



# PRUDENTIAL— GOVERNING BOARD DIVERSITY CASE STUDY

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Leading practices to advance governing board diversity in  
the insurance industry

California Department of Insurance  
300 Capitol Mall, 17<sup>th</sup> Floor  
Sacramento, CA 95814

2019

## ABOUT THE CASE STUDY

The following set of leading practices contained in this case study seeks to illustrate the practices that have been successfully implemented by Prudential Financial, Inc. It is meant to serve as an informational resource document.

## ACKNOWLEDGMENTS

The case study was produced in collaboration with Prudential Financial, Inc., including interviews with Prudential Senior Vice President, Chief Governance Officer and Corporate Secretary Peggy Foran, and Gilbert Casellas, an independent director on Prudential Financial's board and chair of its Corporate Governance and Business Ethics Committee.



## CALIFORNIA DEPARTMENT OF INSURANCE

Established in 1868, the California Department of Insurance is the largest consumer protection agency in California. Insurers collect \$310 billion in premiums annually in California, and the State is the 4th largest insurance market in the world and remains the largest insurance market in the United States.

California Department of Insurance  
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Questions in regards to the contents contained in this case study may be directed to the California Insurance Diversity Director - Chandara K. Phanachone at [chandara.phanachone@insurance.ca.gov](mailto:chandara.phanachone@insurance.ca.gov).

# PRUDENTIAL– CASE STUDY

## Company History

Since 1875, and for more than 140 years, Prudential Financial, Inc. (Prudential) has demonstrated its commitment to helping people achieve financial security and peace of mind. Established by insurance agent John Fairfield Dryden under the name of Prudential Friendly Society, Prudential became the first U.S. company to make life insurance affordable to working class people. Originally, the company sold Industrial Insurance, which provided funeral and burial expenses to low-income families, with some weekly premiums as low as three cents. Since then, Prudential has grown into a leading financial services company that offers a variety of products and services, including life insurance, annuities, retirement-related services, mutual funds, and investment management. In 2010, Diversity Inc. named Prudential as one of the “Top 50 Companies for Diversity” for the 10<sup>th</sup> consecutive year, a distinction Prudential continues to receive.

Prudential's Board of Directors (Board) has long recognized the importance of diverse perspectives in order to represent the interests of all the company's stakeholders and achieve long-term value creation. Recognizing that talent and culture are critical to the success of its company, the Board has undertaken a series of intentional actions that position the company for future growth.

### CORPORATE HEADQUARTERS

- NEWARK, NEW JERSEY

### FACTS AT A GLANCE



**Number of Employees:** ~50K, worldwide

**Assets Under Management:** \$1.497 Trillion

**Adjusted Operating Return on Equity (ROE):** 12.7%

**Volume of Customers:** ~50 million across more than 40 countries

*Source: Prudential Financial, Inc. – 2018 Annual Report and 2019 Proxy Statement*

### ABOUT THE COMPANY

Prudential Financial, Inc. ([NYSE: PRU](https://www.nyse.com/quote/nyse:pru)), a financial services leader with more than \$1 trillion of assets under management as of September 30, 2018, has operations in the United States, Asia, Europe, and Latin America. Prudential's diverse and talented employees are committed to helping individual and institutional customers grow and protect their wealth through a variety of products and services, including life insurance, annuities, retirement-related services, mutual funds and investment management. In the U.S., Prudential's iconic Rock symbol has stood for strength, stability, expertise and innovation for more than a century. For more information, please visit [news.prudential.com](https://news.prudential.com).



# PRUDENTIAL– LEADING PRACTICE 1: Creating a Framework for Corporate Governance

## A CLOSER LOOK

While Prudential does not have a formal policy on board diversity, its Corporate Governance Principles and Practices document provides a framework for the effective governance of its company with an emphasis on diversity. The concise, 10-page document outlines the role of the Board of Directors, the Board Structure, and the Committee of the Board. Among them, the Board’s Corporate Governance and Business Ethics Committee (Committee), with the input of management, recommends assignments for the approval of the full board, and considers diversity criteria in recruitment and nominations of directors.

Equally important to creating a framework for corporate governance is the emphasis on building a culture that values and celebrates diversity. The product of having a diverse Board is a competitive differentiator, and a company culture that is grounded in its commitment to diversity makes it much easier to attract a more diverse candidate pool. In Prudential’s 2011 Proxy Statement, the company reinforced its commitment to setting the cultural tone by emphasizing that “Prudential has a strong commitment to promoting a culture of ethics and integrity, and our values define the way we do business. The Board is committed to fostering a strong ethical tone at the Company and...believe that the ‘right tone at the top’ should be apparent in all of our actions.”

## KEY PROGRESS INDICATORS

**2010** – Prudential updated its 2010 Proxy Statement to include a written disclosure of its commitment to diversity as outlined in its Corporate Governance Principles and Practices document

# PRUDENTIAL– LEADING PRACTICE 2: Assessment of Corporate Directors via Skills and Qualifications Matrix

## A CLOSER LOOK

Prudential is committed to sound corporate governance practices that leads to greater effectiveness in building and sustaining the company's long-term shareholder value. Within its Board of Directors, the Corporate Governance and Business Ethics Committee screens and recommends candidates for nomination by the full Board. As part of the board selection process, the Committee considers the important attributes that highlight the skills, qualifications, and experience of its Director nominees. On an annual basis, the Committee performs an assessment to ensure that the Directors possess the skills and experiences to oversee the company. In light of the company's long-term goal of creating greater shareholder value, the Committee conducts targeted efforts to identify and recruit individuals who have the qualifications identified through the process. Given that Prudential offers a variety of services and products, the Committee seeks a Board that is reflective of the mix of skills and qualifications to achieve the goal of a well-rounded, diverse Board leadership. The Committee communicates its qualifications to selected executive search firms, and works hand-in-hand with the search firms to produce a diverse candidate pool.

### KEY PROGRESS INDICATORS

#### PROCESS FOR BOARD DIRECTOR SELECTION

- Prudential's Process Map for the Selection of Board Directors



Source: <http://www3.prudential.com/annualreport/report2018/proxy/images/Prudential-Proxy2018.pdf>

# PRUDENTIAL– LEADING PRACTICE 3: Transparency as a Form of Engagement

## A CLOSER LOOK

In 2010, Prudential’s Board of Directors proposed and led a shareholder engagement strategy to communicate the company’s long-term strategic roadmap. As part of its shareholder engagement campaign, Prudential’s 2010 Proxy Statement included a formal letter from the Board that “emphasized the Board’s role as steward of the company and summarized the actions the Board [had] taken on behalf of shareholders.”<sup>i</sup> According to its 2010 Proxy Statement, Prudential committed to providing “additional information about the experiences and qualifications of each Director, the qualities they bring to the Board, how diversity is factored into nomination decisions, and the rationale for the Board leadership structure.”<sup>ii</sup> The public disclosure via the Proxy Statement was a deliberate approach to ensure that Prudential remain accountable to its shareholders.

### KEY PROGRESS INDICATORS

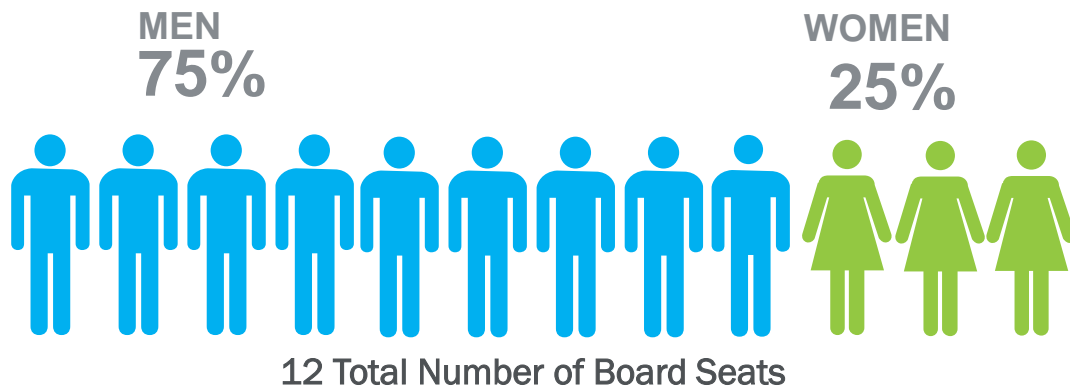
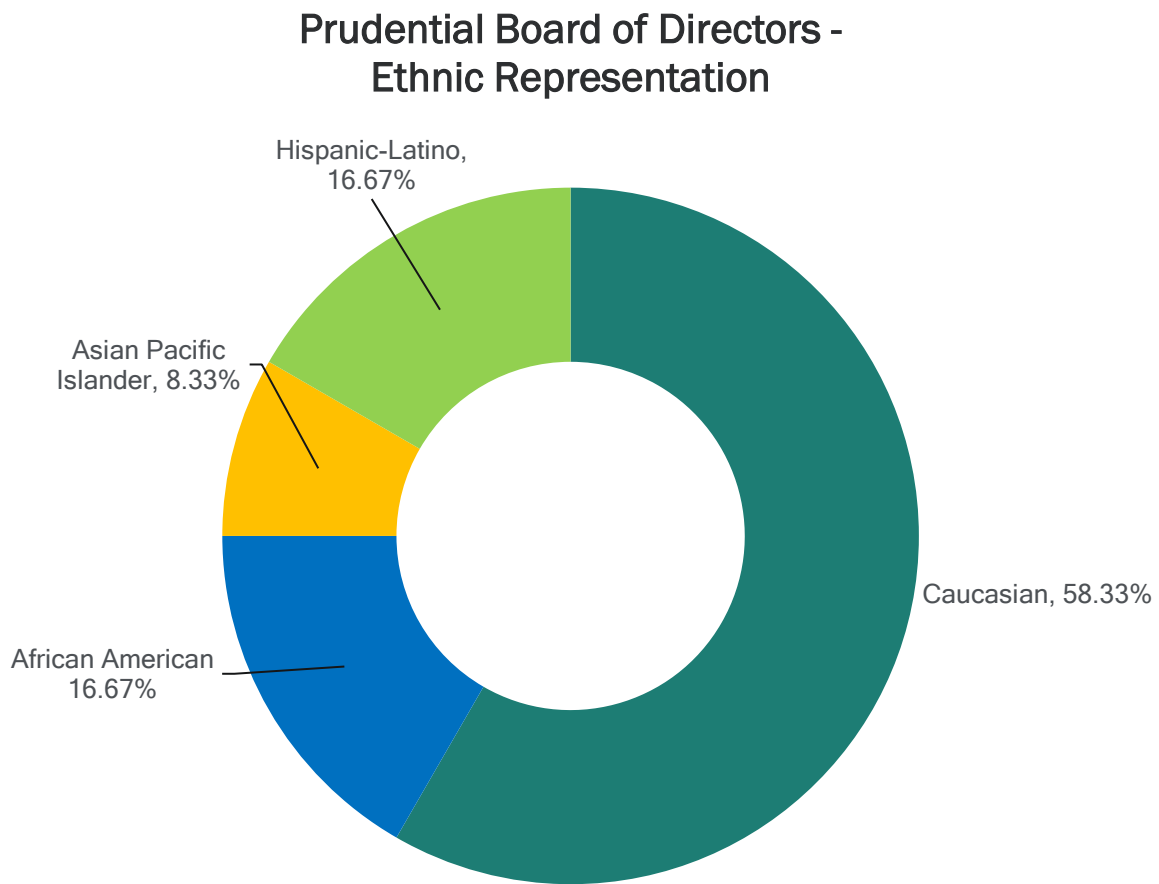
**2018** – Prudential released two videos featuring two (2) board members who shared their views on the company’s Board and corporate governance practices for the 4<sup>th</sup> consecutive year

**2010** – Prudential updated its 2010 Proxy Statement to include a written disclosure of its commitment to diversity. The company also solicited feedback from its shareholders on governance practices and participated in discussion with key groups which generated over 2,600 shareholder comments.

**2010** – Former Prudential CEO John Strangfeld was featured in a company video, extolling Prudential’s commitment to diversity practices, among its emphasis on sound, corporate governance practices

# RESULTS & IMPACT

## GOVERNING BOARD DIVERSITY – BY THE NUMBERS<sup>iii</sup>



## KEY GOVERNING BOARD DIVERSITY HIGHLIGHTS

- 3 – Board members identify as women
- 2 – Board members identify as African American
- 2 – Board members identify as Hispanic-Latino
- 1 – Board member identifies as Asian-Pacific Islander
- 1 – Board member identifies as LGBT
- 80% of non-employee directors are diverse

## SPOTLIGHT ON SUCCESS

Prudential has received a number of awards & recognition over the course of several years in recognition of its commitment to diversity, making it one of the leading companies in diversity within the insurance, health, and financial services industry.

2017

- ❖ Honored as the “Governing Board Diversity Champion” by the California Department of Insurance
- ❖ Former Prudential Chairman & CEO John Strangfeld signs CEO Action for Diversity & Inclusion pledge and Catalyst CEO Champions for Change commitment
- ❖ Prudential recognized as *LATINA Style Inc.*'s “Company of the Year”

2011

- ❖ Prudential named one of *Black Enterprise*'s "40 Best Companies for Diversity," for the first time. The company continues to be included on the list.

2014

- ❖ Prudential earned a 1 (best possible) Governance QualityScore by Institutional Shareholder Services Inc. (ISS), and continues to maintain that overall score

2010

- ❖ Named one of the “Top 50 Companies for Diversity” (Diversity, Inc.) for 10<sup>th</sup> consecutive year



# LESSONS LEARNED

## KEY TAKEAWAYS ON ACHIEVING GOVERNING BOARD DIVERSITY



### RECRUITMENT THROUGH THE LENS OF DIVERSITY

**“Talent comes in every form imaginable.**

**You have to actively seek out leaders, vendors, and employees that reflect a wide range of diversity.”**



**“Look beyond the CEO pool.**

**Many Fortune 500 companies are looking at the CEO/CFO pool, and there is really not much diversity within that group.”**

From its formative days of providing burial insurance to blue-collar workers to becoming one of the leading financial services and insurance companies in the world, Prudential’s story is one that has remained true to its mission. Aside from a diversity and inclusion policy for its workforce, the company has achieved greater governing board diversity as a result of its deliberate focus on diversity among its Board of Directors.



### CONSIDERATIONS FOR BOARD RECRUITMENT

**“The Skills [and Qualifications] Matrix demonstrates**

**that you have to be thoughtful and intentional in planning for Board leadership; you do not need to give up anything in order to achieve greater diversity.”**

From its creation of a robust set of corporate governance principles to being one of the first companies to utilize a skills matrix in order to assess and articulate the qualifications of its corporate directors to its shareholders, Prudential has demonstrated its commitment to ensuring diversity at the highest level of governance. Yet, perhaps more important is its ability to leverage the value of shareholder engagement by embarking on multiple communications & engagement campaign to extol its commitment and hold themselves to a higher degree of accountability to those they serve – their shareholders.



# APPENDIX A

Exhibit I - Prudential Board of Directors Skills and Qualifications Matrix (2018) - Summary of Director Qualifications & Experience

Summary of Director Qualifications and Experience		Baltimore, Thomas J., Jr.	Casellas, Gilbert F.	Grier, Mark B.	Hund-Mojean, Martina	Krappek, Karl J.	Lights, Peter R.	Paz, George	Planalto, Sandra	Poon, Christine A.	Scovanner, Douglas A.	Strangfeld, John R.	Tudman, Michael A.
<b>ACADEMIA/EDUCATION</b> experience is important because it brings perspective regarding organizational management and academic research relevant to our business and strategy.						•		•	•				
<b>BUSINESS ETHICS</b> experience is important given the critical role that ethics plays in the success of our businesses.		•	•									•	
<b>BUSINESS HEAD/ADMINISTRATION</b> experience is important since directors with administration experience typically possess strong leadership qualities and the ability to identify and develop those qualities in others.		•	•	•	•	•	•	•	•	•	•	•	•
<b>BUSINESS OPERATIONS</b> experience gives directors a practical understanding of developing, implementing and assessing our operating plan and business strategy.		•	•	•	•	•	•	•	•	•	•	•	•
<b>CORPORATE GOVERNANCE</b> experience supports our goals of strong Board and management accountability, transparency and protection of shareholder interests.		•	•	•	•	•	•	•	•	•	•	•	•
<b>ENVIRONMENTAL/SUSTAINABILITY/CORPORATE RESPONSIBILITY</b> experience strengthens the Board's oversight and assures that strategic business imperatives and long term value creation for shareholders are achieved within a responsible, sustainable business model.			•	•	•							•	
<b>FINANCE/CAPITAL ALLOCATION</b> experience is important in evaluating our financial statements and capital structure.			•	•	•	•	•	•		•	•	•	
<b>FINANCIAL EXPERTISE/LITERACY</b> is important because it assists our directors in understanding and overseeing our financial reporting and internal controls.		•	•	•	•	•	•	•	•	•	•	•	•
<b>FINANCIAL SERVICES INDUSTRY</b> experience is important in understanding and reviewing our business and strategy.				•	•	•	•	•		•	•		
<b>GOVERNMENT/PUBLIC POLICY</b> experience is relevant to the Company as it operates in a heavily regulated industry that is directly affected by governmental actions.			•	•		•	•	•					•
<b>INSURANCE INDUSTRY</b> experience is important in understanding and reviewing our business and strategy.				•		•	•					•	
<b>INTERNATIONAL</b> experience is important in understanding and reviewing our business and strategy.				•	•	•			•			•	•
<b>INVESTMENTS</b> experience is important in evaluating our financial statements and investment strategy.		•	•	•		•				•	•		
<b>MARKETING/SALES</b> experience is relevant to the Company as it seeks to identify and develop new markets for its financial products and services.									•				•
<b>REAL ESTATE</b> experience is important in understanding and reviewing our business and strategy.		•			•					•			
<b>RISK MANAGEMENT</b> experience is critical to the Board's role in overseeing the risks facing the Company.		•	•	•	•	•	•	•		•	•	•	
<b>TALENT MANAGEMENT</b> experience is valuable in helping us attract, motivate and retain top candidates for positions at the Company.		•	•	•	•	•	•	•	•	•	•	•	•
<b>TECHNOLOGY/SYSTEMS</b> experience is relevant to the Company as it looks for ways to enhance the customer experience and internal operations.			•		•							•	



## End Notes:

[<sup>i</sup>] Prudential Financial, Inc., Notice of Annual Meeting of Shareholders and 2010 Proxy Statement. 2010.

[<sup>ii</sup>] Ibid.

[<sup>iii</sup>] Prudential Financial, Inc., Notice of Annual Meeting of Shareholders and 2018 Proxy Statement. 2018.