

2022 Spencer Stuart Financial Sector Snapshot

Boards of financial sector companies in the S&P 500 index — a universe of 64 companies — tend to be larger, older and longer-tenured than other S&P 500 boards.

- » These boards are composed of an average of **12.2** directors, the largest average of all industries in the S&P 500 index.
- » Independence of financial boards averages **87%**, compared with 86% for S&P 500 boards overall.
- » The average tenure is **8.3 years**, higher than the overall average of 7.8 years and the second highest of all S&P 500 primary sectors (second only to real estate, where the average tenure is 9 years). Financial boards also have the longest maximum tenure of any sector, at 17.7 years.
- » Their directors have an average age of **63.9**, compared to the overall average of 63.1. They have one of the highest maximum average ages of **73.8** (second only to information technology, with an average age of 74.2).
- » Three-quarters of financial boards have a mandatory retirement age, compared to 70% of S&P 500 boards overall.
- » The average mandated retirement age for directors in this sector is **73.8**, the same as the S&P 500 average.
- » These boards' average compensation is **\$305,728**, lower than the \$316,091 average for S&P 500 boards overall.¹

¹ This is average compensation excluding chair pay. The average compensation including chair pay is \$310,221 for financial services firms, and \$322,015 for S&P 500 firms overall.

Diversity

Financial boards are among the more diverse of the S&P 500 industries. Directors from historically underrepresented groups (defined as individuals who self-identify in one or more of the following categories: women, underrepresented racial or ethnic groups or the LGBTQ+ community) constitute 48% of financial board members, compared with an average of 46% for all S&P 500 boards. This is the second-highest percentage of all sectors (communication services takes the lead position, with 50% of directors from historically underrepresented groups).

Women represent 33% of financial sector board directors in 2022, up from 31% in 2021. This is slightly higher than the 32% average for the S&P 500 index and the second highest of all the industries in the S&P 500 (tied with communication services).

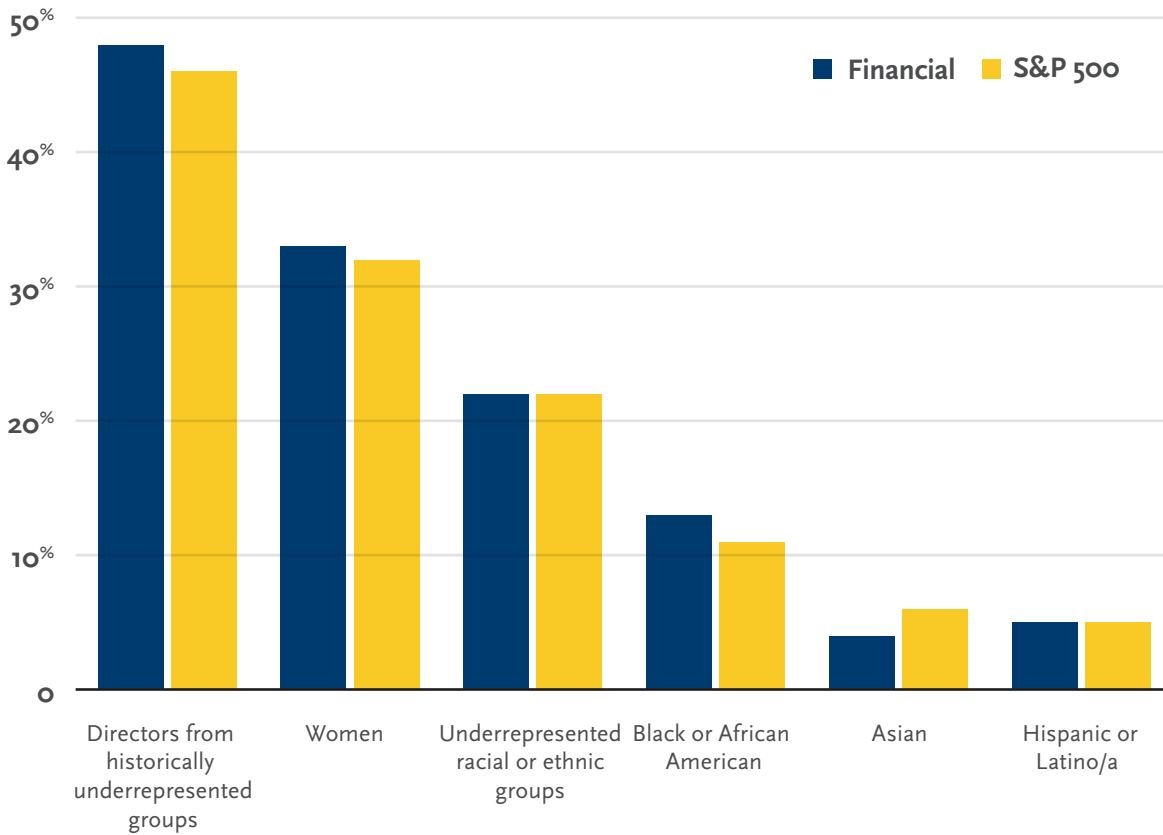
Directors belonging to underrepresented racial or ethnic groups (defined as Black or African American, Asian, Hispanic or Latino/a, American Indian or Alaska Native, Native Hawaiian or Pacific Islander, or two or more races) make up 22% of financial boards, consistent with the average across all the S&P 500.

Black or African American men and women represent 13% of directors on financial boards, nearly matching their proportion of the U.S. population (13.4%, according to the U.S. Census Bureau).

However, directors from other underrepresented racial or ethnic groups are not as well represented in the financial sector. The proportion of Hispanic or Latino/a directors is equal to the S&P 500 average of 5% but significantly lower than the overall proportion of the U.S. population (18.5%). Asian directors make up 4% of financial boards, which is below average for the S&P 500 and lower than the U.S. Census Bureau figure of 5.9%.

A total of 41% of financial boards have disclosed director-specific race or ethnicity details, compared to the average of 39%. Just over a third (38%) have adopted a policy such as the Rooney Rule, requiring boards to include individuals from underrepresented groups in the candidate pool when recruiting new directors. On average, 50% of S&P 500 companies have this initiative in place.

DIVERSITY OF FINANCIAL SECTOR BOARDS



52%

of new independent directors in the financial sector are women

New independent director backgrounds

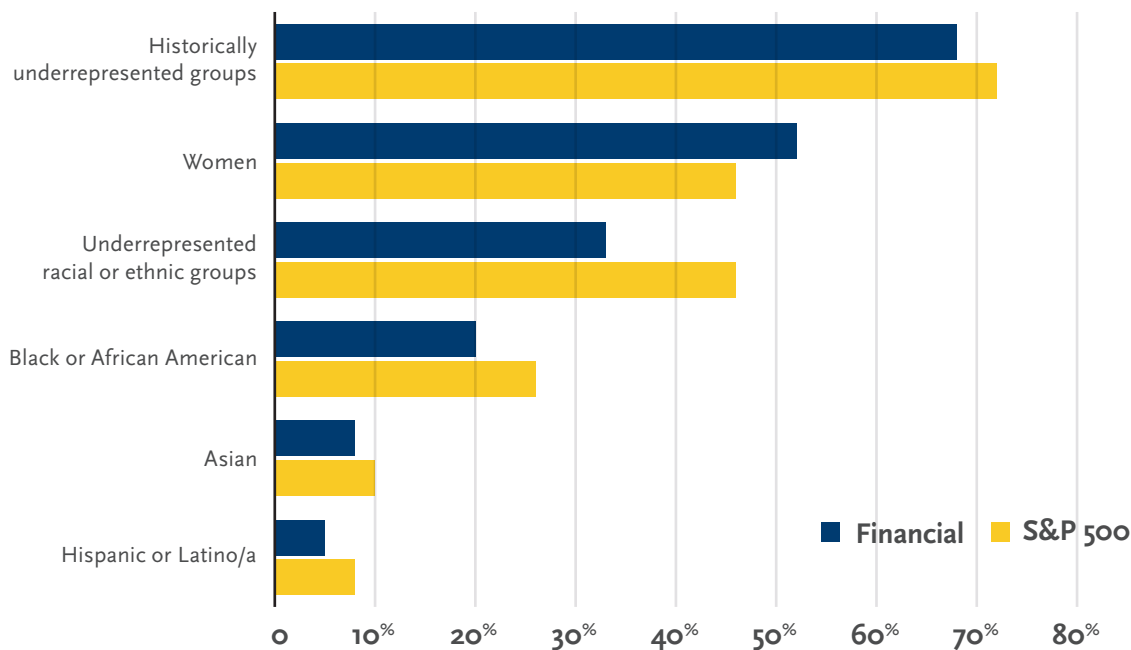
A total of 60 new independent directors joined financial boards in 2022, representing 8% of all S&P 500 directors in the financial sector. Two in 10 financial services boards appointed more than one new director in the past year, and appointees averaged 58.3 years of age. Next-gen directors (those aged 50 and younger) accounted for 15% of the incoming class.

More than half (52%) of new independent directors joining financial sector boards are women, 17% were first-time directors and 62% were active in their role (rather than retired).

Twenty percent of new independent directors joining financial sector boards are Black or African American, 8% are Asian and 5% are Hispanic or Latino/a. When it comes to new independent directors, this sector performs below the S&P 500 average for each of these ethnic groups. However, the sector performs above average for ethnic and racial diversity overall.

From a functional perspective, new directors joining financial sector boards are much more likely to be CEOs (32%, compared with an average of 23% across the S&P 500). Line/functional leaders are less often chosen, compared with the wider S&P 500, whereas division/subsidiary leaders are more often selected.

DIVERSITY OF NEW INDEPENDENT DIRECTORS JOINING FINANCIAL SECTOR BOARDS



NEW INDEPENDENT DIRECTOR FUNCTIONAL BACKGROUNDS

	Financial sector	S&P 500 overall
CEOs	32%	23%
<i>Active</i>	17%	12%
<i>Retired</i>	15%	11%
Chairs/presidents/COOs	2%	3%
<i>Active</i>	2%	2%
<i>Retired</i>	0%	1%
Line/functional leaders	12%	20%
Division/subsidiary leaders	17%	13%
Finance/accounting executives	23%	22%
<i>Financial executives/CFOs/treasurers</i>	3%	12%
<i>Investment managers/investors</i>	10%	6%
<i>Bankers/investment bankers</i>	10%	4%
<i>Public accounting executives</i>	0%	1%
Academics/nonprofit executives	5%	4%
Consultants	5%	2%
Legal	5%	5%
Others	0%	7%

Board leadership

A majority of financial sector CEOs also serve as a board chair. Only 42% of companies separate the roles of board chair and CEO, up from 40% in 2021, but significantly lower than the S&P 500 average of 57% and the lowest percentage of all sectors in the S&P 500.

The financial sector is also the least likely to have an independent chair, with only a quarter (25%) of companies appointing one, compared with an overall average of 36%. Of the independent chairs in the sector, 6% came from underrepresented racial or ethnic groups, below the average of 9%. However, 25% of these chairs were female — the highest of all sectors in the S&P 500.

Reflecting the lower percentage of independent chairs, the financial sector has the highest number of lead directors, with the vast majority of companies (81%) appointing one, compared with an overall average of 68%. But the number of executive chairs is below average, with only 9% of companies appointing one compared to the 15% average.

Board organization and processes

Boards in the financial sector are the largest of the S&P 500, with an average of 12.2 members, compared with an overall average of 10.8. Its boards also meet more frequently than those of other primary sectors, averaging 10.3 meetings per year while others average 8.3.

Financial sector board members average 63.9 years of age and tend to remain on the board longer, with an above-average tenure of 8.3 years. This is the highest of all sectors after real estate. The financial sector is among the sectors most likely to implement a mandatory retirement age: three-quarters (75%) have done this.

In addition to audit, compensation and nominating/governance committees, 63% of financial boards also have a risk committee (frequently required of financial companies). Over one-third (39%) have an executive committee; 28% have a finance committee; and 20% have a technology committee.

BOARD ORGANIZATION AND PROCESS

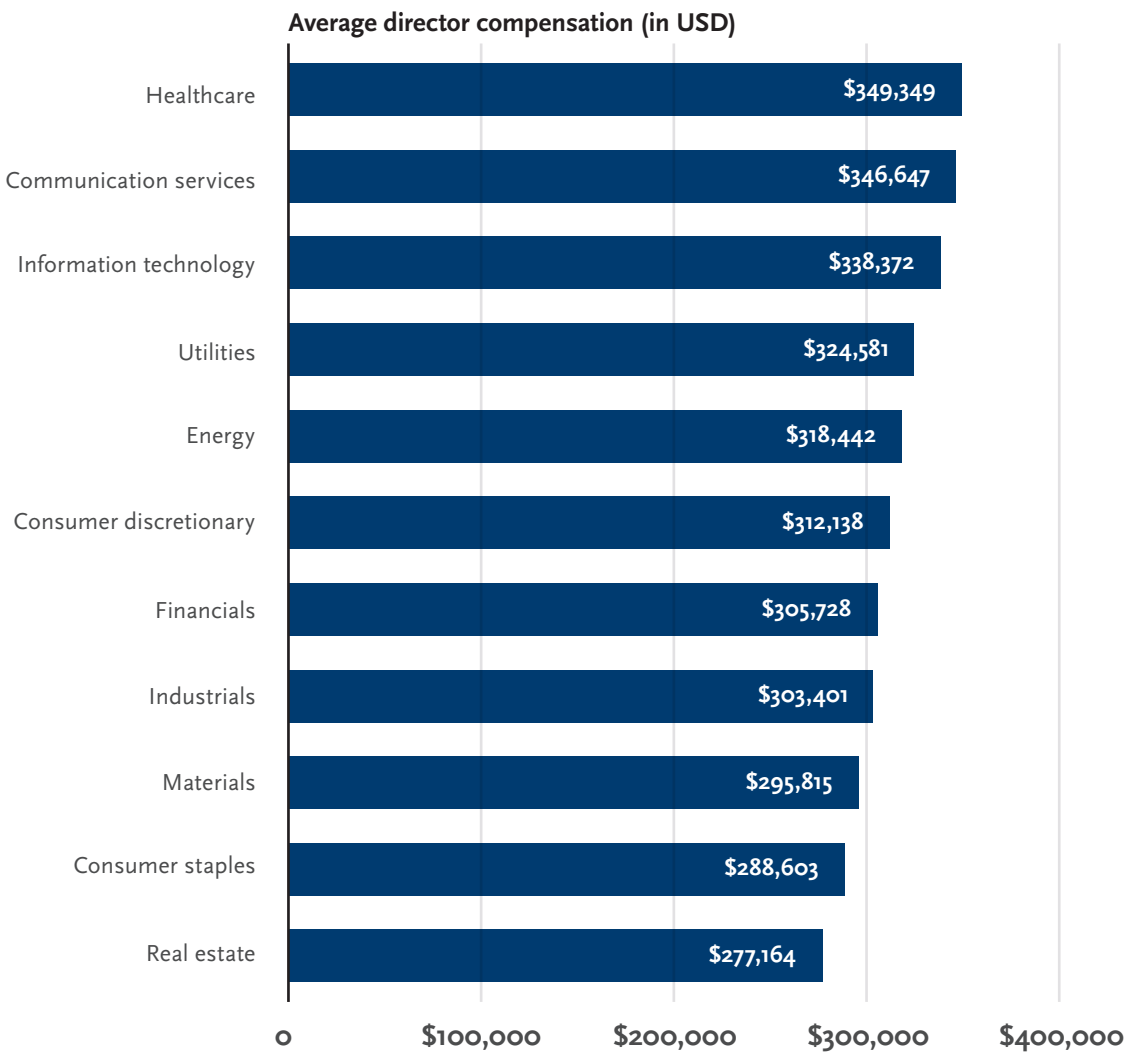
	2022 Financials	2022 S&P 500
Classified board	4.7%	11.2%
Board meetings (avg #)	10.3	8.3
Board committees (avg #)	4.8	4.2
Audit committee		
<i>Size (avg #)</i>	5.1	4.4
<i>Meetings (avg #)</i>	10.4	8.2
Compensation committee		
<i>Size (avg #)</i>	4.9	4.3
<i>Meetings (avg #)</i>	6.5	6
Nominating/governance committee		
<i>Size (avg #)</i>	4.9	4.5
<i>Meetings (avg #)</i>	5.2	4.7
Mandatory retirement	75%	70%
Retirement age (avg)	73.8	73.8

Compensation

The average compensation of directors on financial sector boards is \$305,728, lower than the \$316,091 average for S&P 500 boards overall.²

Compared with the S&P 500 average, directors on financial sector boards receive a slightly higher percentage of their compensation in cash (40% vs 37%) and stock (57% vs 56%).

AVERAGE DIRECTOR COMPENSATION



² Excluding chair's compensation.

List of financial sector companies

- » Aflac
- » The Allstate Corporation
- » American Express Company
- » American International Group
- » Ameriprise Financial
- » Aon plc
- » Arthur J. Gallagher & Co.
- » Assurant
- » Bank of America Corporation
- » The Bank of New York Mellon Corporation
- » BlackRock
- » Berkshire Hathaway
- » Brown & Brown
- » Capital One Financial Corporation
- » Cboe Global Markets
- » The Charles Schwab Corporation
- » Chubb Limited
- » Cincinnati Financial Corporation
- » Citigroup
- » Citizens Financial Group
- » Comerica
- » Discover Financial Services
- » Everest Re Group
- » FactSet Research Systems
- » Fifth Third Bancorp
- » Franklin Resources
- » Goldman Sachs Group
- » Globe Life
- » The Hartford Financial Services Group
- » Huntington Bancshares
- » Intercontinental Exchange
- » Invesco
- » JPMorgan Chase & Co.
- » KeyCorp
- » Lincoln National Corporation
- » Loews Corporation
- » M&T Bank Corporation
- » MarketAxess Holdings
- » Marsh & McLennan Companies
- » MetLife
- » Moody's Corporation
- » Morgan Stanley
- » MSCI
- » Nasdaq
- » Northern Trust Corporation
- » The PNC Financial Services Group
- » Principal Financial Group
- » The Progressive Corporation
- » Prudential Financial
- » Raymond James Financial
- » Regions Financial Corporation
- » S&P Global
- » Signature Bank
- » State Street Corporation
- » SVB Financial Group
- » Synchrony Financial
- » The Travelers Companies
- » T. Rowe Price Group
- » Truist Financial Corporation
- » U.S. Bancorp
- » Wells Fargo & Company
- » Willis Towers Watson Public Limited Company
- » W. R. Berkley Corporation
- » Zions Bancorporation

Editor's note

This data draws on the latest proxy statements from 489 companies filed between May 1, 2021 and April 30, 2022.

“Historically underrepresented groups” is defined to mean an individual who self-identifies in one or more of the following categories: i) women ii) underrepresented racial or ethnic groups iii) LGBTQ+ *when disclosed*.

- » “Underrepresented racial or ethnic groups” is defined to mean an individual who self-identifies as one or more of the following: Black or African American, Asian, Hispanic or Latino/a, American Indian or Alaska Native, Native Hawaiian or Pacific Islander, or two or more races (multiracial).
- » The Asian category includes individuals of Indian descent, consistent with U.S. Census Bureau methodology.
- » LGBTQ+ is defined to mean an individual who self-identifies as any of the following: lesbian, gay, bisexual, transgender, or as a member of the queer community.

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Data in tables may not total 100% due to rounding.

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