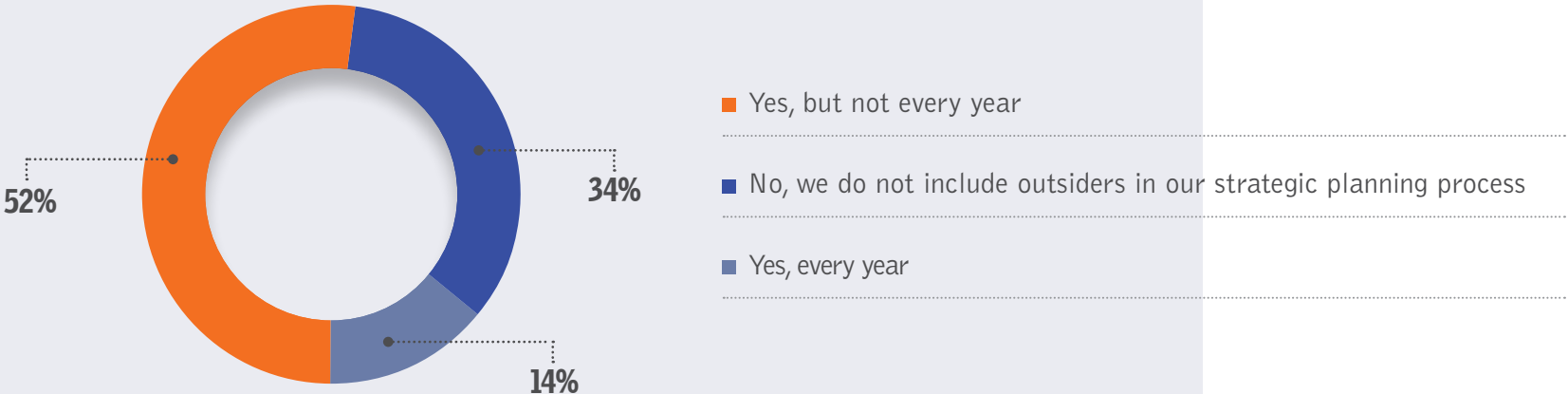
Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
The board establishes the bank's risk appetite, but the plan is developed by management	59%	58%	47%	59%	56%
The board does not play a significant role in establishing the bank's risk appetite or developing the plan, but it does approve the plan	35%	20%	28%	17%	22%
The board drives the process and develops the plan with management	6%	22%	21%	22%	20%
The board does not formally approve the strategic plan	-	1%	5%	2%	2%

**19. In your opinion, is your board’s strategic planning process effective, resulting in a plan that’s actionable, establishes clear accountability and sets metrics to measure progress toward the goals set by the board?**



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	94%	94%	86%	78%	89%
No	6%	6%	14%	23%	11%

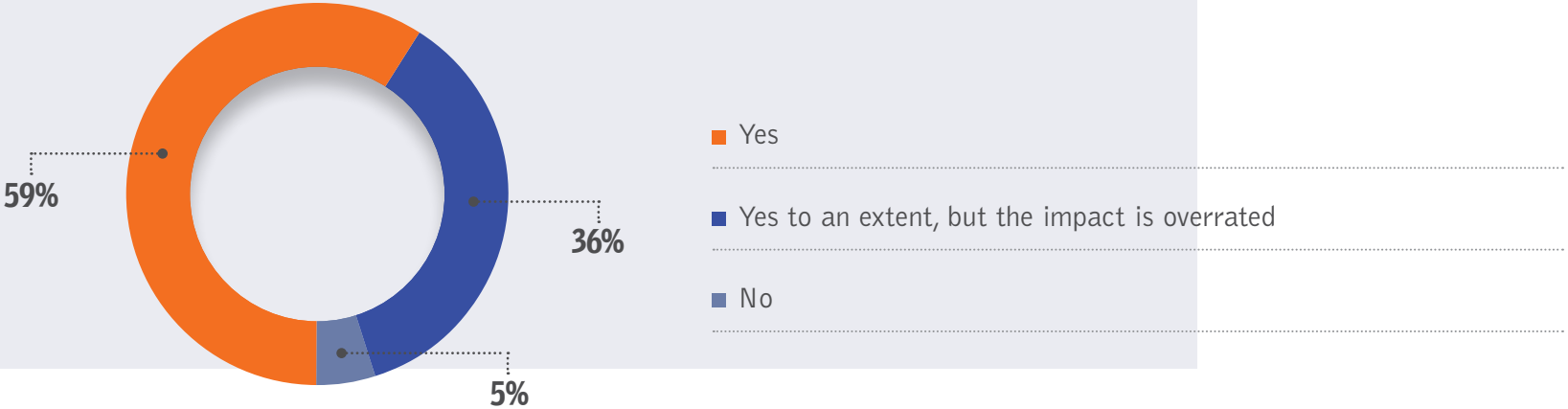
## 20. Does your board bring in an outside advisor or consultant to assist in developing the strategic plan?



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes, but not every year	41%	50%	58%	56%	52%
No, we do not include outsiders in our strategic planning process	47%	35%	26%	34%	34%
Yes, every year	12%	15%	16%	10%	14%

# BOARD REFRESHMENT AND COMPOSITION

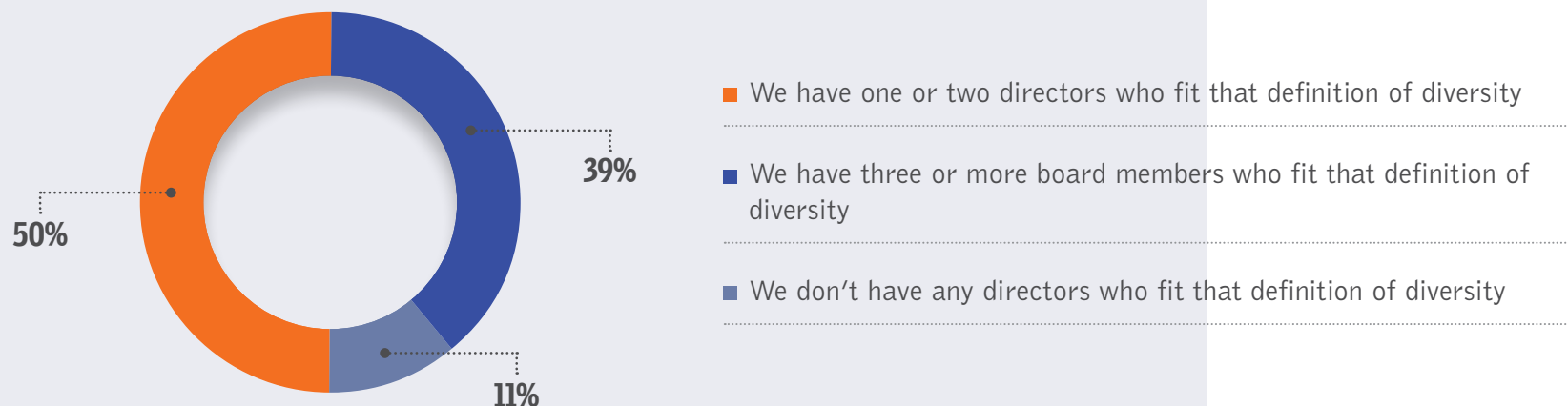
21. Do you believe that greater diversity defined by race, gender and ethnicity improves the performance of a corporate board?



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	71%	57%	49%	68%	59%
Yes to an extent, but the impact is overrated	29%	39%	44%	25%	36%
No	-	4%	7%	8%	5%



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



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
We have one or two directors who fit that definition of diversity	24%	51%	54%	55%	50%
We have three or more board members who fit that definition of diversity	77%	44%	29%	23%	39%
We don't have any directors who fit that definition of diversity	-	5%	17%	23%	11%

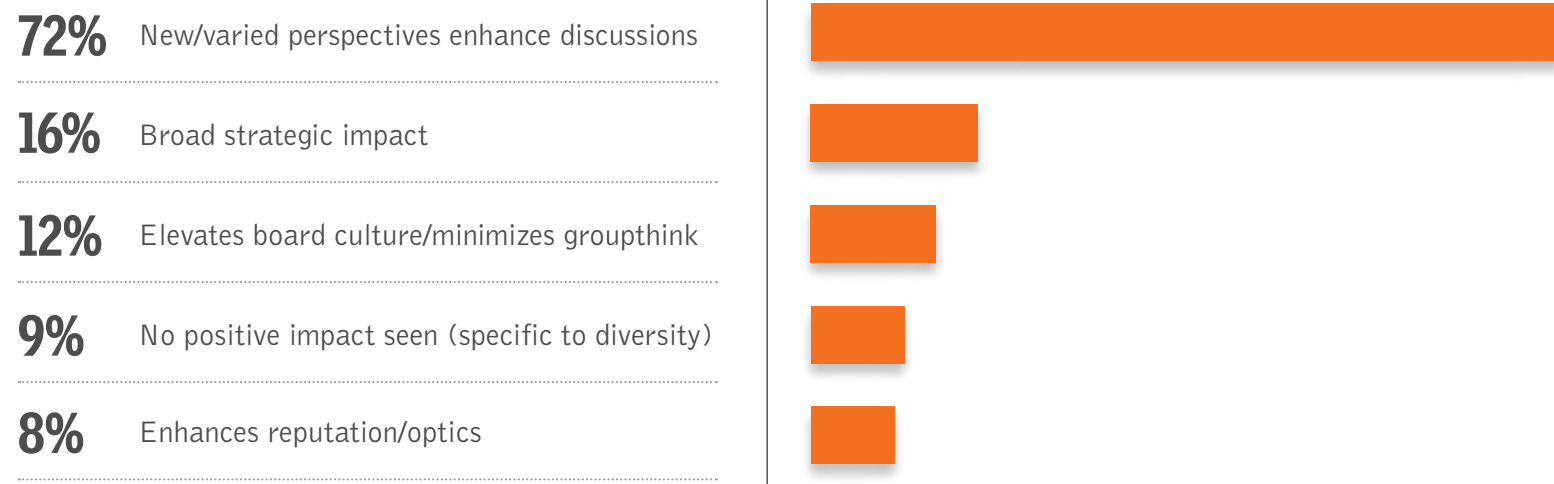
### 23. Do you believe your board would benefit by adding more diverse board members, or do you believe that the level of diversity represented on your board is sufficient?



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
I believe we should recruit additional, diverse board members	59%	71%	59%	60%	65%
I believe the current level of diversity is sufficient, and we don't need to recruit more	41%	29%	42%	40%	35%

## 24. How has diversity benefited your board?

Question only asked of respondents indicating they have at least one board member who they characterize as diverse, based on race, gender or ethnicity. The chart below simplifies and interprets the open-text feedback received to this question.



## 25. Do you believe it's difficult for banks to attract diverse candidates to serve on the board?

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



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	24%	66%	59%	64%	61%
No	77%	34%	42%	36%	40%

## 26. Does the board possess expertise in the following areas?

<b>Risk</b>					
Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	100%	89%	90%	83%	89%
No	-	11%	10%	18%	11%

<b>Cybersecurity</b>					
Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	71%	45%	51%	30%	45%
No	29%	55%	49%	70%	55%

<b>Technology</b>					
Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	82%	57%	63%	46%	58%
No	18%	43%	37%	54%	42%

<b>Audit</b>					
Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	100%	98%	90%	90%	95%
No	-	2%	10%	10%	5%

**Financial/accounting**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	100%	100%	98%	93%	98%
No	-	-	3%	7%	2%

**Regulations**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	81%	76%	62%	70%	72%
No	19%	25%	39%	30%	28%

**M&A**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	82%	70%	51%	53%	64%
No	18%	30%	49%	47%	36%

**Legal**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	88%	78%	77%	73%	78%
No	12%	22%	23%	27%	22%

**Human resources**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	77%	70%	76%	51%	68%
No	24%	30%	24%	49%	32%

**Public company**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	100%	59%	44%	32%	54%
No	-	41%	56%	68%	46%

**Marketing**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	59%	68%	55%	53%	61%
No	41%	32%	45%	48%	39%

## 27. Does your board conduct performance assessments?



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes, annually	88%	52%	27%	20%	43%
No, we don't conduct performance assessments	6%	28%	42%	63%	36%
Yes, but not every year	6%	20%	32%	17%	21%

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

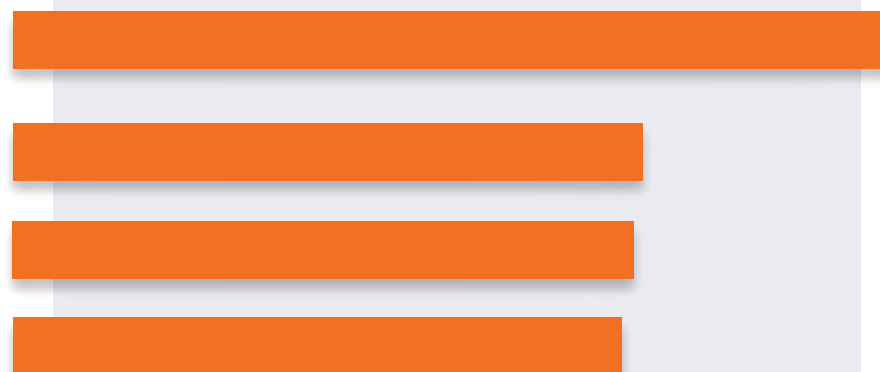
Respondents were asked to select all that apply. Question asked of respondents who indicate their board conducts a performance assessment.

**84%** To assess the effectiveness of the board as a whole

**60%** To improve governance processes

**59%** To identify training needs for the board

**58%** To assess committee performance

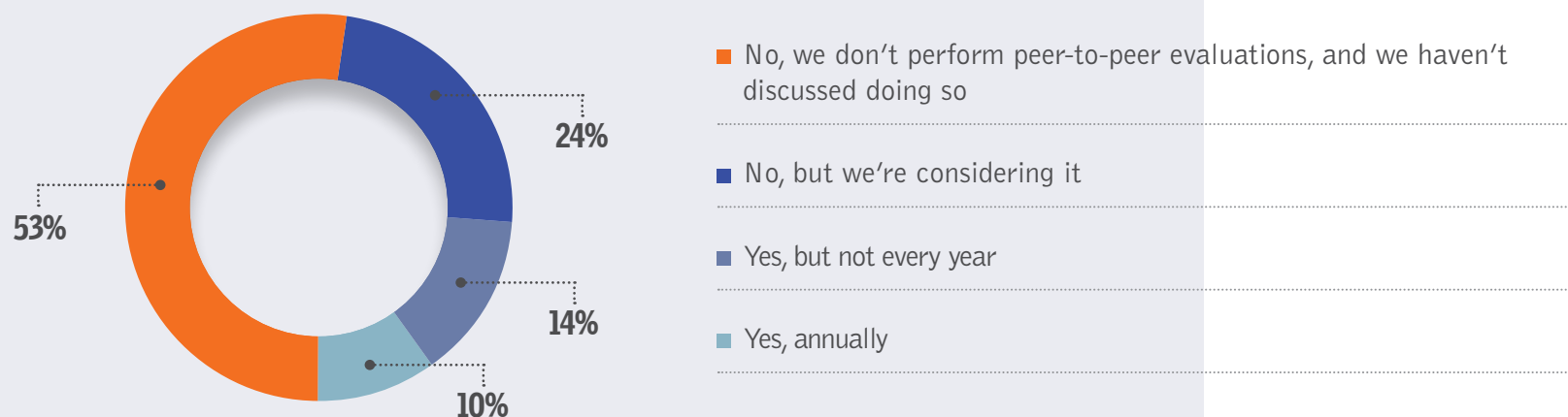


Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
To assess the effectiveness of the board as a whole	100%	83%	83%	71%	84%
To improve governance processes	69%	67%	30%	64%	60%
To identify training needs for the board	81%	63%	30%	64%	59%
To assess committee performance	94%	56%	48%	43%	58%
To identify underperforming directors	38%	41%	26%	36%	37%
To conduct one-on-one conversations with directors	38%	44%	22%	21%	37%
To identify a need for external consultants/advisors	13%	20%	17%	29%	20%
To modify the board's composition	44%	16%	17%	7%	19%
To inform the strategic plan	-	20%	22%	14%	17%
Other	-	-	-	7%	1%



## 29. Does your board conduct peer-to-peer evaluations of its members?

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



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
No, we don't perform peer-to-peer evaluations, and we haven't discussed doing so	47%	44%	59%	68%	53%
No, but we're considering it	18%	23%	22%	29%	24%
Yes, but not every year	18%	19%	12%	2%	14%
Yes, annually	18%	13%	7%	-	10%

### 30. Does the board and/or nominating/governance committee work with a recruiting firm or consultant to identify candidates for the board?



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
No	47%	86%	98%	98%	87%
Yes	53%	14%	2%	2%	13%

# THE INDEPENDENT DIRECTOR'S ROLE

## 31. To your knowledge, do members of the board regularly:

Attend board and committee meetings					
Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
All directors	100%	97%	90%	88%	94%
Most directors	-	3%	10%	12%	6%

Come prepared for board meetings					
Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
All directors	77%	64%	58%	61%	63%
Most directors	24%	33%	30%	37%	32%
Some directors	-	3%	13%	2%	5%

Review board materials					
Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
All directors	77%	63%	53%	63%	62%
Most directors	24%	34%	38%	32%	33%
Some directors	-	3%	10%	2%	4%
Few directors	-	-	-	2%	0.5%

**Contribute to discussions**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
All directors	53%	48%	38%	51%	47%
Most directors	47%	40%	43%	44%	42%
Some directors	-	12%	20%	5%	11%

**Treat fellow board members respectfully**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
All directors	94%	87%	83%	93%	88%
Most directors	6%	13%	13%	7%	11%
Some directors	-	-	3%	-	0.5%
Few directors	-	-	3%	-	0.5%

**Exercise independent judgment**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
All directors	88%	73%	68%	63%	71%
Most directors	12%	25%	20%	35%	25%
Some directors	-	2%	10%	3%	4%
Few directors	-	-	3%	-	0.5%

## 32. Thinking about the culture of your board: How does your board value collegiality (cooperation) versus the freedom to disagree?

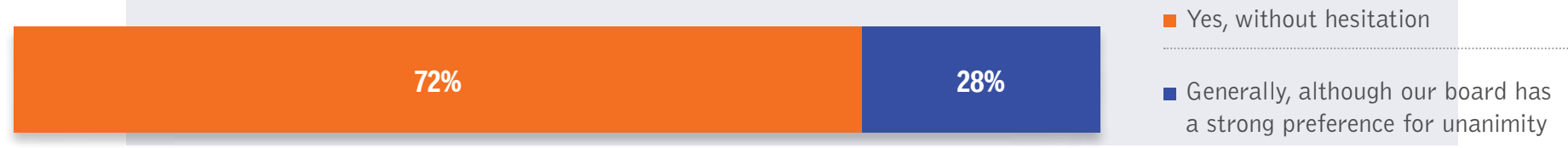
Numbers don't add up to 100% due to rounding. Question asked of independent chairs, independent directors and lead directors.



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
We value collegiality and the freedom to disagree equally	87%	95%	80%	95%	91%
We value the freedom to disagree more than we do collegiality	13%	3%	10%	5%	6%
Collegiality is more important than the freedom to disagree	-	3%	10%	-	4%

### 33. Do you feel free to exercise your independent judgment and dissent if you disagree with a board decision?

Question asked of independent chairs, independent directors and lead directors.



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes, without hesitation	80%	74%	60%	74%	72%
Generally, although our board has a strong preference for unanimity	20%	26%	40%	26%	28%

### 34. Overall, do you understand your bank's strategy, policies and financial position?

Question asked of independent directors.



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Yes	100%	98%	100%	100%	99%
No	-	2%	-	-	1%

## 35. Why do you serve on the board?

Respondents were asked to select no more than three reasons that best align with their views and situation. Question asked of independent chairs, independent directors and lead directors.

**70%** Professional relationships/growth

**64%** Interest in banking

**59%** Personal relationships/growth



Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Professional relationships/growth	80%	76%	67%	47%	70%
Interest in banking	67%	61%	60%	79%	64%
Personal relationships/growth	73%	55%	57%	68%	59%
Respect from the community	27%	35%	33%	26%	33%
Protecting my personal investment in the bank	13%	23%	43%	58%	31%
Additional income	20%	18%	10%	5%	15%
Other	7%	15%	20%	11%	15%

### 36. Considering the role of an independent director, how much importance do you place on the following attributes?

<b>Accountability</b>					
<b>Bank Asset Size</b>	<b>&gt;\$10B</b>	<b>\$1B-\$10B</b>	<b>\$500M-\$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Very important	100%	95%	88%	95%	94%
Somewhat important	-	5%	13%	3%	6%
Nominally important	-	-	-	3%	0.5%

<b>Personal integrity</b>					
<b>Bank Asset Size</b>	<b>&gt;\$10B</b>	<b>\$1B-\$10B</b>	<b>\$500M-\$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Very important	100%	98%	100%	100%	99%
Somewhat important	-	2%	-	-	1%

<b>Independent thinker</b>					
<b>Bank Asset Size</b>	<b>&gt;\$10B</b>	<b>\$1B-\$10B</b>	<b>\$500M-\$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Very important	94%	89%	73%	78%	84%
Somewhat important	6%	11%	25%	23%	16%
Nominally important	-	-	3%	-	0.5%



**Ability to exercise sound judgment**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Very important	100%	94%	100%	95%	96%
Somewhat important	-	6%	-	5%	4%

**Actively engaged in the governance process**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Very important	53%	68%	55%	51%	61%
Somewhat important	47%	31%	38%	44%	36%
Nominally important	-	1%	8%	5%	3%

**Intellectual curiosity**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Very important	82%	66%	55%	58%	63%
Somewhat important	18%	32%	43%	33%	33%
Nominally important	-	2%	3%	10%	4%

**Works well with others**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Very important	71%	73%	68%	63%	69%
Somewhat important	29%	25%	28%	35%	28%
Nominally important	-	2%	5%	3%	3%

**Understands the business of banking**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Very important	35%	43%	48%	40%	43%
Somewhat important	53%	52%	45%	58%	52%
Nominally important	12%	5%	8%	3%	6%

**Brings valuable knowledge or skill set to the board**

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Very important	88%	89%	73%	78%	83%
Somewhat important	12%	11%	25%	23%	16%
Nominally important	-	-	3%	-	0.5%

### Racial, ethnic or gender diversity

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Very important	41%	22%	30%	20%	25%
Somewhat important	35%	65%	45%	60%	57%
Nominally important	24%	11%	20%	15%	15%
Not important	-	2%	5%	5%	3%

### Commitment to ongoing training and education

Bank Asset Size	>\$10B	\$1B-\$10B	\$500M-\$1B	<\$500M	Total
Very important	65%	58%	55%	67%	60%
Somewhat important	29%	35%	45%	31%	36%
Nominally important	6%	7%	-	3%	5%

# ABOUT THE SURVEY

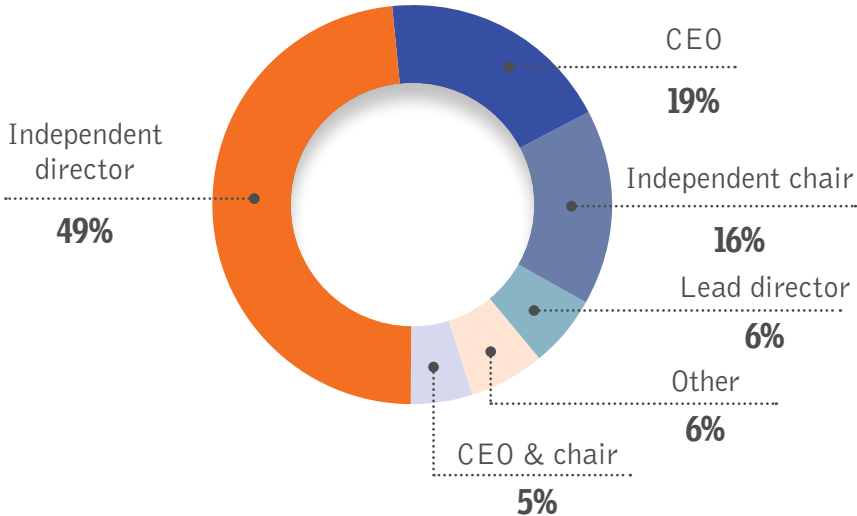
Bank Director’s 2021 Governance Best Practices Survey, sponsored by Bryan Cave Leighton Paisner Adams LLP, surveyed 217 independent directors, chairs and chief executives of U.S. banks below \$50 billion in assets. The survey was conducted in February and March 2021, and explores the fundamentals of board performance, including strategic planning, working with the management team and enhancing the board’s composition. Fifty-seven percent of respondents represent a bank with more than \$1 billion in assets; 71% serve as an independent director, lead director or independent chair.

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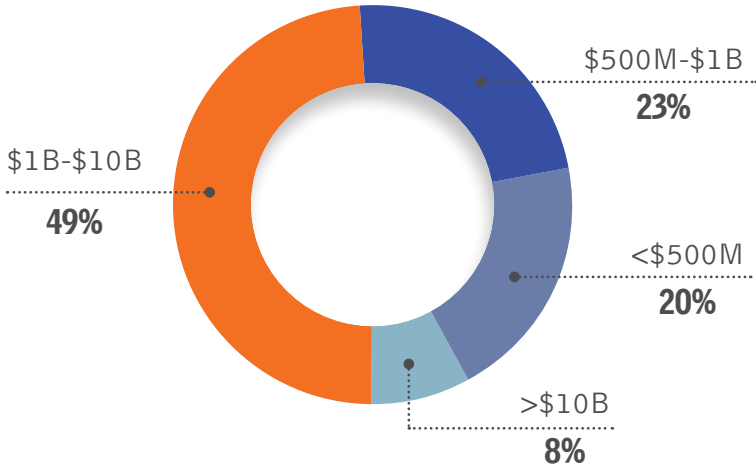
Median Years Served on the Board

## TITLE

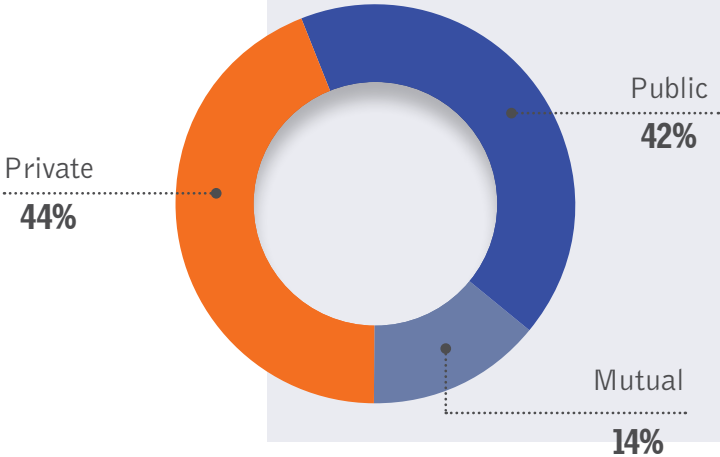
Numbers don’t add up to 100% due to rounding.



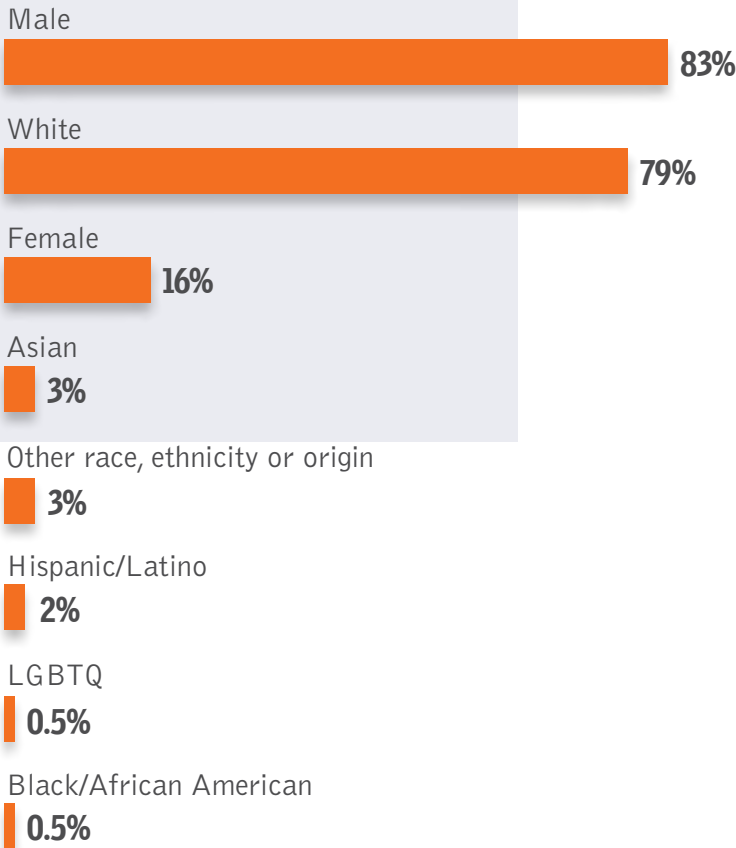
## ASSET SIZE



# OWNERSHIP STRUCTURE



# RESPONDENT BACKGROUND



# RESPONDENT AGE

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

