

BOARD MONITOR EUROPE 2018

Our second annual profile of new independent directors at the largest British, French, and German companies captures the evolution of European boards at a time of continuing uncertainty in the region and around the world.



INCOMING BOARD DIRECTORS

In 2017, leading companies in the top three European countries by GDP—France, Germany, and the United Kingdom—filled 301 vacant board seats.

Companies listed on the United Kingdom's FTSE 250, France's CAC 40, and Germany's DAX 30 filled 301 new board seats in 2017. These newly appointed directors and their boards face a challenging agenda of geopolitical and business issues that could significantly affect company strategy and operations.

Geopolitical issues include what a post-Brexit Europe will look like, nationalist legislation in individual EU countries, US tariffs on European goods, and the rising threat of protectionism around the world. Meanwhile, in virtually every industry, ongoing digitization and the race to employ artificial intelligence will pose significant challenges of disruption. The relentless war for top talent will likely increase boards' involvement in succession beyond the CEO level. Greater regulatory scrutiny domestically and from the European Union will demand increased compliance, exemplary corporate governance, and a commitment to corporate social responsibility as well as to the creation of long-term value.

Board Monitor Europe 2018 is the second in our annual series of reports designed to provide profiles of new independent directors and track changes in those profiles from year to year. By "independent" we mean those directors who primarily represent shareholders, whether they serve on supervisory boards in a two-tier board structure or on a unitary board, and excludes company executives and employee and government representatives. In tracking the movement of these directors to their new boards, we took into account all of their substantial industry experiences.¹ (For example, a director who has worked most recently in the consumer industry may also have had valuable experience in the industrial sector or in technology.) And we calculated the overall percentages of those experiences, producing a more comprehensive view of the skills of newly appointed independent directors and a more nuanced picture of the experience that boards actually acquired.

¹ "Substantial industry experience" is defined as the individual having worked at a company within an industry either for five years or at a vice president level or higher for any amount of time.

58%

of new board seats went to former or current CEOs and CFOs

66%

of new boards seats went to directors with previous board experience



37%

of new board seats
went to women

Key findings include the following:

- Of the 301 new independent seats on the boards of FTSE 250, CAC 40, and DAX 30 companies in 2017, 58% went to current or former CEOs and CFOs, down from 70% the previous year.
- Some 200, or 66%, of those seats were filled by directors with previous board experience, down from 76% in 2016.
- Of those 301 seats, 110, or 37%, went to women, down from 44% in 2016.
- Only 1 of the 301 seats were filled by appointees with experience in cyberrisk, and only 10 by appointees with digital or social media experience.
- Some 105, or 35%, of new seats went to non-national appointees, down from 48% in 2016.
- Overall, the largest share of total substantial industry experiences lay in the financial services sector, at 34%, up from 26% in 2016.

Key comparative findings include the following:

- The percentage of non-national appointees varied widely by country— from a high of 50% in Germany to 40% in France and 32% in the United Kingdom.
- In the United Kingdom, the largest share of new appointees (36%) went to financial services boards. In France, the largest share (51%) went to industrial boards, and in Germany, the largest share went to industrial boards (36%) and financial services boards (36%).

About Board Monitor

Produced by Heidrick & Struggles' CEO & Board Practice, *Board Monitor Europe* tracks and analyzes trends in non-executive director appointments to the boards of companies listed on the FTSE 250, CAC 40, and DAX 30. Data on appointments are tracked through BoardEx, proxy filings, and corporate websites. Information about executives is gathered from publicly available sources, BoardEx, and a Heidrick & Struggles proprietary database.

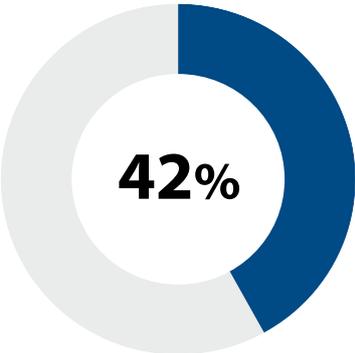
OVERALL SNAPSHOT OF 2017 FINDINGS

France, Germany, and the United Kingdom

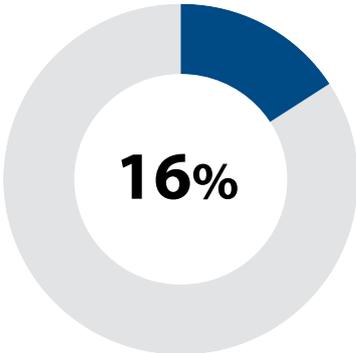
301

New director seats filled

Current and former CEOs



Current and former CFOs

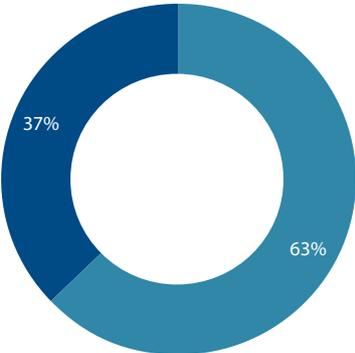


58

Average age

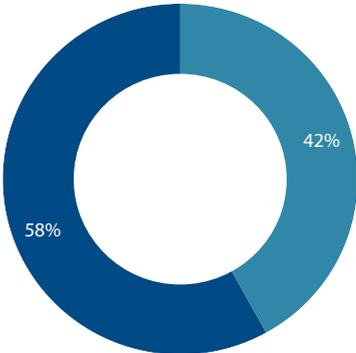
Gender

- Men
- Women

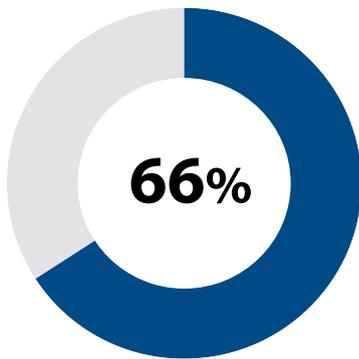


Active or retired executive

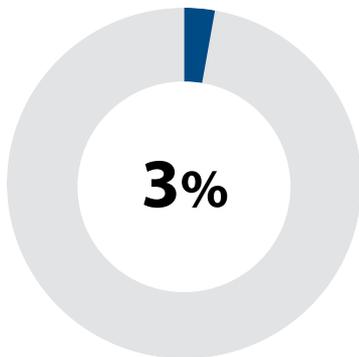
- Active executives (126)
- Retired executives (175)



Previously served on a board

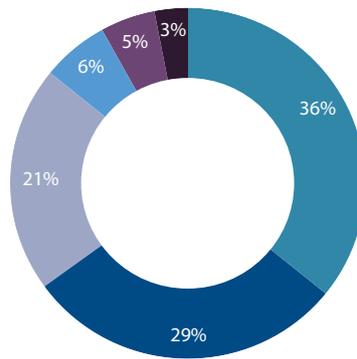


Digital or social media experience

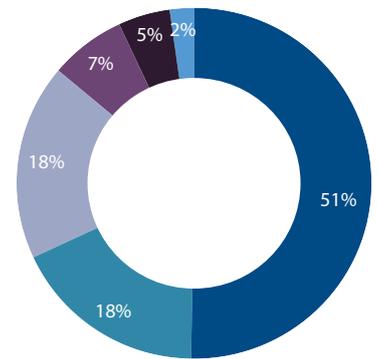


Distribution of new directors by industry (n = 301)

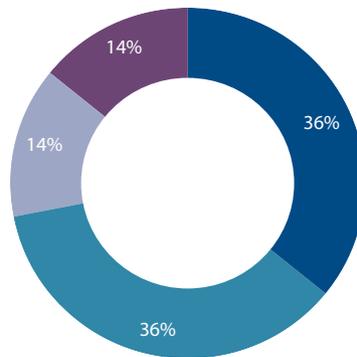
United Kingdom (n = 222)



France (n = 57)



Germany (n = 22)



- Industrial
- Financial services
- Consumer
- Technology
- Life sciences
- Business services

Note: Numbers may not sum to 100%, because of rounding. Not all industries are represented in every region.

DIVERSITY

Diversity by gender

France, at 42%, had the largest percentage of new independent director seats that were filled by women, closely followed by Germany, at 41%, and the United Kingdom, at 35% (Figure 1). (By way of comparison, the share of new seats that went to women in the United States in 2017 was a little over 38%.)

The percentage of seats that went to women should be understood in the context of each country's drive to increase the proportion of female representation on corporate boards.

In the United Kingdom in 2011, the government set a voluntary goal of one-fourth female representation on FTSE 100 boards by 2016. During that five-year period, the percentage rose steadily and hit 26%, slightly exceeding the goal, which may account for the United Kingdom's low percentage of new female board members relative to Germany and France. In Germany, where half of the supervisory board members are chosen by employees and the other half are selected by shareholders, a law that went

into effect as of January 2016 requires the top 100 publicly traded companies to fill vacant board positions with women until 30% of all supervisory board positions are held by women. In France, CAC 40 boards were legally required to have women account for at least 40% of their members by 2017. In both countries, the relatively high percentage of new female appointees may reflect a rush to meet the legally mandated quotas.

Figure 1. Proportion of new director seats filled by women in 2017, by region



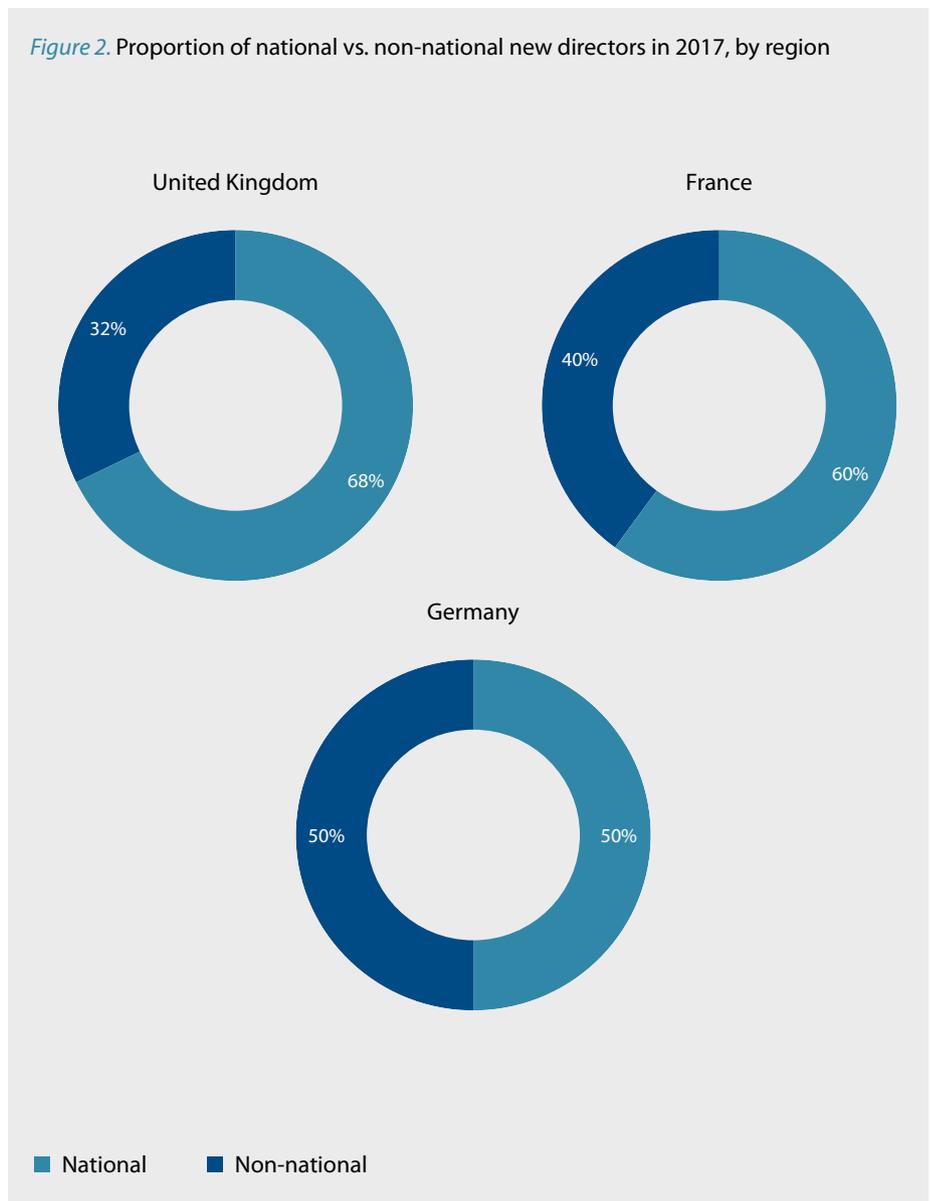
Diversity by nationality

Overall, 35% of new independent board members appointed in 2017 were non-nationals, down from 48% in 2016. Half of new independent board seats at companies in Germany went to non-nationals, while the figure for French boards was 40%, followed by the United Kingdom, at 32% (Figure 2).

35%

of new independent board members appointed in 2017 were non-nationals

Figure 2. Proportion of national vs. non-national new directors in 2017, by region





UNITED KINGDOM

In the United Kingdom, the average age of new independent appointees, at 58, was the same as the average for France and two years higher than the average for Germany.

Of the 222 seats filled in the United Kingdom, 58% went to former CEOs or CFOs, lower than the percentage for France, at 60%, but notably higher than the percentage for Germany, at 46%. Some 66% of appointees in the United Kingdom came with previous board experience, and some 34% are active executives. The financial services sector appointed the largest proportion of new independent directors, at 36%, followed by the industrial sector, at 29%. Of the 328 total significant industry experiences among new appointees, the largest share lay in the financial services sector, at 38%, followed by the consumer and industrial sectors, both at 20%. None of the new independent appointees had significant experience in financial risk or cybersecurity.

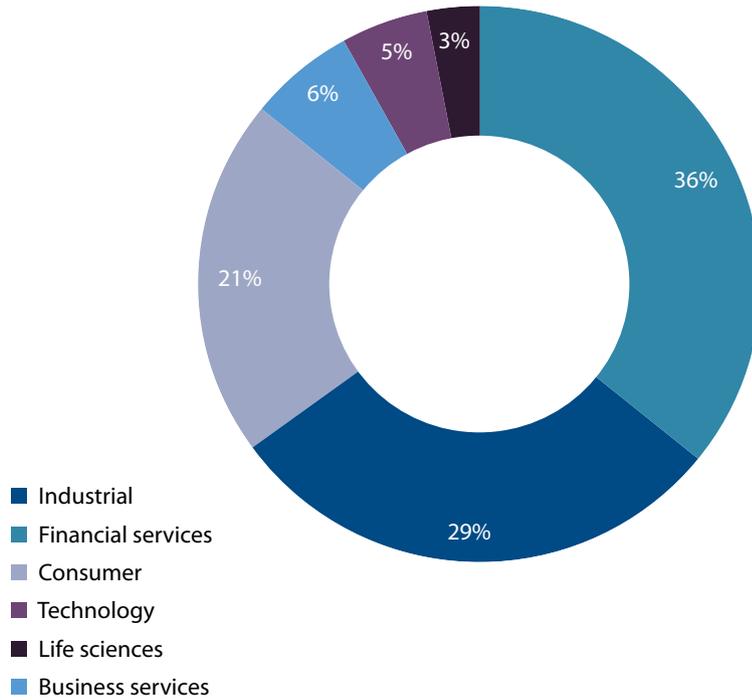
222

New director seats filled

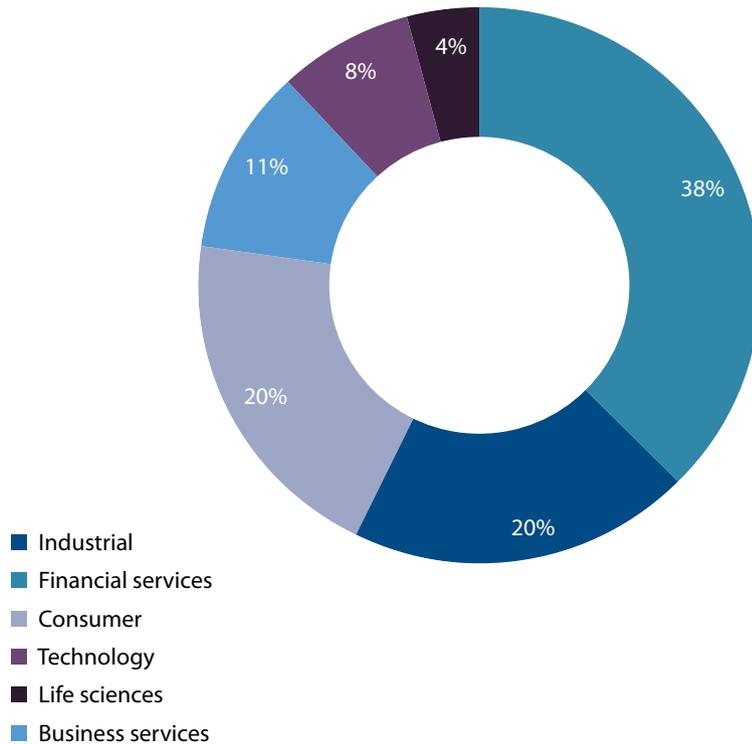
58

Average age

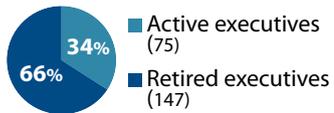
Distribution of new directors by industry (n = 222)



Distribution of directors' total career experiences by industry (n = 328)



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



Experience



Appointment of women directors in the United Kingdom by industry

Some 34% of all female independent directors appointed to FTSE 250 boards in 2017 went to financial services boards, followed by industrial boards, at 29% (Figure 3). Consumer boards appointed 18% of all new female directors, followed by business services boards, at 10%.

While financial services boards appointed the largest number of women overall, 33% of new board seats in that industry went to women (Figure 4). In business services, 57% of all new director appointees were women. In life sciences, the figure was 50%. The lowest percentage of female directors—30%—occurred in consumer boards.

Figure 3. Distribution of female appointments to FTSE 250 boards in 2017, by industry (n = 77)

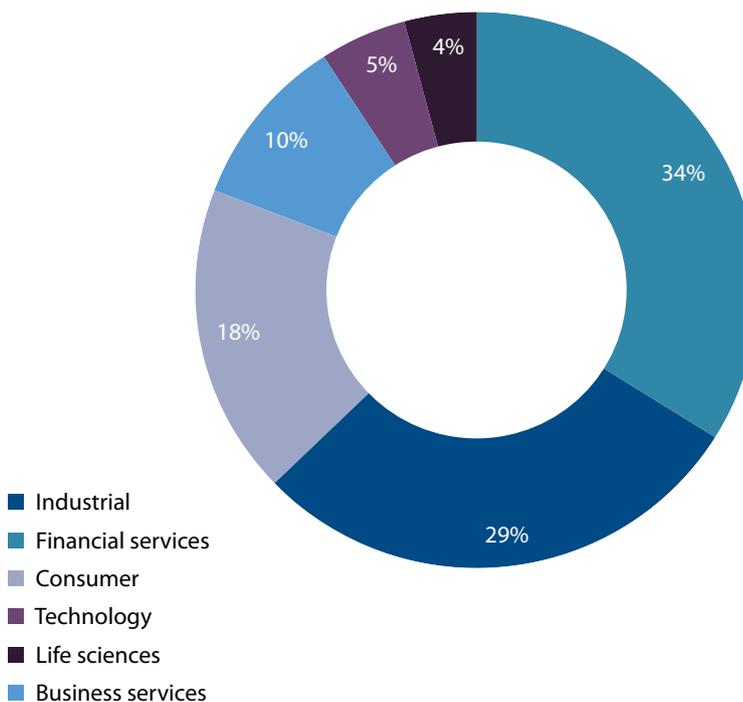
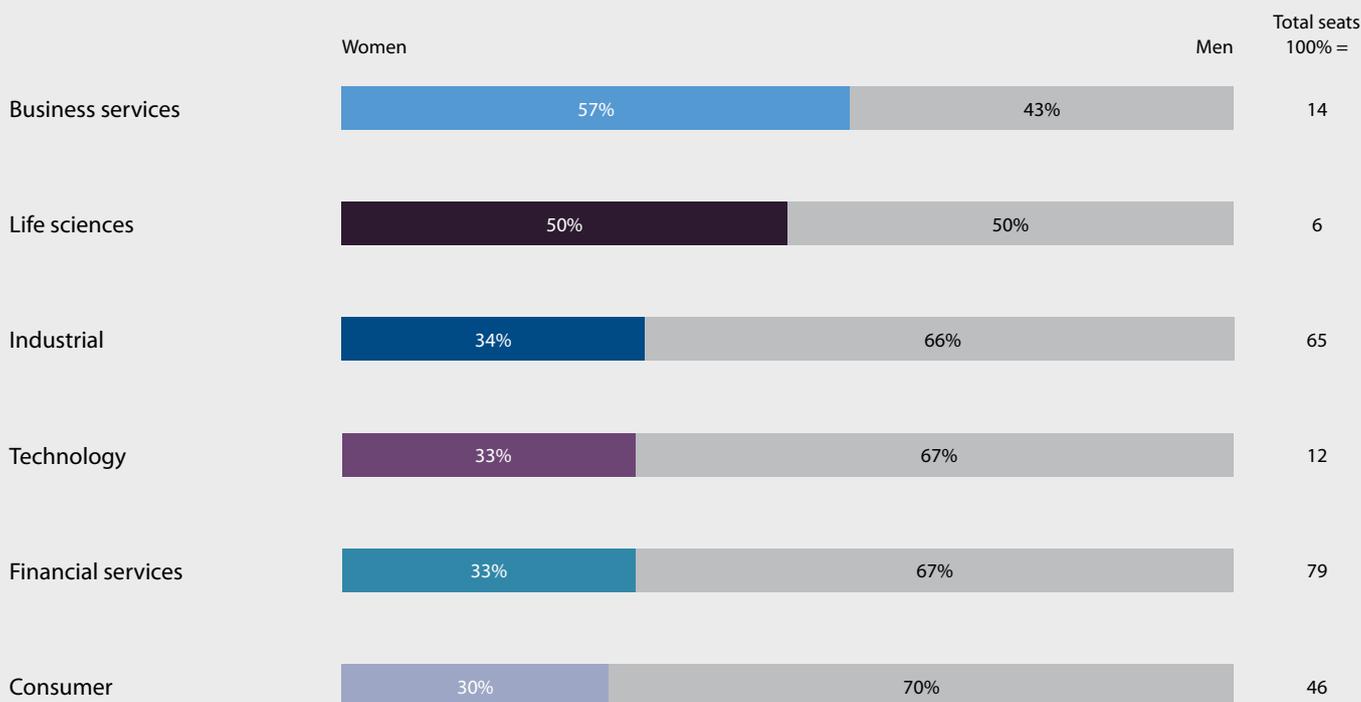


Figure 4. Proportion of new FTSE 250 board seats in each industry by gender, in 2017



Appointments in the United Kingdom by nationality

Some 32% of new independent board seats in the United Kingdom went to non-national appointees (Figure 5), with 13% coming from elsewhere in Western Europe and 14% from North America (Figure 6).

Figure 5. Proportion of national vs. non-national appointments to FTSE 250 boards in 2017, by region

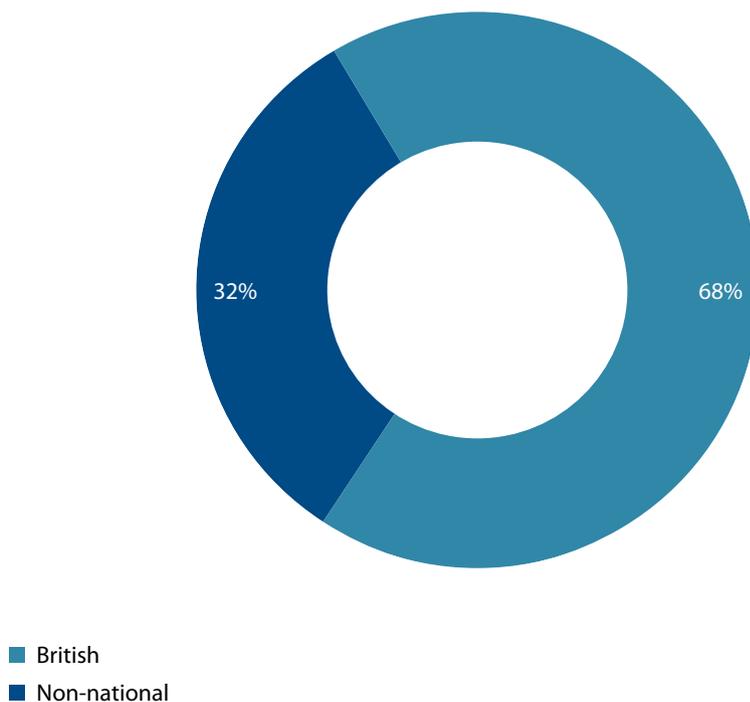
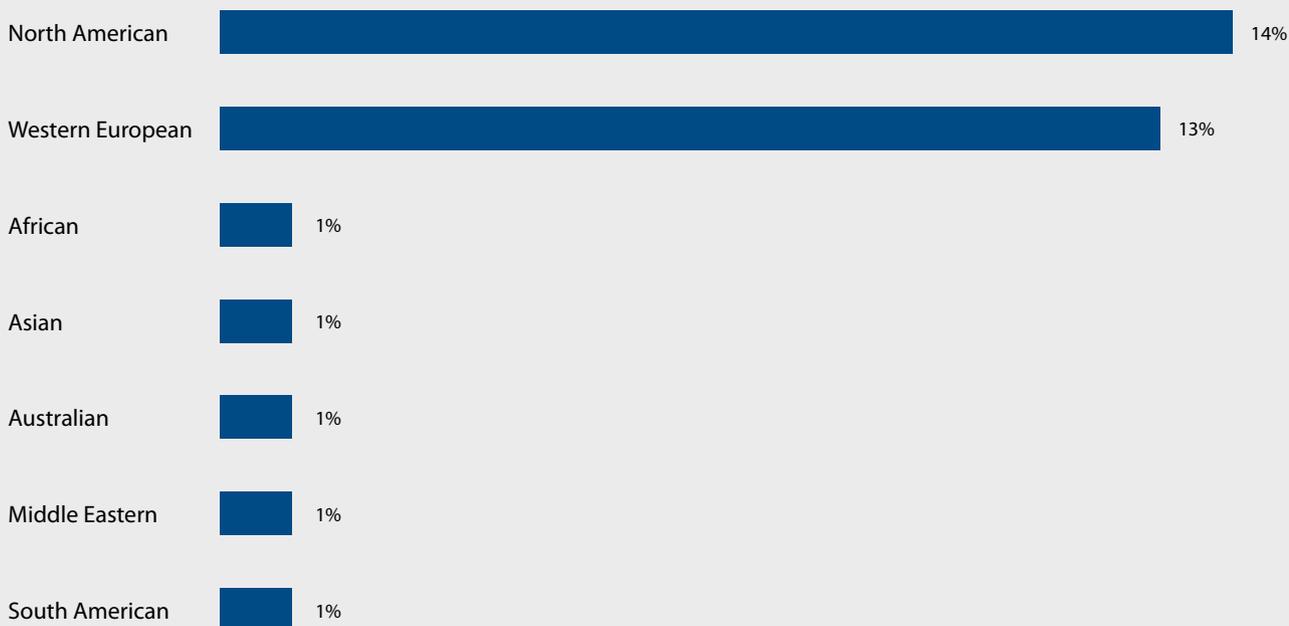


Figure 6. Proportion of non-national appointments to FTSE 250 boards in 2017, by region

Non-national appointments = 32% of total appointments





FRANCE

In France, the average age of new independent appointees, at 58, was the same as the average for the United Kingdom and two years higher than the average for Germany.

Of the 57 independent seats filled in France, 60% went to former CEOs or CFOs, slightly higher than the percentage for the United Kingdom, at 58%, and notably higher than the percentage for Germany, at 46%. Some 68% of appointees in France came with previous board experience, and 70% are active executives. The industrial sector appointed the largest proportion of new independent directors, at 51%, followed by consumer and financial services, both at 18%. Of the 86 total significant industry experiences among new appointees, the largest share lay in the industrial sector, at 28%, followed by the financial services sector, at 22%. Some 16% of new independent appointees had significant experience in financial risk, but none had experience in cybersecurity.

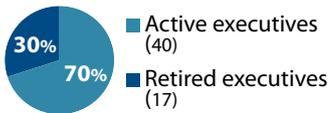
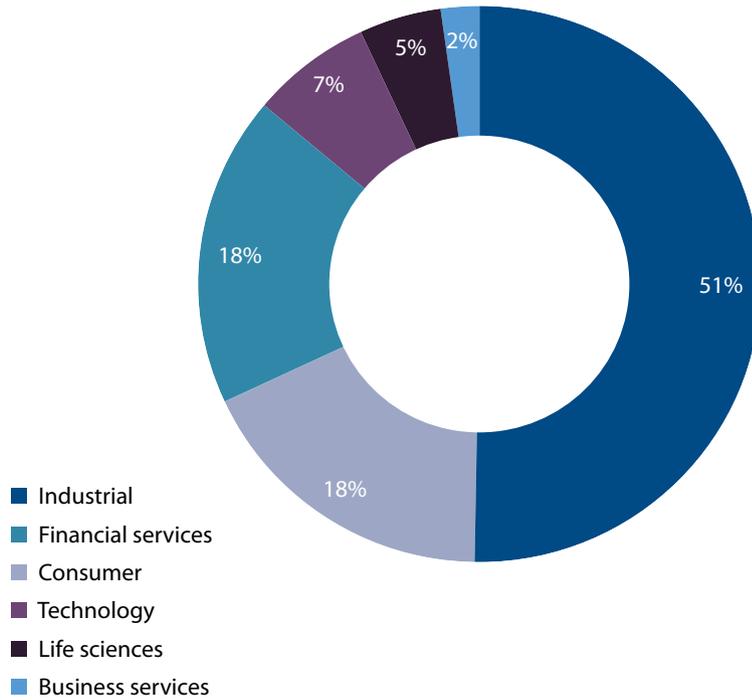
57

New director seats filled

58

Average age

Distribution of new directors by industry (n = 57)



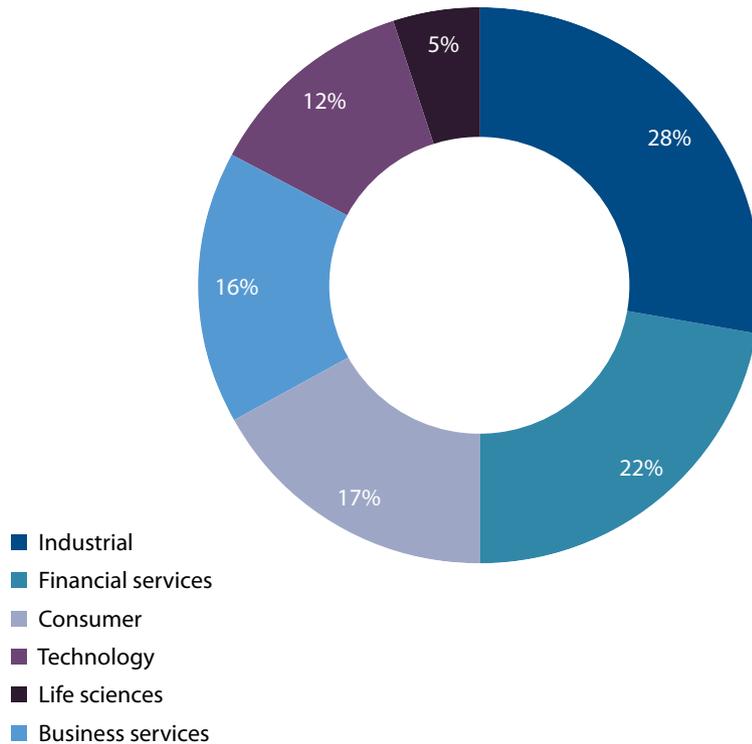
Experience



16% Financial risk experience

0% Cybersecurity experience

Distribution of directors' total career experiences by industry (n = 86)



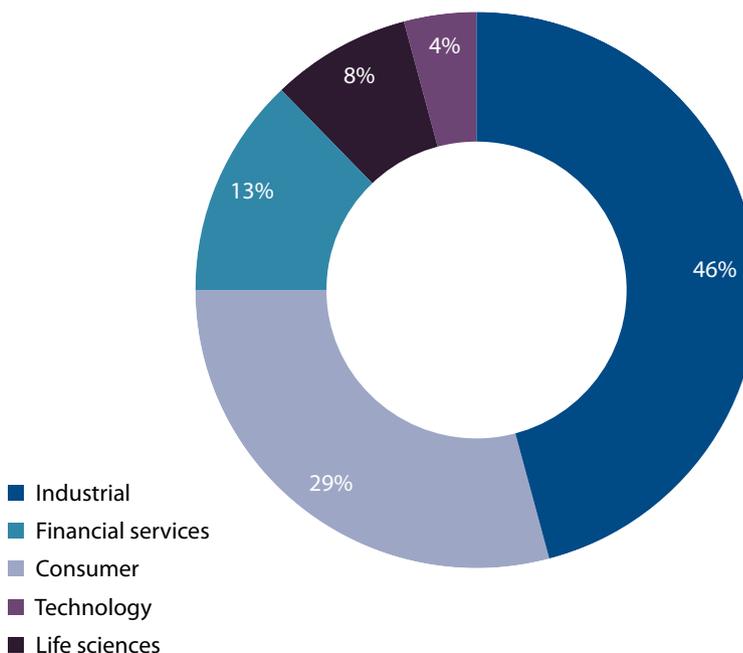
Note: Numbers may not sum to 100%, because of rounding.

Appointment of women directors in France by industry

Some 46% of all female independent director appointments in France in 2017 were made by industrial boards, followed by consumer boards, at 29% (Figure 7). Financial services boards made 13% of all new female appointments, followed by life sciences (8%) and technology boards (4%).

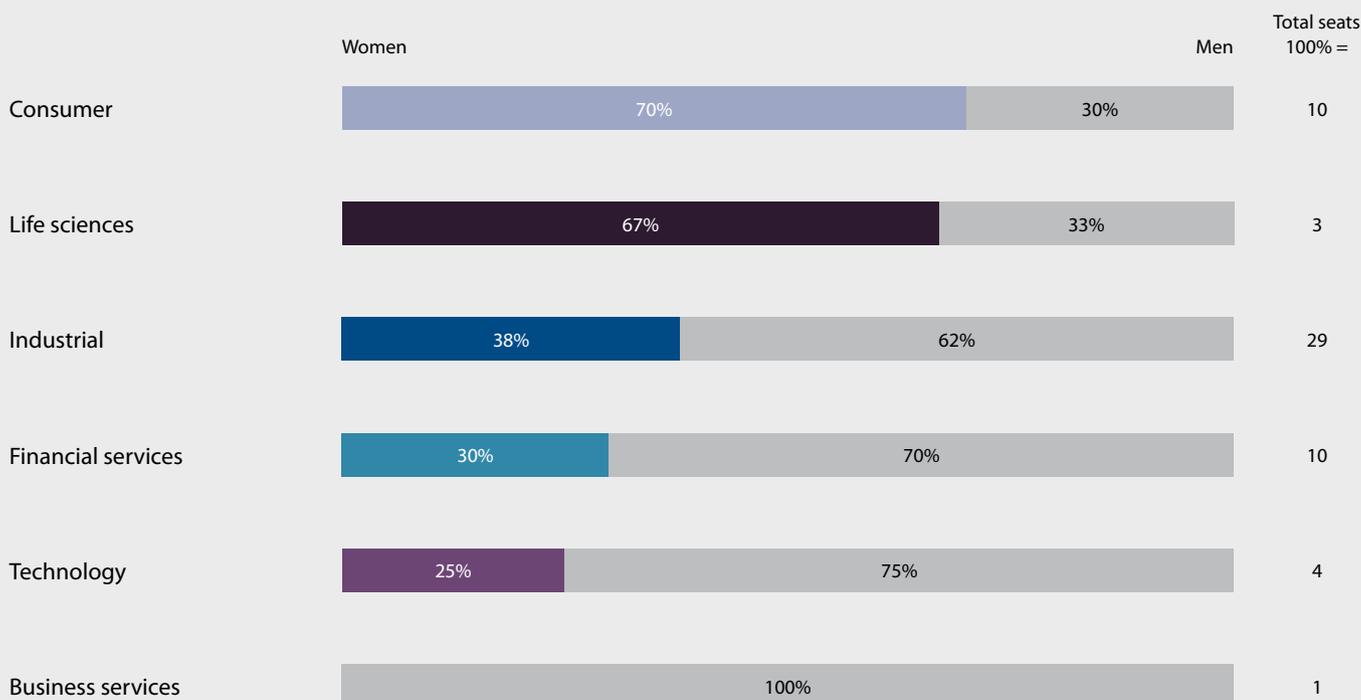
In terms of appointments industry by industry, women assumed 70% of the new seats in the consumer sector, followed by 67% in the life sciences sector (Figure 8).

Figure 7. Distribution of female appointments to CAC 40 boards in 2017, by industry (n = 24)



Note: No women were appointed to boards in the business services industry in 2017.

Figure 8. Proportion of new CAC 40 board seats in each industry by gender, in 2017



Appointments in France by nationality

Some 40% of new independent board seats in France went to non-national appointees (Figure 9), with 14% coming from elsewhere in Western Europe and 9% from North America (Figure 10).

Figure 9. Proportion of national vs. non-national appointments to CAC 40 boards in 2017, by region

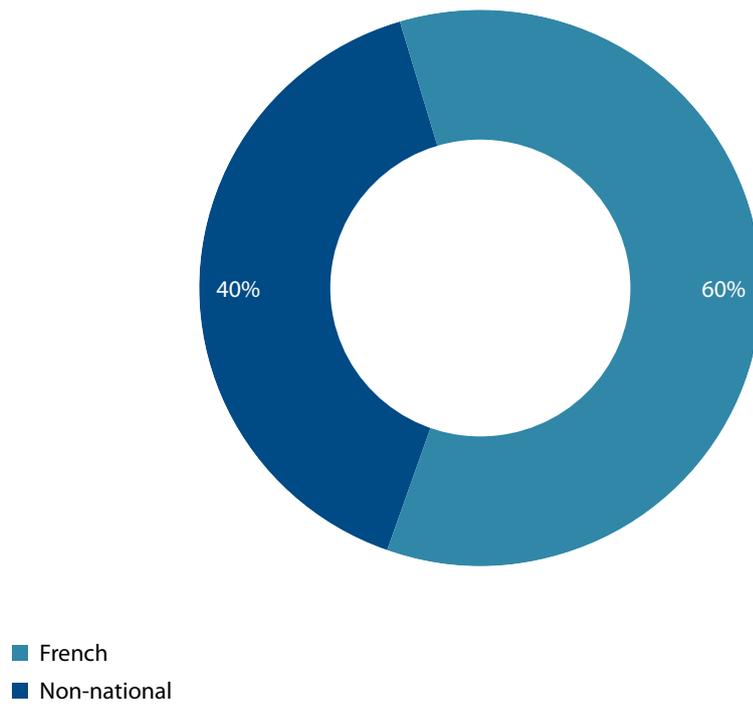
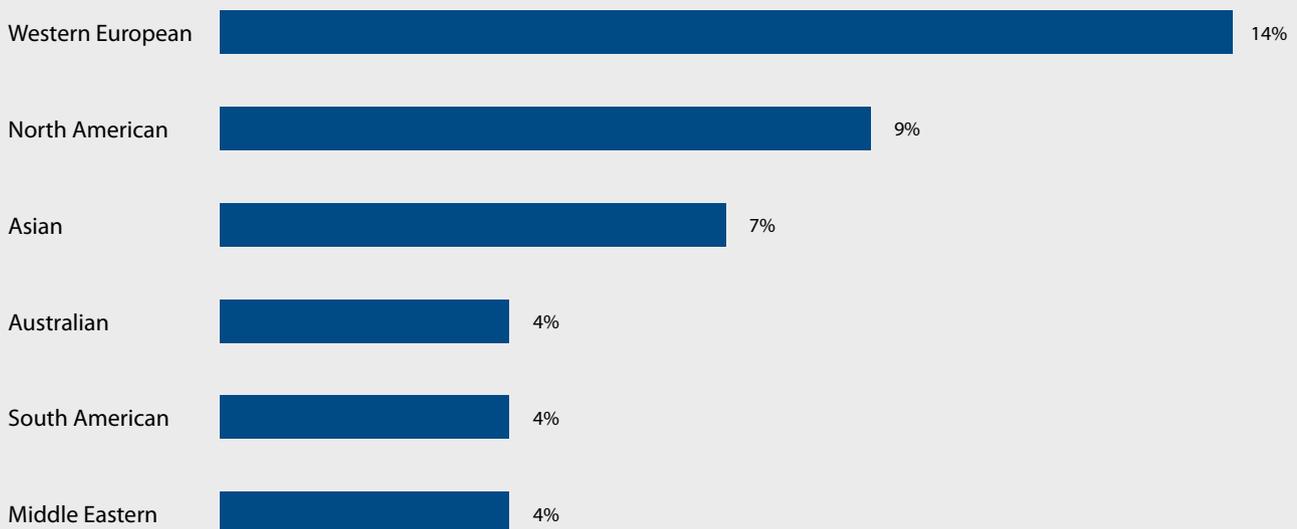
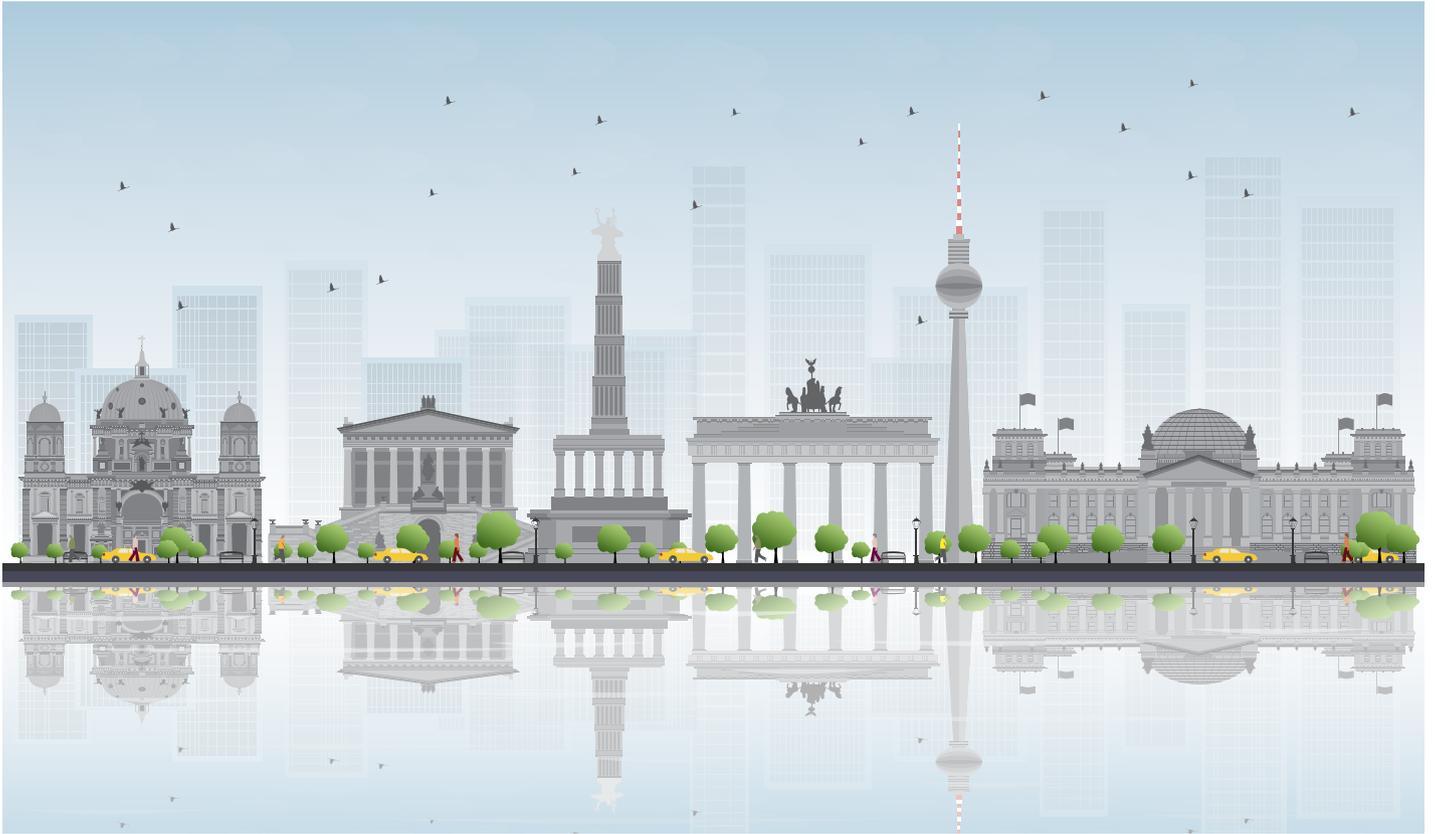


Figure 10. Proportion of non-national appointments to CAC 40 boards in 2017, by region

Non-national appointments = 40% of total appointments



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



GERMANY

In Germany, the average age of new independent appointees, at 56, was the lowest of the three countries.

Of the 22 seats filled in Germany, 46% went to former CEOs or CFOs, notably lower than the percentage for France, at 60%, and for the United Kingdom, at 58%. Some 68% of appointees in Germany came with previous board experience, and 50% are active executives. The industrial and financial services sectors appointed the largest proportion of new directors, both at 36%, followed by consumer and technology, both at 14%. Of the 27 total significant industry experiences among new appointees, the largest share lay in the financial services and industrial sectors, both at 26%, followed by the consumer sector, at 22%, and the life sciences sector, at 15%. Some 5% of new independent appointees had significant experience in financial risk, and some 5% had experience in cybersecurity.

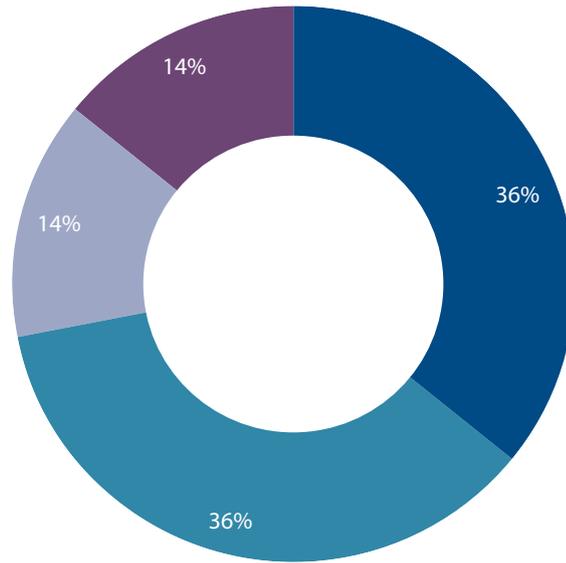
22

New director seats filled

56

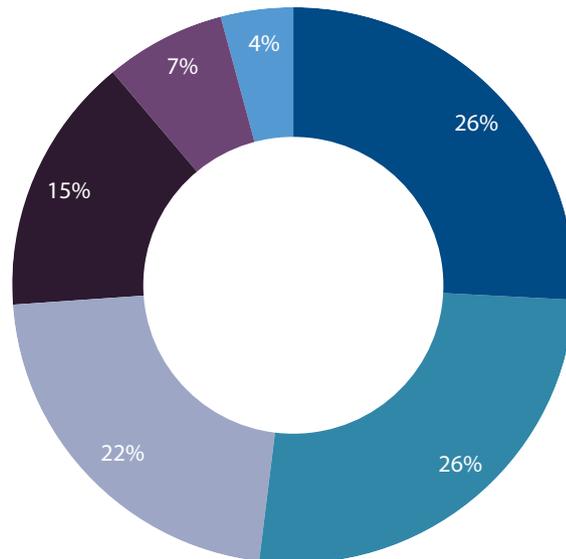
Average age

Distribution of new directors by industry (n = 22)



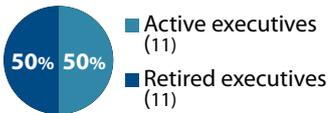
- Industrial
- Financial services
- Consumer
- Technology

Distribution of directors' total career experiences by industry (n = 27)



- Industrial
- Financial services
- Consumer
- Technology
- Life sciences
- Business services

Note: Not all industries are represented in every category.



Experience



5% Financial risk experience

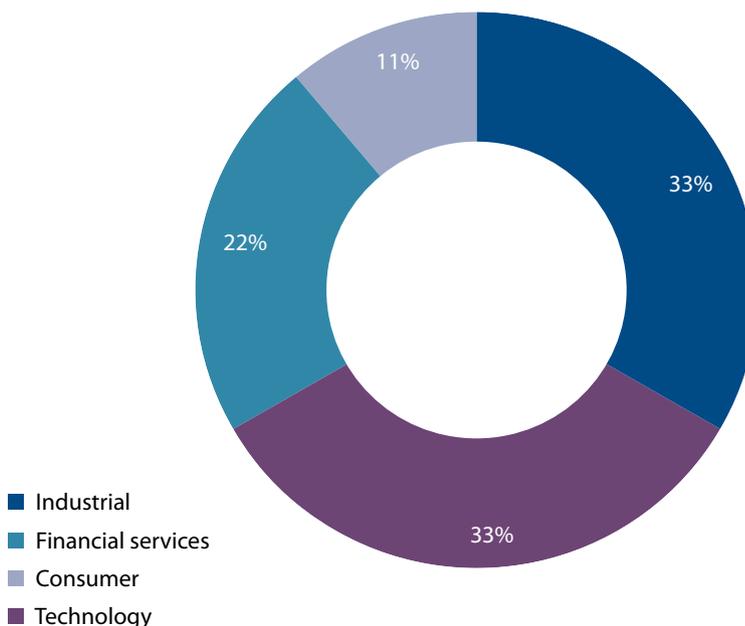
5% Cybersecurity experience

Appointment of women directors in Germany by industry

Some 33% of all female independent director appointments in Germany in 2017 were made by both industrial boards and technology boards, followed by financial services boards, at 22%, and consumer boards, at 11% (Figure 11).

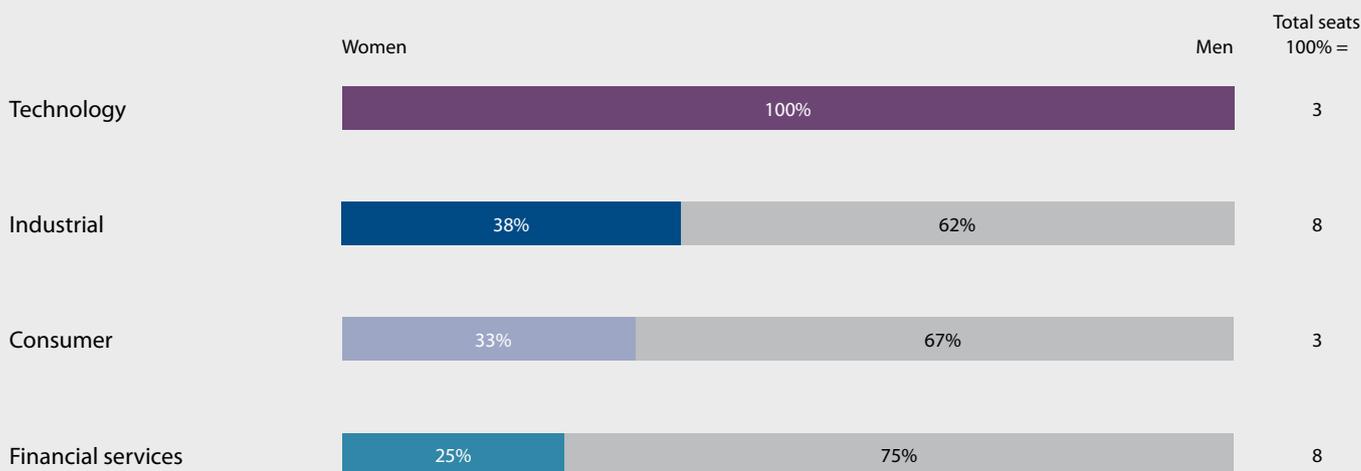
In terms of appointments industry by industry, women assumed 100% of the new independent seats in technology, followed by 38% in industrial, 33% in consumer, and 25% in financial services (Figure 12).

Figure 11. Distribution of female appointments to DAX 30 boards in 2017, by industry (n = 9)



Note: Numbers may not sum to 100%, because of rounding. No women were appointed to boards in the life sciences and business services industries in 2017.

Figure 12. Proportion of new DAX 30 board seats in each industry by gender, in 2017



Note: No new DAX 30 board seats were filled in the life sciences and business services industries in 2017.

Appointments in Germany by nationality

Some 50% of new independent board seats in Germany went to non-national appointees (Figure 13), with 32% coming from elsewhere in Western Europe and 14% coming from North America (Figure 14). The figure of 50% is notably higher than the figure of 40% for France and 32% for the United Kingdom.

Figure 13. Proportion of national vs. non-national appointments to DAX 30 boards in 2017, by region

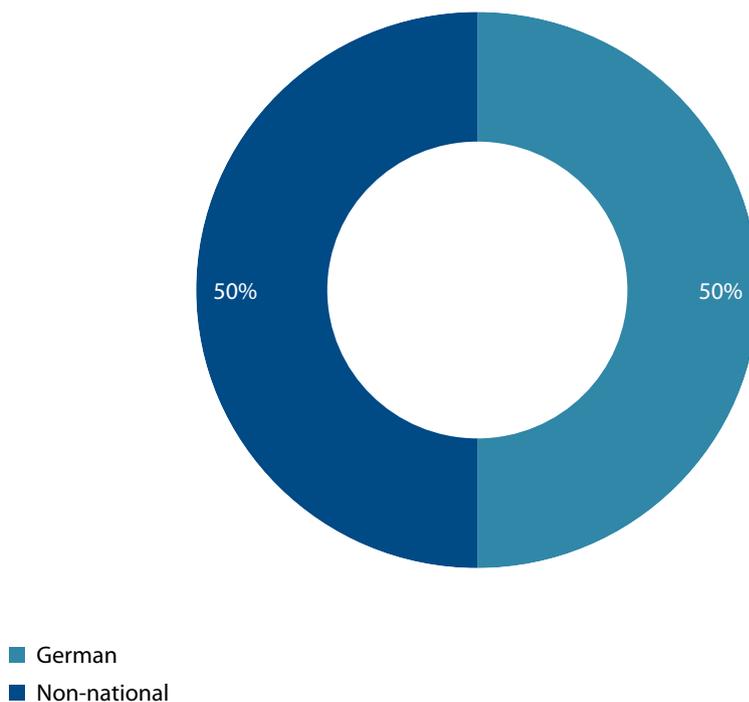
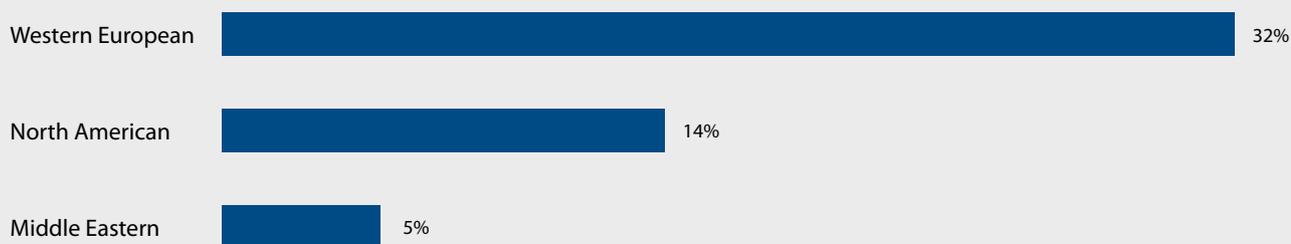


Figure 14. Proportion of non-national appointments to DAX 30 boards in 2017, by region

Non-national appointments = 50% of total appointments



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

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.

Leaders of Heidrick & Struggles' CEO & Board Practice

Global

Bonnie Gwin

New York

bgwin@heidrick.com

Jeff Sanders

New York

jsanders@heidrick.com

Europe and Africa

Sylvain Dhenin

Brussels

sdhenin@heidrick.com

Sandrine Roseberg

London

roseberg@heidrick.com

Asia Pacific

David Hui

Hong Kong

dhui@heidrick.com

Alain Deniau

Singapore

adeniau@heidrick.com

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