

Board Monitor

Europe 2021

The directors added to European public-company boards during 2020 more often than ever before had sustainability experience. Progress toward gender balance continued, but boards must do more to increase diversity in other ways.



About Board Monitor

This report is part of Heidrick & Struggles' long-standing study of trends in board composition in countries around the world. Produced by our CEO & Board Practice, these reports track and analyze trends in non-executive director appointments to the boards of the largest companies in Australia, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Mexico, the Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, the United Arab Emirates, the United Kingdom, and the United States. Information about executives is gathered from publicly available sources, BoardEx, and a Heidrick & Struggles proprietary database.

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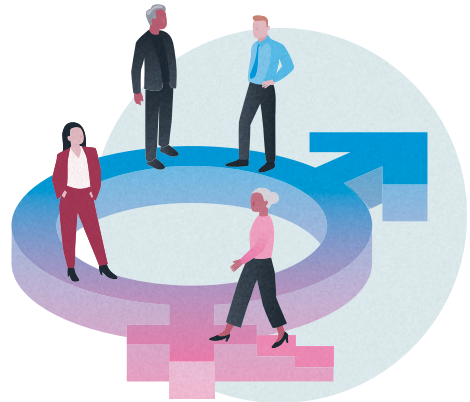
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Welcome to Board Monitor Europe 2021

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More current executives, more focus on sustainability



In this year's Board Monitor report, we look at the new directors added to public-company boards in 2020 in 14 European countries, a significant expansion from our earlier reports.¹ In a year of chaos, starting with Brexit going into effect and followed by COVID-19, board fundamentals—financial oversight and good governance—were crucial. Many directors found themselves working more closely than ever with executive teams to keep their companies afloat,

and working at a faster pace than ever before. Boards were increasingly expected to address topics as wide-ranging as social justice, sustainability, and diversity, not only in their own composition, but publicly. Furthermore, remote working and crisis management forced boards to operate differently, often outside their traditional schedule and agenda.

All of this, of course, affected how boards thought about the new members they added in 2020.

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¹ The countries included are Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

Snapshot of 2020 findings

New director seats filled



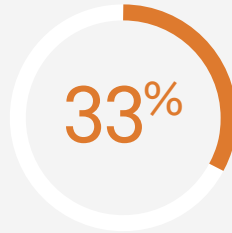
843

Average age



56

Current and former CEOs



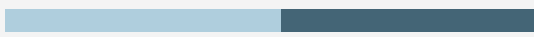
Current and former CFOs



Active/retired executives (%)

Active: 52

Retired: 48



Experience (%)

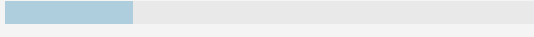
59 Previously served on boards



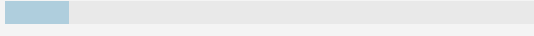
41 International



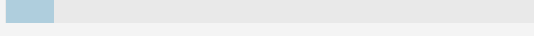
24 Financial risk/compliance



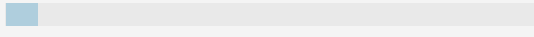
12 Sustainability



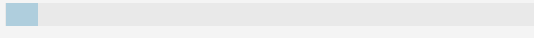
9 Digital or social media



6 Diversity and inclusion

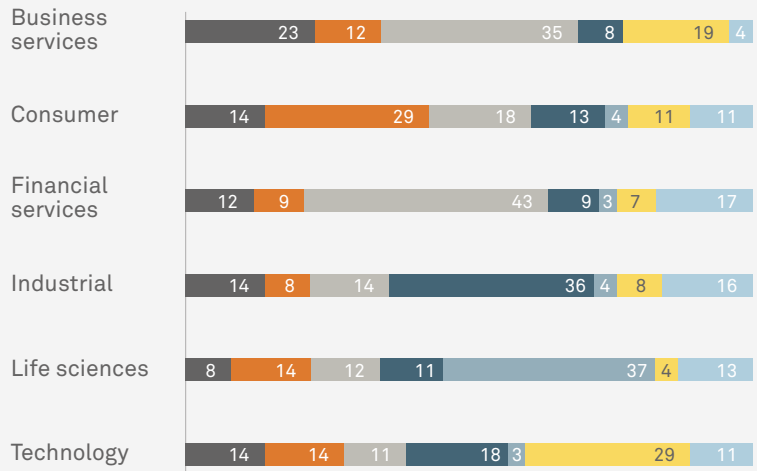


6 Cybersecurity



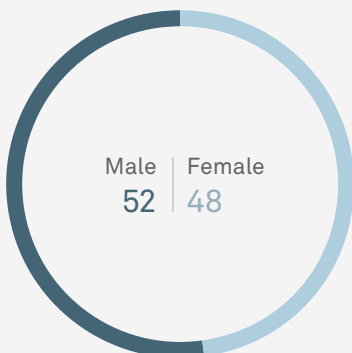
Distribution of previous industry experience, by industry (%)

■ Business services
 ■ Consumer
 ■ Financial services
■ Industrial
 ■ Life sciences
 ■ Technology
■ Other

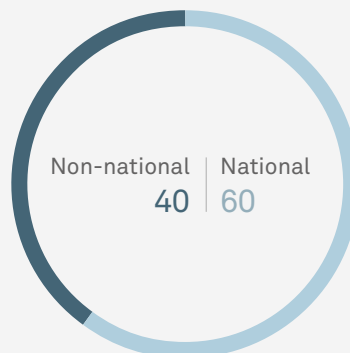


Note: Numbers may not sum to 100%, because of rounding.

Gender (%)



Nationality (%)



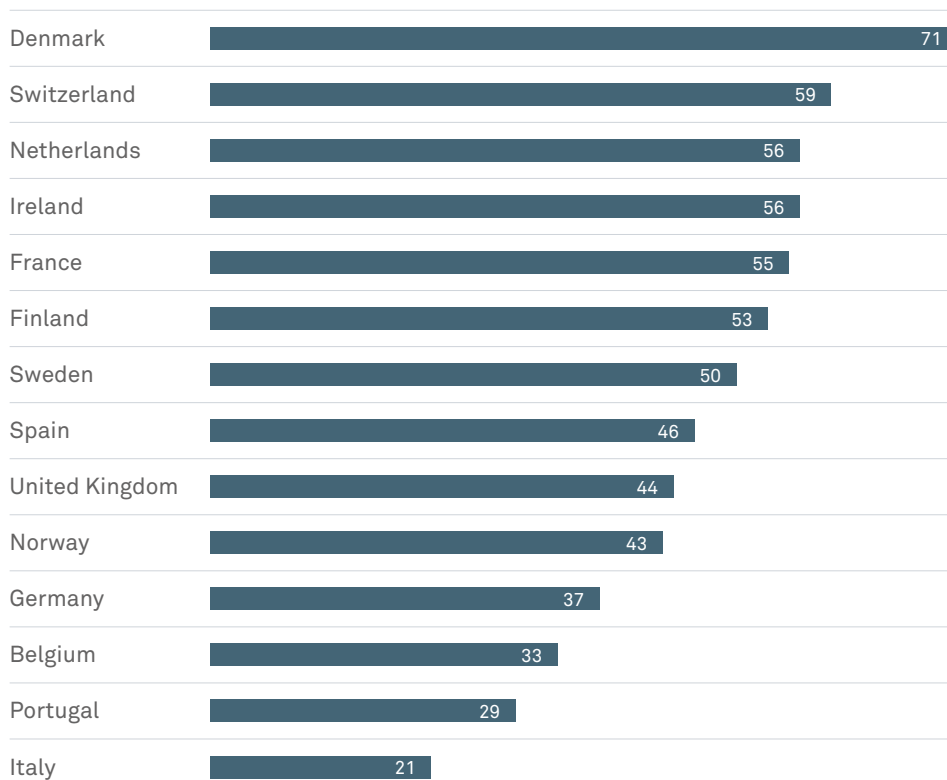
Boards continued to seek out directors with CEO and CFO experience. Across the region, just under half of the seats, 44%, were filled with directors who had held those roles. It's notable, however, that among the group of countries included both last year and this year, that figure is consistent: that is, boards in 2020 weren't seeking even more of this kind of experience than before.² The figure, however, did vary significantly across countries.

Boards in 2020 were also often seeking directors who could hit the ground running—59% of seats were filled by people with prior board experience. That figure reached a high of 85% in the Netherlands, while the lowest share was in Italy, at 30%.

That said, this figure is a bit lower than in prior years, while the share of active (rather than retired) executives rose slightly, to just over half from a bit under half. Taken together, these shifts suggest that boards in 2020 had some additional preference for new directors with current executive experience.

In the context of responding to the pandemic and a greater focus on socially meaningful purpose at many companies around the world, it is also notable that, among boards in countries included in last year's report, the share of seats filled by directors with sustainability experience rose marginally, to 15%, from 10%.

Current and former CEOs or CFOs (%)



² In the United States, the share of Fortune 500 board directors with CEO or CFO experience fell markedly from the year before, while these boards added people with other kinds of operational and industry-specific experience. See *Board Monitor US 2021*, Heidrick & Struggles, on heidrick.com.

Gender and age

The share of seats going to male and female executives was almost even: 52% went to men and 48% to women. (This is comparable to the figures in last year’s report from a smaller group of countries; the share of seats going to women was higher than in the United States, where the figure in 2020 was 41%.)

There were notable variations across countries in terms of gender and average age. Boards in Denmark filled the highest share of seats with female directors, at 61%, and the lowest share was in Ireland, at 31%. In many countries, including France

and Germany, boards have quotas for the share of female directors, and now that most boards have reached those quotas, we see many adding new directors with backgrounds that are diverse in other ways.

It is notable that more than half of the seats filled by women, 54%, were filled by active executives, while women filled only 46% of the seats going to retired executives. This suggests that as boards seek more female members, they are more often also reaching out to people with current executive experience. The United Kingdom is a bit of an anomaly in this context: it has the highest share of retired

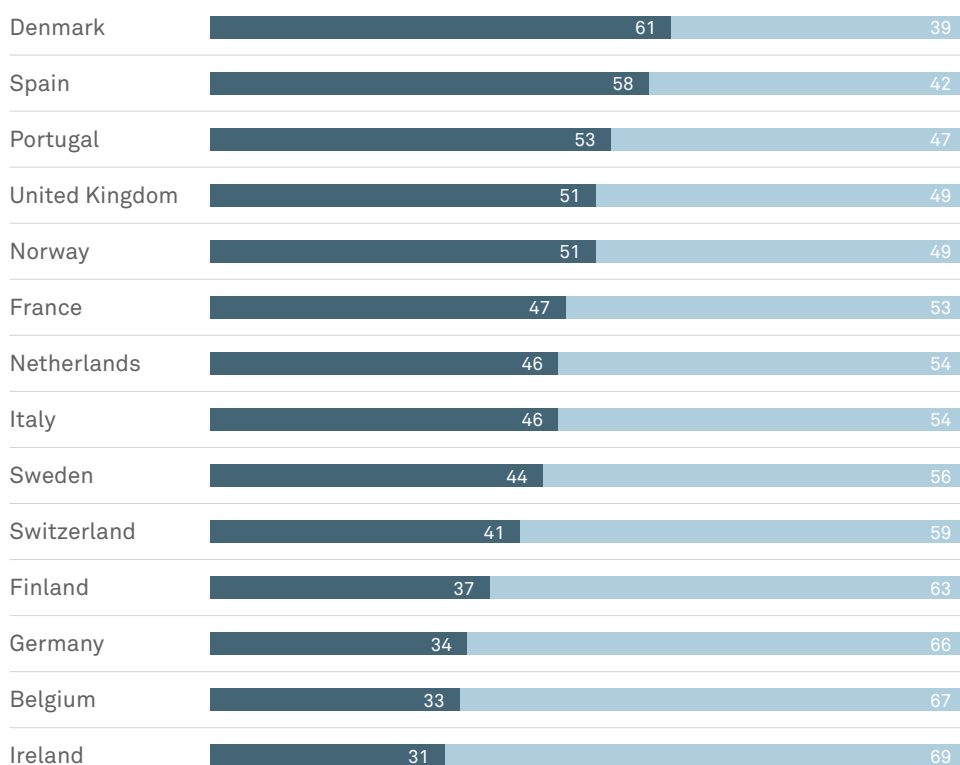
executives, at 66%, and a relatively high share of seats filled by women, at 51%.³

In terms of age, the averages range from a low of 52 in Norway—which also brought on board the highest share of active executives, at 89%—to a high of 60 in Portugal.

³ The relatively high share of seats filled by women may reflect the significant public focus on increasing the share of female board members and senior executives at FTSE 350 companies, tracked by the Hampton-Alexander Review for the past five years and an area of focus for the past decade. Other notable findings of that report that will likely affect both the number of incoming female board members and their areas of expertise are that only 30% of companies had achieved the target of having a third of senior leaders be female by 2020, and that among the FTSE 100, only 17% of finance directors were women, while 70% of HR directors were women.

Gender (%)

■ Female ■ Male



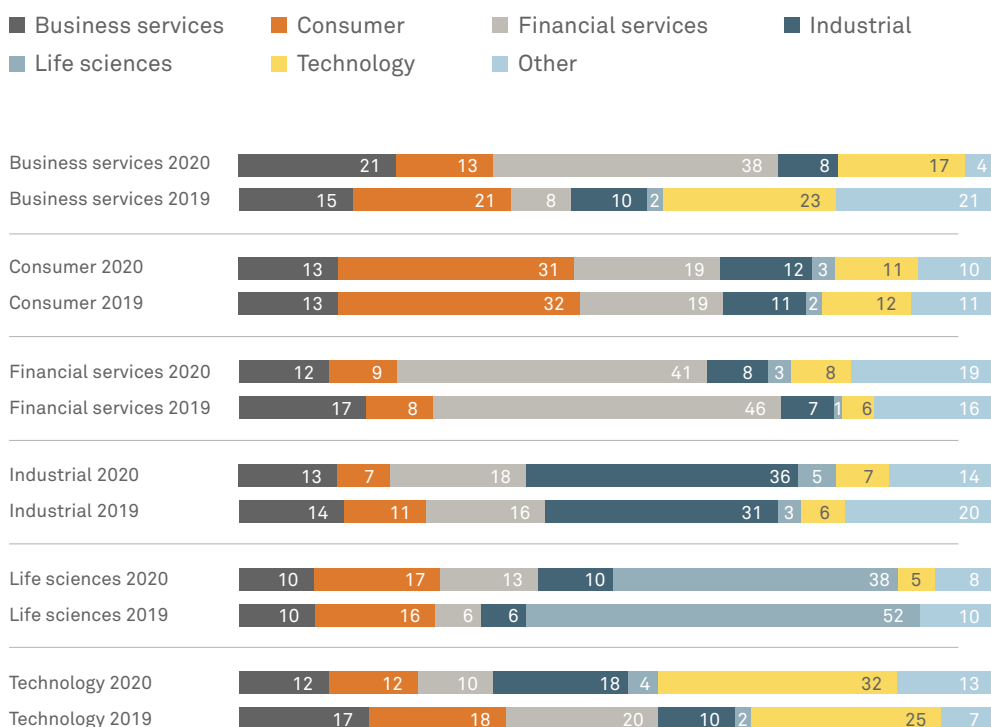
Other sources of fresh perspectives

Boards in the business services industry in 2020 filled higher shares of seats with directors with experience in their own industry than in the prior year (again comparing only countries included both years); this was a trend we saw

across industries in the United States and is likely a result of boards seeking additional operational expertise to help them through the challenges of 2020. Another shift, however, was particularly notable in Europe in 2020: both life sciences and technology companies filled markedly higher shares of seats with directors with industrial experience.

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Distribution of previous industry experience, by industry, 2020 vs 2019 (%)



Note: Numbers may not sum to 100%, because of rounding.

European boards are facing increasing pressure to add new directors from countries where they do business. This year, similar to last year, 40% of seats were filled by directors who were nationals of countries other than that of where the company is headquartered. But that isn't yet leading to particularly significant differences in perspective: among the non-nationals, 58% came from other countries in Europe.

Nationality breakdown for non-nationals (%)

Northern Europe	25
Western Europe	24
American/Canadian	24
Asian	9
Southern Europe	7
African	3
Mexican/Central/South American	3
Middle Eastern	2
Eastern European	2
Australian/New Zealander	1

Looking ahead



Many boards found themselves at an inflection point in 2020, stepping back to reexamine their fundamental purpose by analyzing what they—and only they—could do to support their companies. Many also then found themselves reassessing what knowledge and expertise the board needed to fulfill that role.

Boards in Europe are increasingly seeking active, rather than retired, executives because of their current operational knowledge. This raises some tension with regulators in many countries, who are concerned about executives being overboarded, and can also lead to conflicts if an executive changes roles. Nonetheless, we expect this trend to continue given the fast pace of change and the need most boards see to reach a pool of potential directors that is broader than former CEOs, CFOs, and members of other boards.

The question of representation of non-nationals on European boards may be even more pressing: stakeholders are increasingly demanding that international firms have international boards. In most countries, many companies conduct their corporate business in English, so language fluency is far less of a barrier than it was even five years ago. And, in a world where boards have become used to working virtually, barriers related to travel are also likely to ease. Overall, we expect to see boards adding significantly more directors from beyond Europe in the coming years.

In terms of racial or ethnic diversity, almost all boards in Europe could do better. There is a particular focus on this in the United Kingdom, where we expect to see an increasing focus on adding directors of Black and Asian descent. In this context, we believe it's crucial that boards not trade off one form of diversity for another, and instead ensure that there's room in the room for everyone.

Making it work

To make room for more diverse directors, many boards will benefit from changing the expectation that non-executive directors should serve as long as regulations permit.⁴ In many countries, that means three three-year terms. But, in fact, many non-executive directors can be extremely effective in one term, when they are added as part of a holistic refreshment strategy. A board may have a need for specific, timely expertise on a topic such as digital transformation or financial restructuring, for example, but is unlikely to need that same expertise a decade on. Chairs, nominating committees, and directors themselves can benefit companies significantly by shifting expectations on this point.

In addition, as we see boards bring on more first-time directors and more directors from diverse backgrounds, it is crucial that boards ensure those directors are able to be effective quickly. This is a particular

responsibility of chairs and can include formal onboarding, mentoring, coaching, and individual feedback. Boards that combine robust onboarding with consistent reviews of their overall performance as a board will, in our experience, be the most effective.⁵ We have also seen some companies, especially in the United Kingdom, help prepare their own junior executives for board service with what is sometimes called a “shadow board”: a group of high-potential younger executives who meet to discuss real issues facing the company, under the leadership of a current board member, with preparation and expectations similar to that of the actual board. It is early days, but such efforts seem likely to prepare more younger executives than ever before to be effective board members.

We expect the directors in 2021, all in all, to be added thoughtfully and become members of boards that are more active, more diverse, and more agile than ever.

⁴ For more on how boards can rethink their practices and expectations on refreshment, see Alice Breeden, Theodore Dysart, and David Hui, “Building the foundation for better board refreshment,” on heidrick.com.

⁵ For more on improving board dynamics, see Alice Breeden and David Hui, “A board review that accelerates competitiveness,” on heidrick.com.

CEO & Board Practice

Heidrick & Struggles' CEO & Board Practice has been built on our ability to execute top-level assignments and counsel CEOs and board members on the complex issues directly affecting their businesses.

We pride ourselves on being our clients' most trusted advisor and offer an integrated suite of services to help manage these challenges and their leadership assets. This ranges from the acquisition of talent through executive search to providing counsel in areas that include succession planning, executive and board assessment, and board effectiveness reviews.

Our CEO & Board Practice leverages our most accomplished search and leadership consulting professionals globally who understand the ever-transforming nature of leadership. This expertise, combined with in-depth industry, sector, and regional knowledge; differentiated research capabilities; and intellectual capital, enables us to provide sound global coverage for our clients.

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