HEIDRICK & STRUGGLES

CEO & Board of Directors Practice

Board Monitor Europe 2023

In 2022, despite socioeconomic uncertainty and volatility, boards kept a firm focus on issues such as gender representation and sustainability.

About the report

This report is part of Heidrick & Struggles' long-standing study of trends in board composition in markets around the world. Produced by our global CEO & Board Practice, these reports track and analyze trends in non-executive director appointments to the boards of the largest publicly listed companies in Australia (ASX 200), Belgium (BEL 20), Brazil (B3), Canada (TSX 60), Colombia (COLCAP), Denmark (OMX Copenhagen 25), Finland (OMX Helsinki 25), France (CAC 40), Germany (DAX and MDAX), Hong Kong (Hang Seng), Ireland (ISEQ), Italy (FTSE MIB), Japan (TOPIX Core 30), Kenya (NSE Top 40), Mexico (BMV IPC), the Netherlands (AEX), New Zealand (NZX 10), Norway (OBX), Poland (WIG 20), Portugal (PSI 20), Saudi Arabia (Tadawul), Singapore (STI 30), South Africa (JSE Top 40), South Korea (KOSPI 50), Spain (IBEX 35), Sweden (OMX 30), Switzerland (SMI Expanded), the United Arab Emirates (ADX and DFM), the United Kingdom (FTSE 350), and the United States (Fortune 500). Information about executives is gathered from publicly available sources, BoardEx, and a Heidrick & Struggles proprietary database.

Thanks to the following Heidrick & Struggles colleagues for their contributions to this report:

Alice Breeden
London

Marie-Hélène De Coster
Benelux

Sylvain Dhenin
Paris

Tobias Petri
Copenhagen

Dr. Nicolas von Rosty
Munich

Welcome to Board Monitor Europe 2023

Navigating uncertainty: Boards keep focus on progress

The impact of the events of the past three years in Europe, including the prolonged Covid-19 pandemic, the war in Ukraine, and the subsequent rise of inflation and the cost of living crisis, is deepening the gulf between political leaders and citizens. Large swathes of Europe are in turmoil; France, Germany, the Netherlands, and Spain have seen strikes in the past few months. Companies are under extraordinary pressure and scrutiny regarding how they navigate the current socioeconomic uncertainty.

In that context, European countries[1] have kept a firm focus on issues such as gender representation and sustainability, particularly climate change issues. For example, in November 2022, the European Parliament approved a new set of regulations that mandate companies with more than 250 employees to allocate a minimum of 40% of all non-executive director roles or 33% of all board roles to the underrepresented gender by July 2026.[2] Not complying will attract dissuasive penalties, from fines to, in more extreme cases, dissolving the board of directors. Our analysis shows that while top-tier companies in France and Italy are in a very good position to comply with these regulations, the rest of the countries in our study still have significant gaps to fill.

Regarding sustainability, though it is omnipresent in business conversations and the vast majority of business leaders do understand the importance and urgency of acting on climate change and related social issues, many boards and companies are still struggling with their readiness to govern in this space. Indeed, a recent survey we conducted with BCG and INSEAD found that only 29% of board members around the world completely agree that their board has sufficient knowledge to challenge management on sustainability plans and exercise oversight of their execution.[3] However, the EU Corporate Sustainability Reporting Directive, effective from January 5, 2023, will help channel the efforts of boards and leaders across the union with a set of stronger, more modern reporting rules.[4] And boards' focus on sustainability is also being sharpened by increasing accusations of greenwashing and climate inaction, with a rising number of lawsuits being filed not only against companies but also individual board members.[5]

1 Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland are included in this report.

2 "Parliament approves landmark rules to boost gender equality on corporate boards," European Parliament, press release, November 22, 2022, europarl.europa.eu.

3 Forthcoming publication from Heidrick & Struggles, BCG, and the INSEAD Corporate Governance Centre.

4 "Corporate sustainability reporting," European Commission, finance.ec.europa.eu.

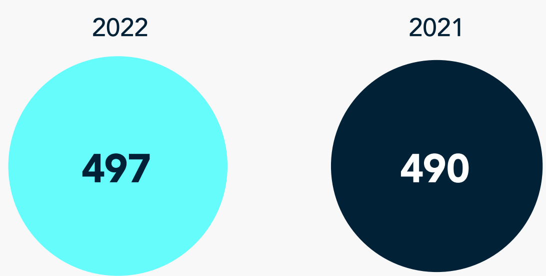
5 Damian Carrington, "Shell directors personally sued over 'flawed' climate strategy," *The Guardian*, February 9, 2023, theguardian.com.

In response, across European markets, the search for new directors has become progressively more systematic and thorough.

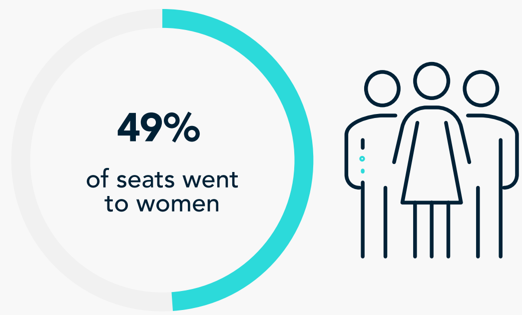
So, how have boards moved the dial when it comes to changing their composition in this context? In Europe overall:

Key findings

There were 497 appointments across all the 14 countries in our study in 2022, **similar to the prior year.**

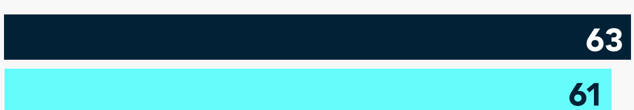


The share of seats **going to women increased**, from 44% in 2021 to 49% in 2022.

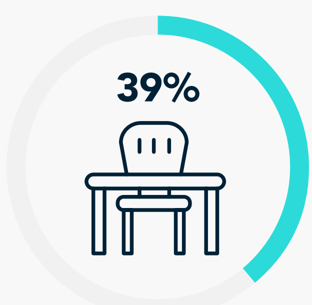


The share of seats that **went to directors who are active executives rather than retired stayed about the same**, at 63% in 2022, compared to 61% in 2021.

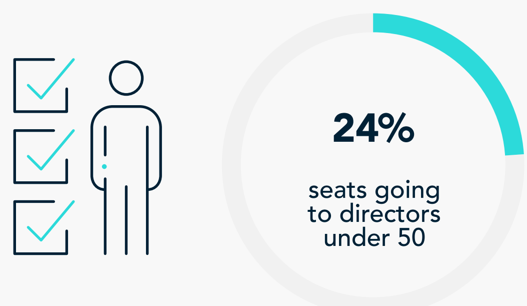
Active executives (%)



The **share of seats going to first-time directors increased**, from 36% to 39%.



There was an **increase in the share of seats going to directors under age 50,** from 16% to 24%.



Snapshot of 2022 findings

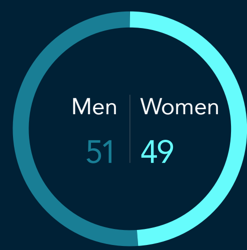
New seats filled

497

Average age

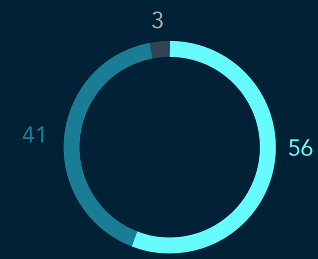
56

Gender balance (%)

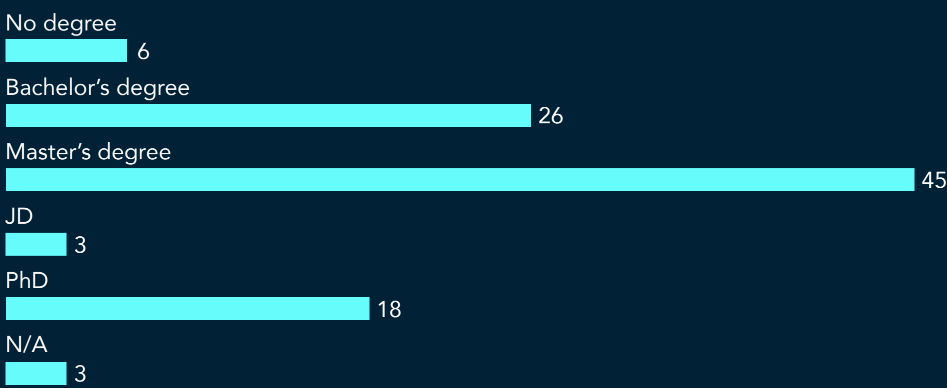


Nationality (%)

National | Non-national | N/A

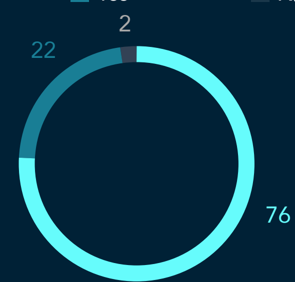


Education (%)



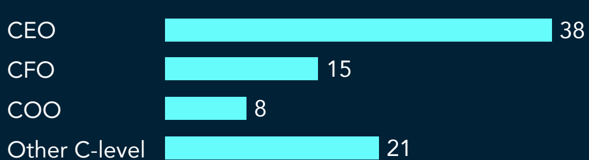
MBA

No | Yes | N/A

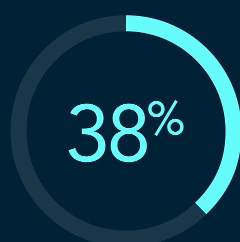


Prior C-suite experience

C-suite previous experience (%)



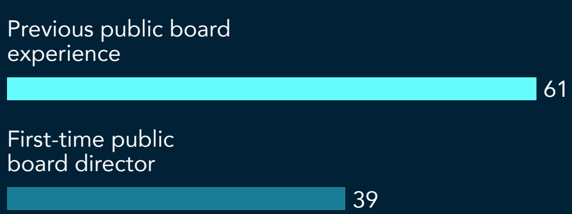
Current or former CEO experience



Current or former CFO experience

Career experience

Public board experience (%)



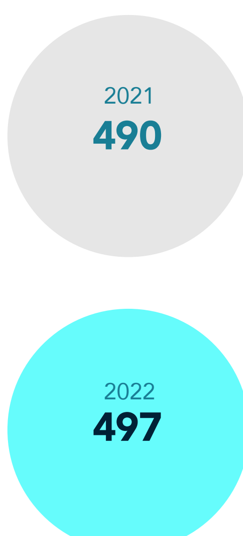
Active vs. retired executives (%)

Staying the course in the face of uncertainty

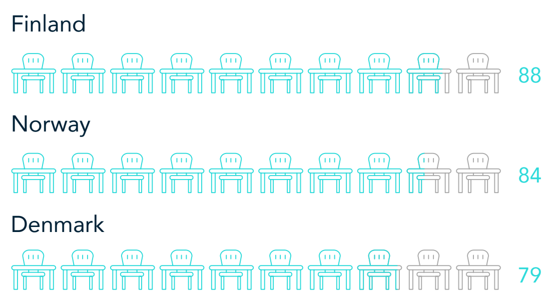
New appointment trends

In 2022, there were 497 appointments across all the countries in our study, similar to the 490 in 2021.[6] The countries with the highest of number of companies that appointed directors in 2022 are Finland, Norway and Denmark; companies in Poland, Ireland, and Spain filled the lowest shares of new seats.

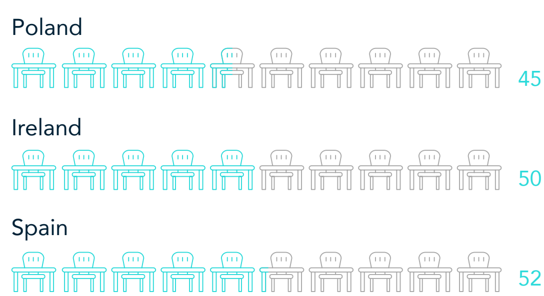
Overall number of appointments



Countries with highest share of companies with new appointments (%)



Countries with the lowest share of companies with new appointments (%)

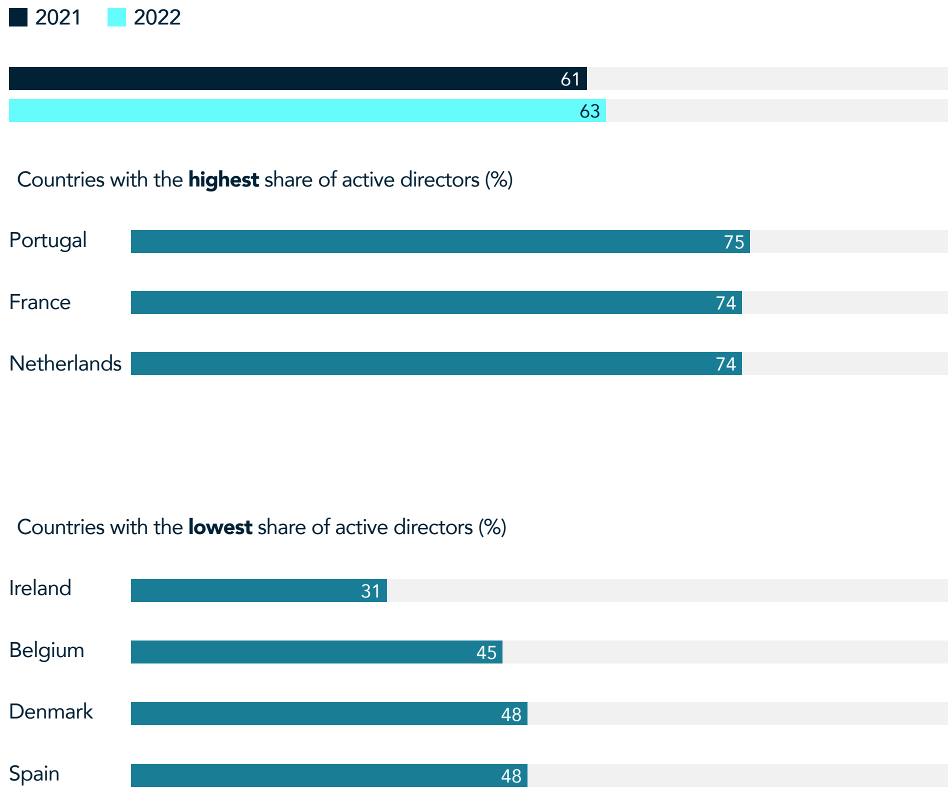


6 This is the first year Poland has been included in this report; companies on the WIG 20 made 12 appointments.

Executive activity and board experience

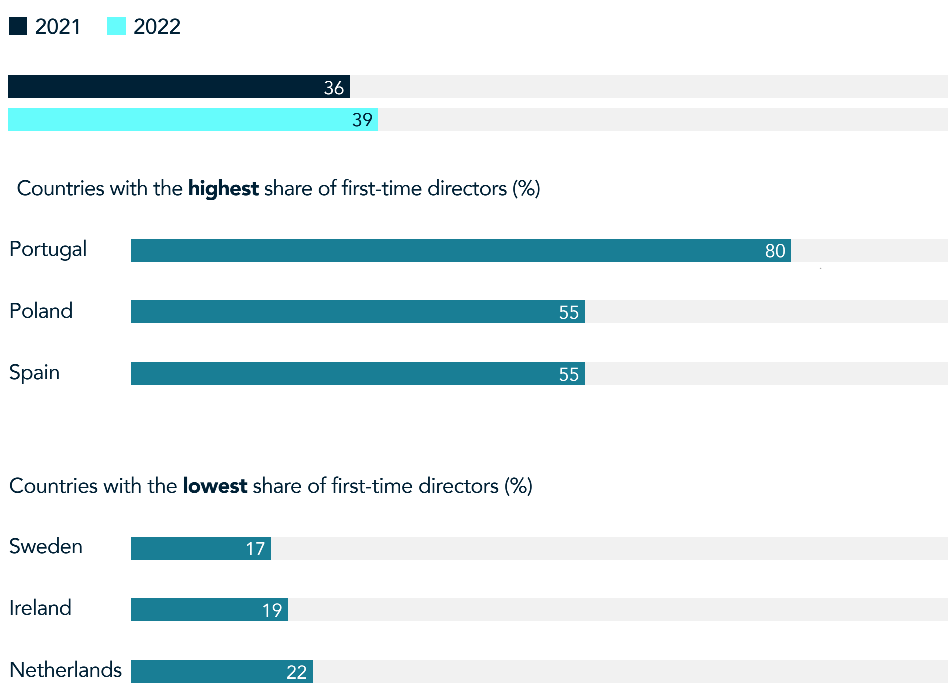
The share of seats going to directors who are active executives rather than retired was about the same as the prior year, increasing slightly to 63%, from 61%. Countries such as Portugal (75%), France (74%), and the Netherlands (74%) show marked preference for directors who are still in executive positions, while companies in Ireland and Belgium appointed majorities of retired executives.

Active executives, 2021–2022 (%)



The share of seats going to first-time directors saw a slight uplift, from 36% to 39%. The countries with highest shares of seats going to first-time directors are Portugal, Poland, and Spain; the countries with the lowest are Sweden, Ireland, and the Netherlands.

Share of first-time public board directors, 2021–2022 (%)

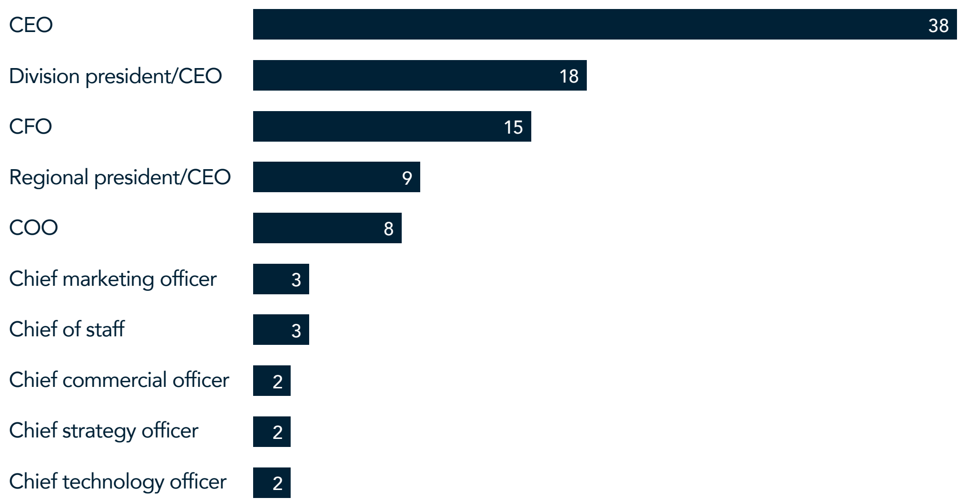


Professional experience

The share of seats that went to directors with CEO experience decreased from 44% to 38%, while the share of appointments going to directors with CFO experience remained similar, at 16%, compared to 15%. Other frequent backgrounds include roles such as president, head of division, and head of region.

However, there are striking differences among countries when it comes to the executive experience of newly appointed directors, particularly in the wide range of the share of appointments that went to directors with CEO experience: from 57% in the Netherlands to 17% in Portugal.

Executive experience of new appointees (%)



CEO, CFO, and other C-suite experience of new appointees, by country (%)

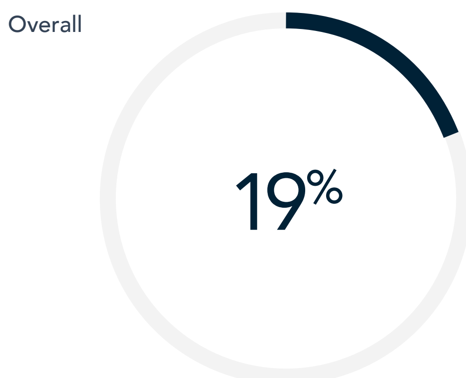
When it comes to other areas of expertise, in Europe overall, the share of seats going to directors with cybersecurity and sustainability executive skill sets has remained unchanged since 2020: 5% for cybersecurity and 10% for sustainability.

This year we looked at whether incoming directors had experience specifically on a board's sustainability committee: 19% of seats in 2022 went to these directors; this is a lower share than that in the United States, where 25% of directors had sustainability committee experience, or the United Kingdom, where the figure was 31%. To some extent, this is surprising, because EU countries have stronger sustainability disclosure requirements compared to the other countries. However, it's worth keeping in mind that there are significant differences among countries. The highest share of seats going to directors with executive sustainability experience was in Norway, at 46%, and the lowest share was in Germany, at 2%. When it comes to sustainability board committee experience, the figures range from 42% in Italy to 6% in Norway.

.

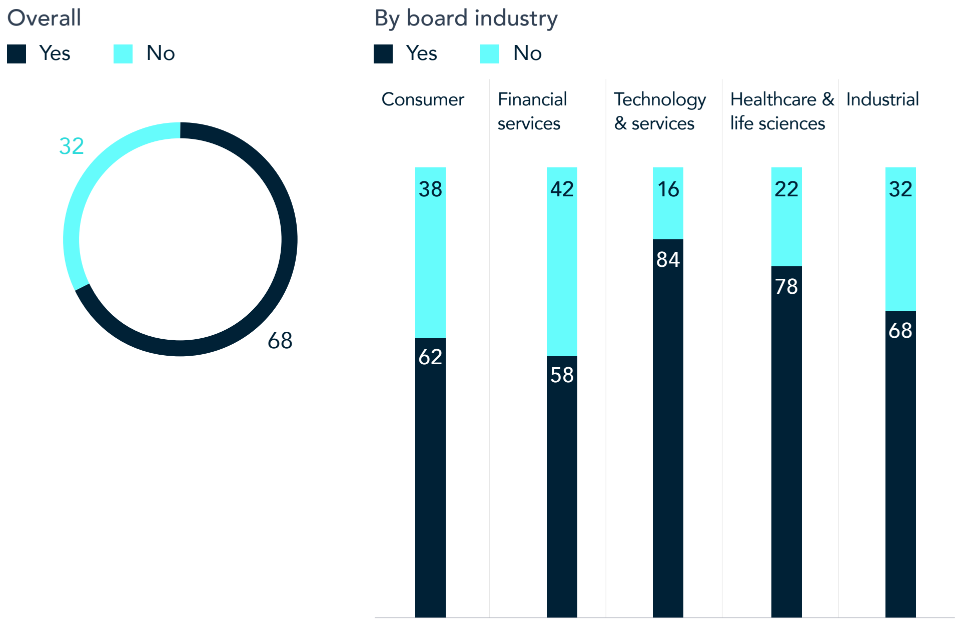
Other experience trends (%)

Sustainability committee experience (%)



Overall, most sectors struck a good balance between appointing directors with experience in the company's sector and those with cross-industry acumen. Technology and telecoms companies appointed the most balanced group, while consumer and industrial companies showed the strongest preference for same-sector experience.

Cross-industry experience (%)



Industry experience, by board industry (%)

Board industry

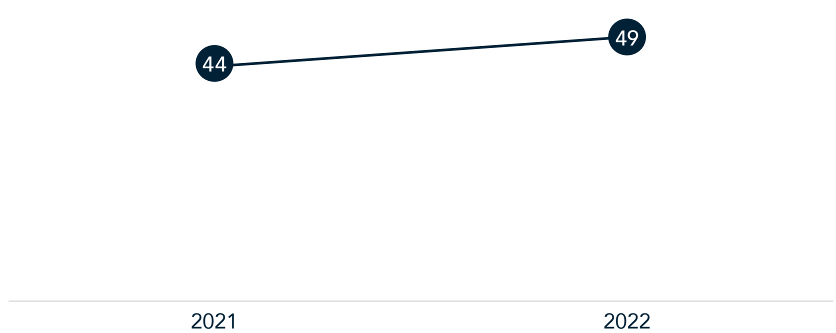
Director career industry experience	Overall	Consumer	Financial services	Healthcare and life sciences	Industrial	Technology and telecoms
Business services	18	10	23	14	18	23
Consumer	36	65	22	38	31	45
Financial services	33	28	61	24	25	32
Industrial	40	25	20	35	55	38
Healthcare and life sciences	7	8	3	46	4	1
Technology and telecoms	14	11	7	8	12	36
Other	15	11	17	19	15	14

Progress on diversity

Gender diversity trends

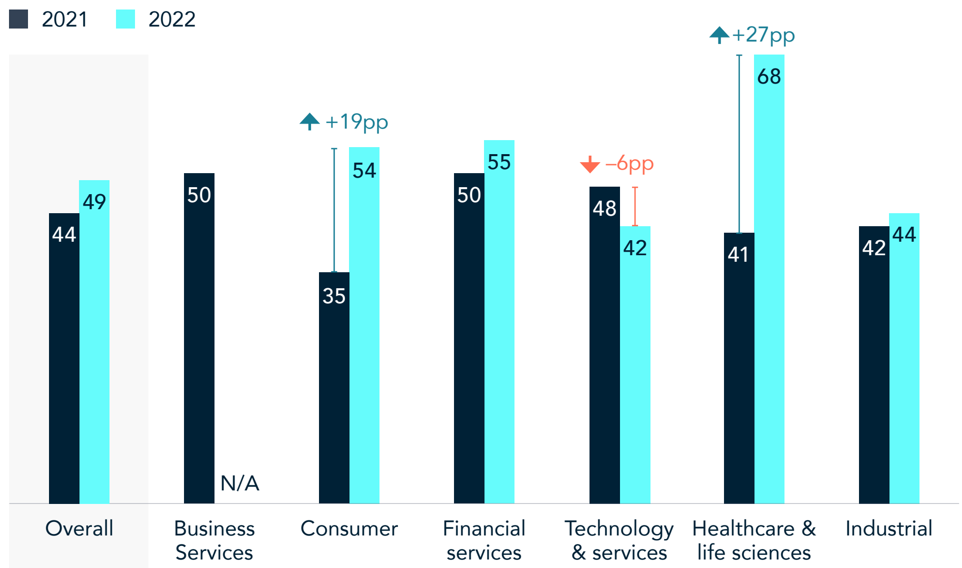
The new EU regulation that requires its member countries to set a 40% quota for underrepresented genders by 2026 has spurred many companies into action: the share of seats going to women increased from 44% in 2021 to 49% in 2022.

Share of women director appointments, 2021–2022 (%)



However, there are marked differences across sectors. There were significant increases in seats going to women at healthcare and life sciences and consumer companies (which were lagging behind in 2021), while the share of seats going to women decreased from the prior year in technology and telecoms companies.

Gender representation of new appointments, by industry (% women)



In 9 out of 14 countries, 50% or more of the newly filled seats went to women, and we saw increases in 9 countries compared to the prior year. Portugal, Belgium, and Denmark had the highest shares of seats going to women, while Poland had the lowest, at 25%.

Gender representation of new appointments, by country (% women)

	2021	2022	Notable changes
Belgium	33	60	+27pp
Denmark	39	60	+21pp
Finland	42	34	–8pp
France	43	52	+9pp
Germany	35	43	+8pp
Ireland	42	56	+14pp
Italy	46	53	+7pp
Netherlands	55	52	–3pp
Norway	38	44	+6pp
Poland	Not tracked	25	
Portugal	47	67	+20pp
Spain	66	60	–6pp
Sweden	52	39	–13pp
Switzerland	46	50	+4pp

We also looked at the gender balance on the full boards (rather than only 2022 appointments) of the companies in our study to understand how each country is faring against the 40% quota that EU countries need to fill by July 2026. France is the only country where women make up more than 40% of boards members; 83% of CAC 40 companies have reached the 40% bar. Italy has reached the 40% target, but with 73% of FTSE MIB companies achieving the required target. On the other end of the spectrum, in Poland, only 20% of seats are held by women and only 5% of companies have 40% or more women on their boards.

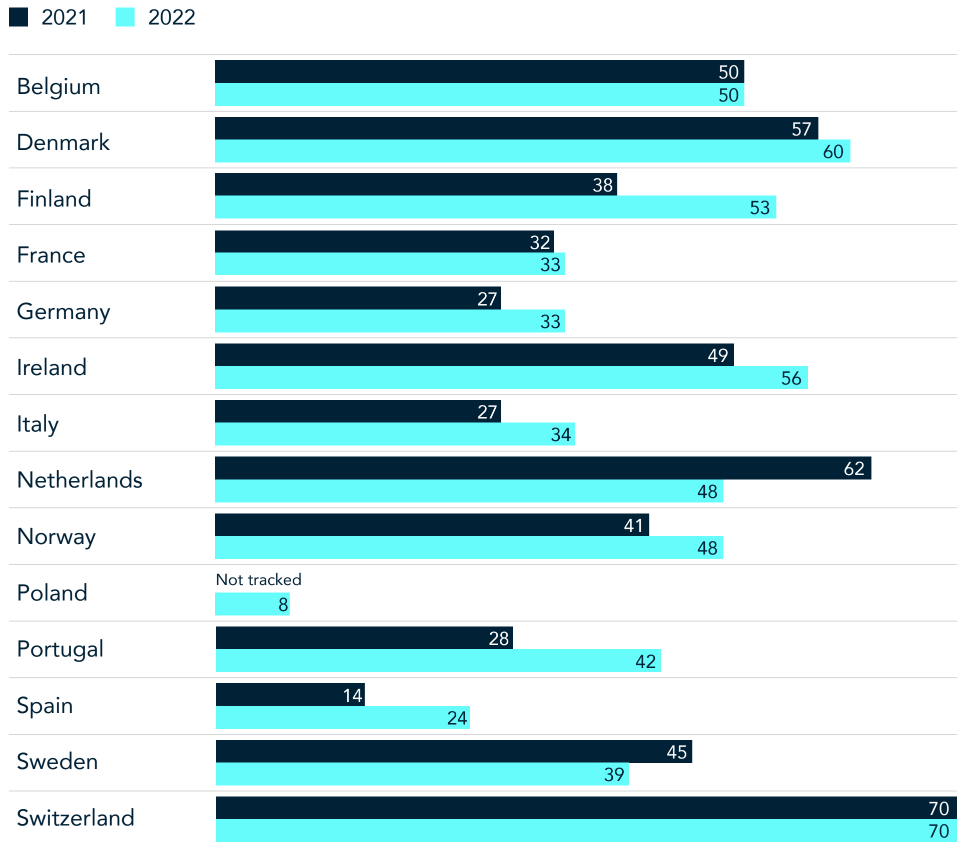
Women on boards: Full board breakdown

	Total number of companies	Average share women on boards (%)	Share of companies with more than 50% women on the board (%)	Share of companies with more than 40% women on the board (%)	Share of companies with more than 30% women on the board (%)	Share of companies with no women on the board (%)
Belgium	20	39	10	30	95	0
Denmark	24	38	21	54	67	0
Finland	25	35	0	24	84	0
France	40	44	28	83	95	0
Germany	89	29	0	8	61	2
Ireland	30	29	7	20	50	13
Italy	40	40	8	73	90	0
Netherlands	25	36	8	32	88	0
Norway	25	38	24	60	84	8
Poland	20	20	0	5	30	0
Portugal	15	32	0	7	73	0
Spain	35	37	6	51	80	0
Sweden	28	37	18	36	68	0
Switzerland	47	32	4	17	70	0

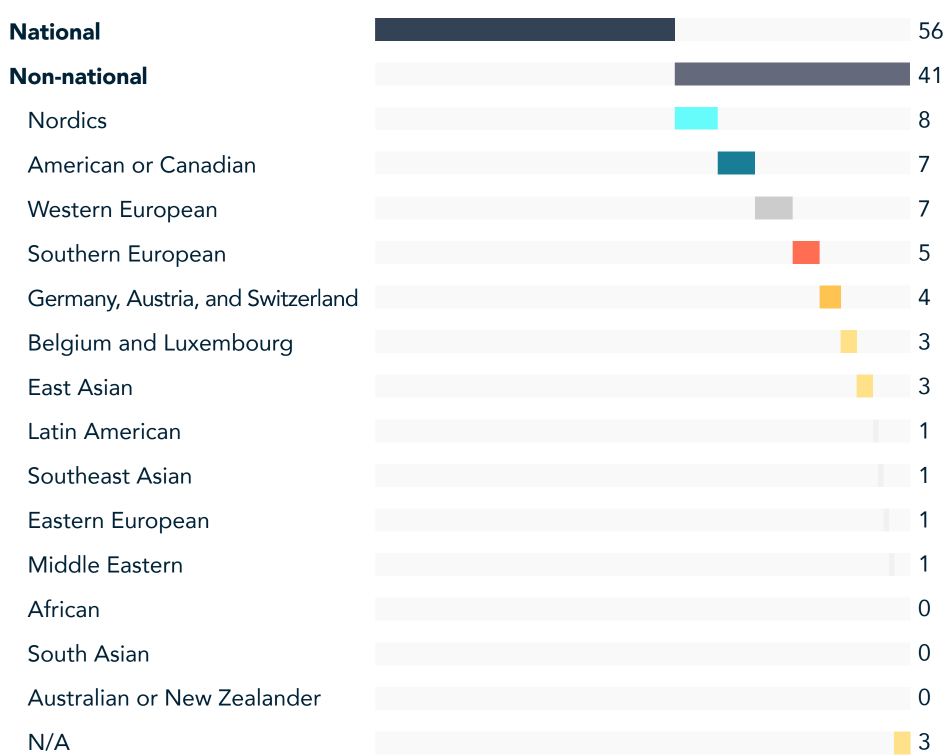
Nationality trends

Overall, 56% of the new director seats in 2022 went to directors who are nationals of the country where the company is headquartered, while 41% of seats went to non-nationals. This is similar overall to 2021, but the share of seats that went to non-nationals increased in 9 out of the 13 countries we have been tracking. The highest shares of seats going to non-national directors were in Switzerland, Denmark, and Ireland, while the lowest shares were in Poland and Spain. The majority of non-nationals are European, with only 7% coming from the United States and Canada, 4% from Asia, 1% from Middle East, and 1% from Latin America.

Share of non-nationals, by country (%)



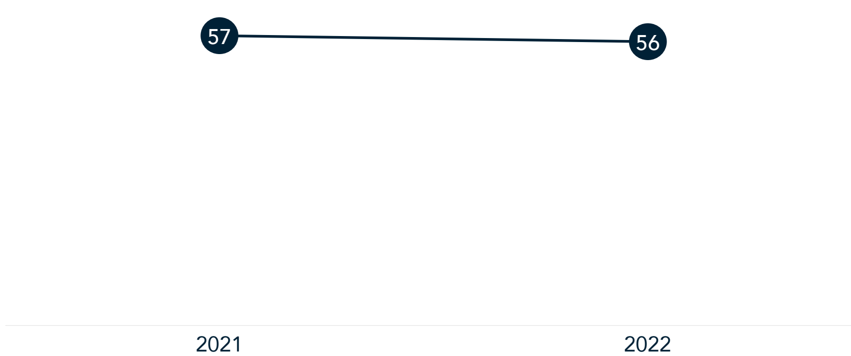
Nationality breakdown, 2022 appointments



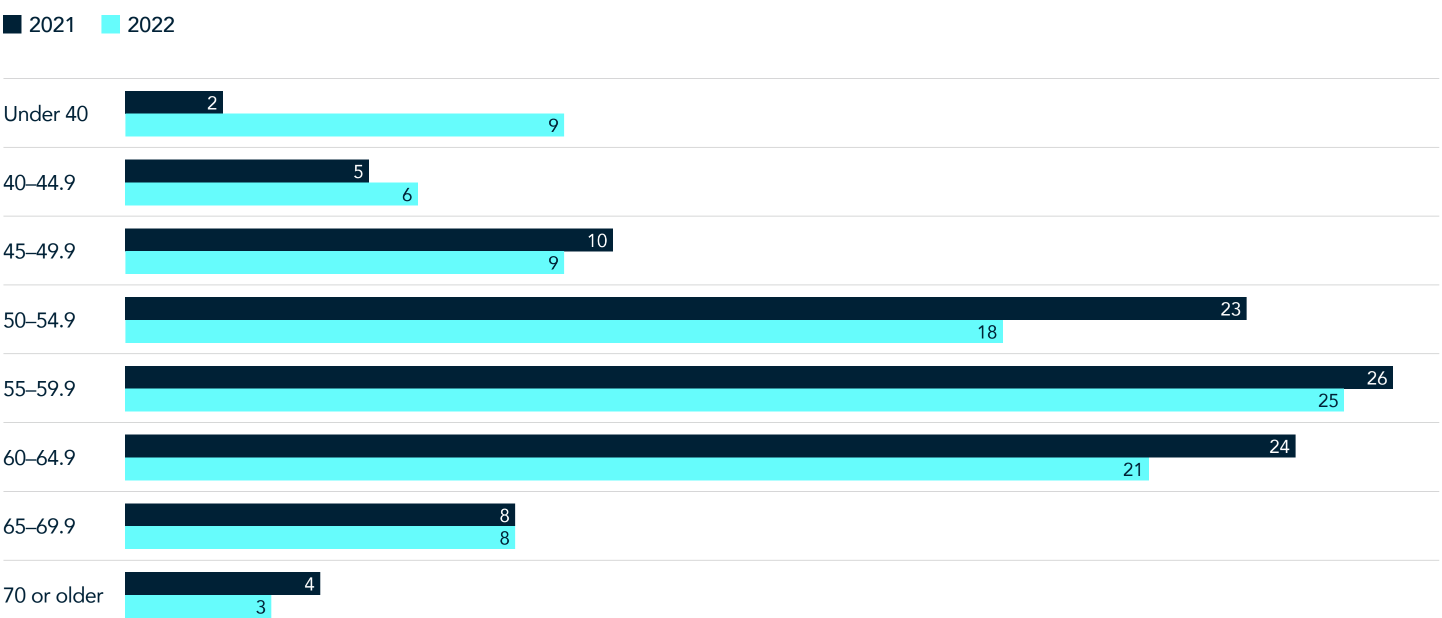
Age diversity trends

The average age of new directors on boards is 56, compared to 57 in 2021. As a whole, European boards saw an increase in the share of seats going to directors under 50: 24% in 2022, compared to 16% in 2021. The average age among countries varies from 58 in Spain to 50 in Poland. The youngest director, 32 years old, was appointed in France, while the oldest appointee was 81 at the time of joining a Dutch board.

Average age of new appointments, 2021 vs. 2022



Age distribution, 2021 vs. 2022 (%)



Looking forward

The greatest challenge ahead for European boards is to make sure they comprise the expertise and capabilities that will enable them to successfully lead companies in the context of socioeconomic volatility that shows no signs of subsiding. More than ever, they must balance pressures from stakeholders to step up their role in society while managing concerns from investors about returns.

As the board agenda becomes more complex, we have seen that boards have increased the time they are spending in meetings. They are creating additional board committees to focus on issues such as investment, deals, and sustainability. And, across European markets, the search for new directors continues to become more systematic and thorough.

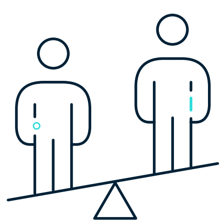
Across European markets, the search for new directors continues to become more systematic and thorough.

So, what are best-in-class boards doing? They are:

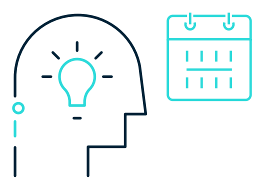
Actively seeking new directors whose backgrounds combine a mix of traditional expertise (such as CEO or CFO) with knowledge that is newer on boards' skills matrix, such as digital, sustainability, or cybersecurity, or who are from different industries. While boards will always require directors with broad executive experience, those who will be able to participate in all decision making, it's important that new directors also bring in newer areas of expertise.

Bolstering the sustainability acumen on boards. With the new Corporate Sustainability Reporting Directive coming into force, boards will have to invest more time and effort into making sure their companies are clear on what their targets and road maps are. While it arguably might be more difficult to find non-executive directors with executive sustainability acumen, boards can broaden their search to directors with sustainability board committee experience where possible. Our recent research and client conversations highlight that, aside from bringing on directors with sustainability experience, it's critical that boards set up a formal education plan to ensure all board members have the information necessary to support their companies' sustainability goals.

Staying tightly focused on diversity beyond gender, including racial and ethnic representation. Best-in-class boards are building their networks and improving their outreach to potential directors of diverse ethnicities, and ideally including a wide range of demographic groups that are representative of their customer base and communities. Beyond gender and ethnicity, this could also include people representing nationalities beyond other European countries, people from varied socioeconomic backgrounds, the LGBTQ+ community, and people with visible and invisible disabilities.



Bringing younger directors onto boards. This year showed a welcome increase in the share of seats going to non-executive directors under 50. Best-in-class boards understand the advantages of perspectives brought in by executives who are in earlier stages of their careers and are, in many cases, closer to the intricacies of some of the newer issues boards need to address.



Seeking new members who have the ability to take on a leadership role, either that of a chair, senior independent director, or committee leader. At many companies across Europe, the role of the chair in particular has evolved significantly over the past 5 to 10 years, becoming more complex and, in many cases, more externally focused. This means that leadership capabilities have become an important dimension of the board skills matrix.

Thinking of succession planning as an ongoing exercise rather than an exercise undertaken in reaction to an annual deadline. This is a more strategic approach to succession that requires boards to not only assess whether they have the required capabilities as a team to successfully guide their companies but also to consider a range of potential future scenarios and their implications for board composition.

CEO & Board of Directors Practice

Heidrick & Struggles' CEO & Board of Directors 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

Jeffrey Sanders
New York
jsanders@heidrick.com

Americas

Lyndon A. Taylor
Chicago
ltaylor@heidrick.com

Carlos Vazquez
Mexico City
cvazquez@heidrick.com

Nancie Lataille
Toronto
nlataille@heidrick.com

Paulo Mendes
Sao Paulo
pmendes@heidrick.com

Europe and Africa

Alice Breeden
London
abreeden@heidrick.com

Kit Bingham
London
kbingham@heidrick.com

Marion Fengler-Veith
Zurich
mfenglerveith@heidrick.com

Imke Lampe
Amsterdam
ilampe@heidrick.com

Nicolas von Rosty
Munich
nvonrosty@heidrick.com

Sylvain Dhenin
Paris
sdhenin@heidrick.com

Marie-Hélène De Coster
Benelux
mhdecoster@heidrick.com

Patrik Hammar
Stockholm
phammar@heidrick.com

Veronique Parkin
Johannesburg
vparkin@heidrick.com

Luis Urbano
Madrid
lurbano@heidrick.com

Stafford Bagot
Dublin
sbagot@heidrick.com

Merja Eskola
Helsinki
meskola@heidrick.com

Lukasz Kiniewicz
Warsaw
lkiniewicz@heidrick.com

Tobias Petri
Copenhagen
tpetri@heidrick.com

Flavio Zollo
Milan
fzollo@heidrick.com

Asia Pacific and Middle East

Guy Farrow
Sydney
gfarrow@heidrick.com

Aya Iinuma
Tokyo
aiinuma@heidrick.com

Mark Sungrae Kim
Seoul
mkim@heidrick.com

Richard Guest
Dubai
rguest@heidrick.com

Maliha Jilani
Dubai
mjilani@heidrick.com

Linda Zhang
Shanghai
lzhang@heidrick.com

Hnn-Hui Hii
Singapore
hhhii@heidrick.com

Fergus Kiel
Sydney
fkiel@heidrick.com

David Hui
Hong Kong
dhui@heidrick.com

Suresh Raina
Mumbai
sraina@heidrick.com

WE HELP OUR CLIENTS CHANGE THE WORLD, ONE LEADERSHIP TEAM AT A TIME®