

ECONOMIC EQUITY

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2019 BANK BOARD DIVERSITY

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OVERVIEW

The Greenlining Institute regularly examines corporate executive board diversity.¹ Our 2019 study zeroes in on the gender and racial makeup of bank executive boards, and occurs just as federal policymakers push for diversity in banking and financial inclusion, including the recent creation of a Subcommittee on Diversity and Inclusion within the U.S. House Committee on Financial Services and a June 2019 hearing on “Diversity in the Boardroom.”² Greenlining supports efforts in Congress to increase board diversity by requiring disclosure of corporate board demographics (H.R. 3279 and H.R. 1018) and identifying diverse board candidates (H.R. 281).

Our analysis of the 10 largest depository banks in California, defined by deposit market share, found that on average, people of color make up 30 percent of board composition, while making up over 67 percent of California’s population. Bank of the West topped the rankings with a board containing 75 percent people of color.

Why Board Diversity at Banks Matters

When companies are intentional about creating diverse, equitable and inclusive work environments, they help to disrupt the income disparities that inform broader economic conditions in marginalized communities. For financial institutions in particular, the leadership should reflect the communities they serve in order to effectively build trust with consumers and make capital and financial services accessible. And ultimately, a diverse board improves an institution’s bottom line.³

Executive boards are the ultimate decision-makers in financial institutions and drive policies that trickle down to communities. Boards are accountable for the actions and behaviors of their institutions. In order to fight redlining and promote economic development in communities of color, boards need to reflect the diversity of the population they serve. In the United States, people of color make up 41.8 percent of the population. California’s population is more than 67 percent people of color.

Greenlining Standards for Equitable Bank Boards:

- Consider the racial demographics of the United States as a benchmark for representation.
- Consider the gender demographics of the United States as a benchmark for representation.
- Include at least one person of color and one woman for consideration in board candidate searches.
- Publicly disclose executive board members, disaggregating by race and gender.

We believe that executive boards of national banks that meet Greenlining’s standards for equity will be more likely to create equitable and inclusive policies and have a greater commitment to diverse communities.

Findings

Board diversity among California’s largest banks still has room for progress. Overall, the boards of the banks we analyzed fail to mirror the racial and gender diversity of California and most also fail to reflect the demographics of the United States overall. Although Bank of the West ranks highest, with 75 percent of its board made up of people of color, the majority of the banks we studied had fewer than 40 percent people of color on their boards and, on average, people of color made up 30 percent of board composition.

On average, women made up 29 percent of board members. First Republic Bank ranked marginally higher than its counterparts with a board made up of 36 percent women.

Silicon Valley Bank was the only bank we studied with no people of color represented on its board. Six of the 10 banks have below average representation of people of color in comparison to the banks we studied, and five of the 10 banks have below average representation of women.

Board Diversity by Race				Board Diversity by Gender			
CA Deposit Size Ranking	Racial Diversity Ranking	Bank	POC %	CA Deposit Size Ranking	Gender Diversity Ranking	Bank	Women %
6	1	Bank of the West	75%	7	1	First Republic Bank	36%
4	2	MUFG Union Bank	46%	9	2	U.S. Bank	35%
5	3	Citibank	40%	1	2	Bank of America	35%
10	4	CIT Bank	33%	2	3	Wells Fargo	33%
9	5	U.S. Bank	29%	10	3	CIT Bank	33%
2	6	Wells Fargo	25%	8	4	Silicon Valley	27%
1	7	Bank of America	18%	6	5	Bank of the West	25%
3	7	JPMorgan Chase	18%	4	6	MUFG Union Bank	23%
7	7	First Republic Bank	18%	5	7	Citibank	20%
8	8	Silicon Valley	0%	3	8	JPMorgan Chase	18%
Average			30%	Average			29%

METHODOLOGY

Greenlining submitted a request for data to the 10 largest financial institutions in California, based on their California deposit share. We received a complete response from eight of the 10. For the two institutions with incomplete data, we were able to find their executive board data on the institutions' websites (through 2019 proxy statements and investor reports).

In order to keep the analysis uniform based on the variation in responses we received, including banks that aggregated people of color, we aggregated Black, Latinx, Asian, and Native American board members, tallied the results, and ranked the financial institutions based on the percentage of people of color on their boards. We separately conducted a similar analysis for gender, so women of color were counted twice if they appeared on a board.

Given the available data, this analysis focused on the banks with the largest deposit market share in California, which includes banks that have a limited branch presence in the state. This study is also limited by data reporting that: 1) often did not disaggregate people of color, which does not allow us to identify banks with limited representation by particular marginalized communities of color, and 2) may not account for individuals that identify as gender non-conforming and may choose not to identify themselves as such to these institutions.

STRATEGIES FOR BUILDING DIVERSE BOARDS

- **Establish a commitment to diversity, equity and inclusion:** Each bank CEO should embed the values of diversity, equity and inclusion into their institution's mission and policies, including board recruitment policies and practices, and make a public commitment to establish and maintain a diverse executive board. A commitment to diversity, equity and inclusion in bank practices includes forming a committee to track progress, hosting cultural sensitivity trainings for the board, and establishing policies that prevent discrimination in board recruitment.
- **Disclose board demographics and policies:** Banks should disclose their diversity policies and practices on their websites, as recommended by the OCC's Office of Minority and Women Inclusion.⁴ In addition, in order to allow for accountability by consumers and advocates, all banks should publicly disclose the demographics of their board and disaggregate the information to specify the race of each individual board member. As Congresswoman Maxine Waters emphasized, data transparency will show where there is discrimination and identify opportunities for eliminating it.⁵
- **Set goals for representation on boards:** Banks should have quantitative goals for the number of people of color and women/gender non-conforming individuals serving on their boards in order to keep themselves accountable and incentivize diversity in the recruitment and selection process. These goals should reflect the diversity of the communities they serve.
- **Expand qualifications for board members:** Communities of color have been historically left out of the traditional sectors and positions that make up the pool of board candidates. In order to be inclusive and increase the diversity of the board, CEOs must expand the pool of applicants. Recruitment should have an expansive criteria that includes non-traditional sectors, including nonprofit leaders, reaches beyond a bank's usual circle of referrals, and includes individuals who may not have served as former CEOs but have still relevant executive experience.⁶ Widening the pool of board candidates will not only promote diversity within the bank, but also build a bench of more diverse voices for leadership in the larger industry.
- **Professional development of bank leadership:** Senior management often helps shape the makeup of the executive board by recruiting and suggesting people for board positions from within their personal and professional circles. As such, underrepresentation of women and people of color in senior management will have an effect on the makeup of executive boards. Professional development for the purposes of promotion and retention of diverse up-and-coming leaders in banks, as well as proactive recruitment from diverse populations, can have an impact on board composition. JPMorgan Chase's Advancing Black Leaders program is an example of proactive professional development that focuses on hiring, retaining and uplifting Black individuals.⁷

Bank boards should reflect the diversity of California and the nation. We believe that these strategies will lead to greater racial equity within banks and in their investments in communities. Diverse leadership will help banks understand and meet the needs of their diverse customer base and prioritize reinvestment in currently underrepresented communities.

ABOUT THE GREENLINING INSTITUTE

Founded in 1993, The Greenlining Institute envisions a nation where communities of color thrive and race is never a barrier to economic opportunity. Because people of color will be the majority of our population by 2044, America will prosper only if communities of color prosper. Greenlining advances economic opportunity and empowerment for people of color through advocacy, community and coalition building, research, and leadership development. We work on a variety of major policy issues because economic opportunity doesn't operate in a vacuum. Rather than seeing these issues as being in separate silos, Greenlining views them as interconnected threads in a web of opportunity.

About the Economic Equity Team

The Greenlining Institute's Economic Equity program works to overcome the lingering effects of redlining, help communities of color build wealth, and ensure that our financial system works for all.

AUTHOR BIOGRAPHY

Rawan Elhalaby, *Senior Economic Equity Program Manager*

Rawan Elhalaby is the Senior Economic Equity Program Manager at The Greenlining Institute where she oversees bank accountability efforts using the Community Reinvestment Act. As the daughter of working class refugees, Rawan is all too familiar with the obstacles to achieving self-sufficiency in the United States for low-income and immigrant families. As such, she has spent her career addressing these obstacles at Greenlining and one-on-one with recently arrived refugees from Iraq, Somalia, Syria, and Afghanistan (among others) to San Diego at the International Rescue Committee. She has also worked as a policy consultant to the Consumer Financial Protection Bureau, the County of San Diego, the Western Regional Advocacy Project, and the Dellums Institute for Social Justice. Rawan holds a degree in Political Science from San Diego State University and a Master of Public Policy from UC Berkeley's Goldman School of Public Policy.

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ENDNOTES

¹ <http://greenlining.org/publications/2018/2017-corporate-board-diversity>

² <https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=403834>

³ <https://www2.deloitte.com/us/en/pages/about-deloitte/articles/board-diversity-survey.html>

⁴ <https://www.occ.gov/news-issuances/news-releases/2016/nr-ia-2016-91.html>

⁵ <https://www.vox.com/policy-and-politics/2019/1/3/18157768/maxine-waters-house-financial-services-committee-cfpb>

⁶ https://financialservices.house.gov/uploadedfiles/hhrg-116-ba00-20190620-sd002_-_memo.pdf

⁷ <https://www.jpmorganchase.com/corporate/About-JPMC/ab-advancing-black-leaders.htm>



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