

THE PURPOSEFUL BOARD

Global Board Survey

2020

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Introduction

Never has the world seen more rapid changes, the economy been more volatile, the climate situation been more uncertain, markets seen more disruption, the media scene been more ambiguous, and only rarely has the geopolitical situation been more complex.

Implications on businesses are tremendous. **Opacity has become the default in any and all industries when it comes to how strategies are being determined and milestones being set.**

Not surprisingly, this also carries direct consequences for leaders of businesses – not just among the C-suite but equally much for boards of directors. The days when business leaders only had to worry about making profits and steering clear of illegalities are long gone. Today, responsibilities and expectations on executives as well as non-executives are much more versatile and subject to significantly tougher scrutiny.

No board anywhere on the globe will claim it to be easy to prioritize today's agenda of strategic transformations, disruptive innovation, sustainable development, servicing shareholders and proxy advisors, formulating a meaningful why to furnish a strong employer brand, managing risks not only of operational but also of financial and digital nature, ensuring the highest possible standards of diversity and inclusion, deploying initiatives to ensure health and safety for all customers and employees, mitigating geopolitical uncertainty and unexpected regulatory changes, staying friendly with banks and investors, and not least doing right while doing good, ie. keeping ethical standards high in leadership and business practices while also ensuring that the company engages actively in supporting (at least some of) the 17 UN Sustainable Development Goals.

It's no wonder that boards across the globe increasingly show signs of mental respiratory distress as they try to keep afoot with the broader expectations of stakeholders at large.

Yet, a number of boards do succeed under this new paradigm while others don't. What is the secret sauce in the recipe of the successful ones? Is it in the composition? The board dynamics? The leadership vision and practices of the chair? In the number of hours spent? Perhaps a combination of them all – or maybe something entirely different. That is what we are investigating in this report.

In January and February 2020, we asked around our sizeable global network of chairs and board members, and we are very proud to hereby present to you the findings of our **Global Board Survey 2020 – The Purposeful Board.**

We have been looking at what's hot, what's not and what's next within Corporate Governance and Board Leadership – because we know that what drives the board will always most certainly cascade down to executive management and from there further down the organization.

Some boards we can look to for inspiration, others will more seek to be inspired themselves. We have investigated how boards are composed, how they work together, what and how they prioritize, and what they believe the future beholds for themselves, their companies and the world overall.

One unveiling conclusion at this early stage: **We see that one of the distinct characteristics of the truly effective and value-adding boards, is the shared vision of wanting to make a positive difference** – obviously for the company but increasingly also in a broader societal context. In other words, boards that we can categorize as The Purposeful Boards.

Context

InterSearch – Worldwide Organization of Executive Search Firms and Board Network – The Danish Professional Directors Association have together performed this Global Board Survey 2020 in January and February 2020 among **1.592 corporate chairmen and board members from 72 different countries and legal jurisdictions** on all populated continents. The regional distribution of our respondents is 46% from EMEA, 30% from Americas and 24% from APAC.

Respondents represent every imaginable industry, all sizes of companies up to turnovers of more than USD 20 Billion per year, and all kinds of ownership structures.

With a survey population as great and dispersed as ours, there will obviously often be regional or country-specific tendencies, or historically or culturally defined demographic trends, however we also see some very strong, universally valid results and trends which we want to highlight here:

- Despite the VUCA-reality we are surrounded by, boards remain optimistic. A majority continue to believe that the coming 24 months will show improvement over not only the previous 24 months' results, but also over the closest competitor(s) of the company.
- For the sixth year in a row, boards continue to report that they spend more time fulfilling their responsibilities – and more remarkably that they expect the time spend to increase even further in 2020. This could be one of the reasons that we also see a growing number of board members expressing dissatisfaction with their remuneration.
- For the first time ever, we see a new Megatrend taking the number one spot; Climate change – leaving previous years' number one, Disruptive / exponential technologies, at second place. This is a defining moment. Never has climate change risen to above priority number three on our surveyed list of Megatrends, and simultaneously is Increased sustainability / purpose focus for the first time our number one identified board trend.
- Digitalization also remains a prioritized focal point overall. From expectations on future time spend over how boards distribute their preparatory material to desired competencies in future board colleagues, digitalization and cyber knowledge stay high on the list.
- Strategy and Human Resources are the two primary internal challenges that companies expect to face in the coming 12 months, while Competition and Technology / digitalization are seen as the two primary external challenges in the year to come.
- Boards continue their diversity efforts. Especially within the areas of gender, functional competency, nationality, age and ethnicity, the push for increased diversity is growing. This is very much in sync – and probably caused by – the pressure from investors, proxy advisors and regulation in a number of countries and jurisdictions. But most remarkable is probably that 52% of all respondents now support gender quota-initiatives, although the support seems to rely heavily on the respondent's own gender: A staggering 83% of women support such initiatives while this is only true for 43% of the men.
- The average board in our survey has 6,1 people on board, of which 1,8 are women – corresponding to 29,5%, up from 25,7% last year. The improvement in gender diversity is strongly driven by larger companies with more than USD 1B in annual turnover, of which only 8% have 0 women on their board – compared to 23% of boards overall.
- 62% say that the overall board composition seems right to them, while 27% would like to change how the board is composed from a competency point of view.
- The competencies mostly lacking on the current boards, in the board members' personal view, are IT / digitalization, Industry knowledge and dynamics, and Innovation / R&D.

- Respondents' satisfaction with their fellow board members is not too impressive: 65% think that one or more board members should be replaced at the first given opportunity. Somewhat comforting for the Executive Management group must be that only 45% would like to replace someone from the EMT.
- A small (but growing from last year) majority of board members are independent of the company and its largest shareholder(s), but this we expect to accelerate in the future. Investors want more independents to ensure greater transparency and arms-length decision-making processes.
- The strategic areas which the boards feel the least comfortable around are Cyber risk / data privacy, Digitalization, Talent management / HR, and Innovation / R&D. The lack of comfort within these areas definitely ought to be a focal point for a number of boards since we also know that these are all areas that pose some of the largest external and/or internal challenges for companies in general.
- Everywhere, we see a very high degree of satisfaction with the working climate on the board. Only point where respondents would like to see some improvement in this respect is more time for open discussions during board meetings.
- 50% undergo regular board evaluations, while the vast majority (75%) of boards still rely primarily on the own personal network to identify new board members. It is not surprising however that larger companies (with turnover over USD 1B) not only use Executive Search much more than the general population (65% compared to 41%) but also to a considerably higher degree take advantage of frequent board evaluations (80% compared to 50%).
- 43% have attended an Executive Education Board Program of more than 4 days' duration, underlining the growing professionalization of boards.

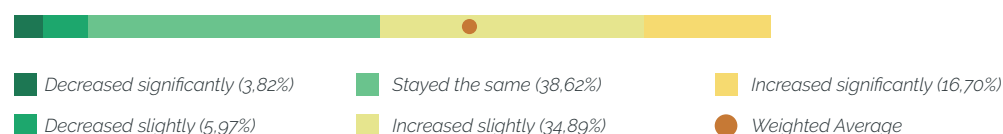
The Analysis

Time Spend and Board Committees

The workload of boards keeps increasing every year – which we have documented throughout our Global Board Surveys during the past 6 years. This year is no exception. Only 10% have spent less time in the past 12

months, while more than half have seen an increase in the hours spent preparing for and participating in the board meetings.

How much time have you spent on this specific board in the past 12 months in comparison to the previous 12 months?



When further probed about their expectations for the coming year, boards express that they expect to spend even more time in the future on no less than 13 of 15 specified agenda items. Boards only foresee to spend less time on Remuneration / nomination and Auditing / tax, while particularly the more value-adding, business-oriented agenda items like Strategy, Innovation and IT / digitalization are attracting growing attention.

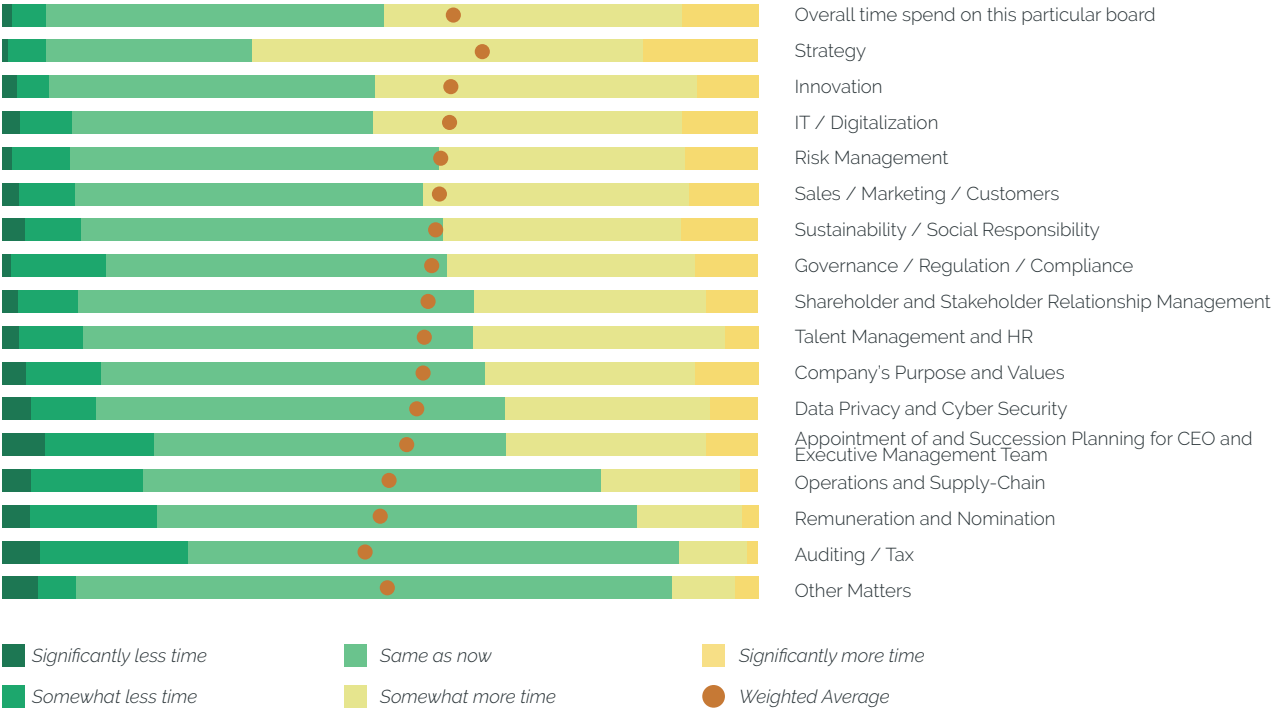
With a continuous increase in time demand, steadily growing over all six years during which we have published our Global Board Surveys, there is no doubt that boards have moved closer to the business and daily management. We believe that this could be influenced by the common – and often quite successful – Private Equity troika-governance model with very close collaboration between the CEO, the Chair and the responsible PE-partner.

Moving closer to the business enables the boards to gain a better understanding of the company, its industry and strategic position, and thus it provides an opportunity for the boards to be even more value-adding as a partner to executive management and a custodian of the entire business.

On the other hand, it also carries a potential risk of the board becoming just another layer of management. That is not a risk that should be taken lightly. It can cripple the C-level in terms of autonomy and motivation. However, as the situation is, we don't judge this to be the case in many companies – yet. Instead, **the trend is clear; the passive-reactive board that only focused on profits and governance / risk / compliance is surely a thing of the past. Boards are widely embracing the concept of 'stakeholder capitalism' with a defined purpose that goes well beyond profit.**

Time Spend and Board Committees Cont.

How much time do you expect to spend on the following items on this board in the next 12 months compared to the past 12 months?

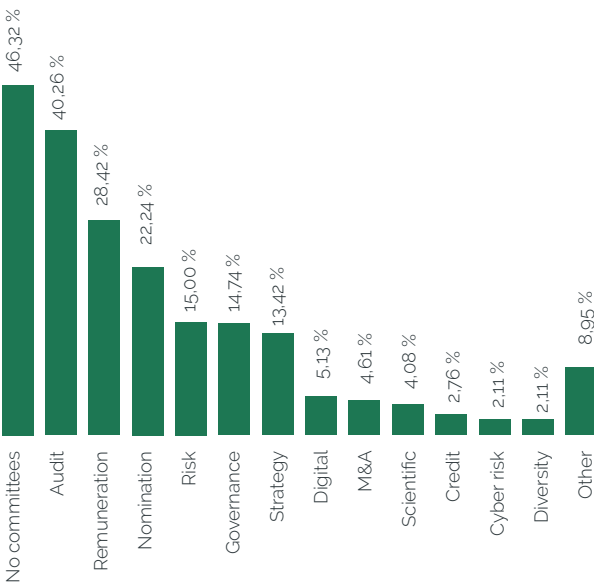


One way to try to optimize the time spend is by delegating responsibility for part of the initial assessment and preparation of a basis of decision through the establishment of standing committees within the areas of e.g. audit, remuneration, nomination, risk, M&A, etc.

Utilization of these committees is most often seen in larger (turnover of more than USD 1 B) and listed companies. Also jurisdiction and thereby the regulatory governance model plays a role.

46% state that they don't have any committees at all, while 40% have audit committees, 28% remuneration committees, 22% nomination committees, making up for the top three, while e.g. diversity committees and cyber risk committees are only used by 2% each.

Which committees does your board have?



Board Remuneration

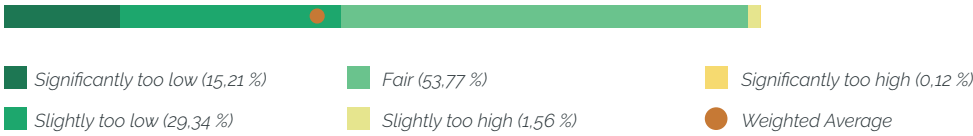
With an unstoppable spiral of increasing workloads on boards, we felt it natural to also look at board members' own perception of their remuneration.

The conclusion is clear; **across the globe board members find that they are in fact underpaid.** Less than 2% express that they find their pay to be somewhat in the high end, 54% express the level to be satisfactory, while a compelling 44% find that considering the time spent, the personal contribution, industry benchmark, company's performance,

assumed responsibilities and liabilities, etc., the total remuneration is either slightly or significantly too low.

Board members' personal brand exposure has definitely become more vulnerable – due to more media attention, higher expectations from investors, and an increasingly litigious legal environment across borders and various regulatory systems.

How would you rate your total compensation level for this particular board, considering time spent, personal contribution, industry benchmark, company's performance, assumed responsibilities and liabilities, your personal brand exposure, etc.?



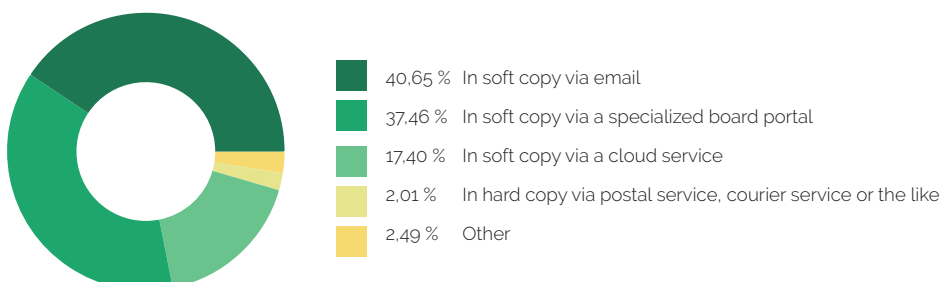
Preparatory Material

Looking at boards' growing workload, we also investigated how the preparatory material is being distributed to get an understanding of how digitally mature boards are when it comes to their own utilization of available tools.

BoardEffect, Board Intelligence, Pervasant, Convene, BoardPaq and others are being used by 37%, while 17% take advantage of a cloud service like Dropbox, Google Drive, Sync.com, OneDrive or Box. Only 2% still circulate the material in hard copy.

A majority of boards in smaller companies (turnover below USD 100 M) continue to distribute the material in soft copy via email resulting in an overall score of 41%. Digital board portals like Diligent, Directors Desk, Admincontrol, Confluence, iBabs, BoardMaps, iDeals,

How is the preparatory board material being distributed?



Megatrends and Board Trends

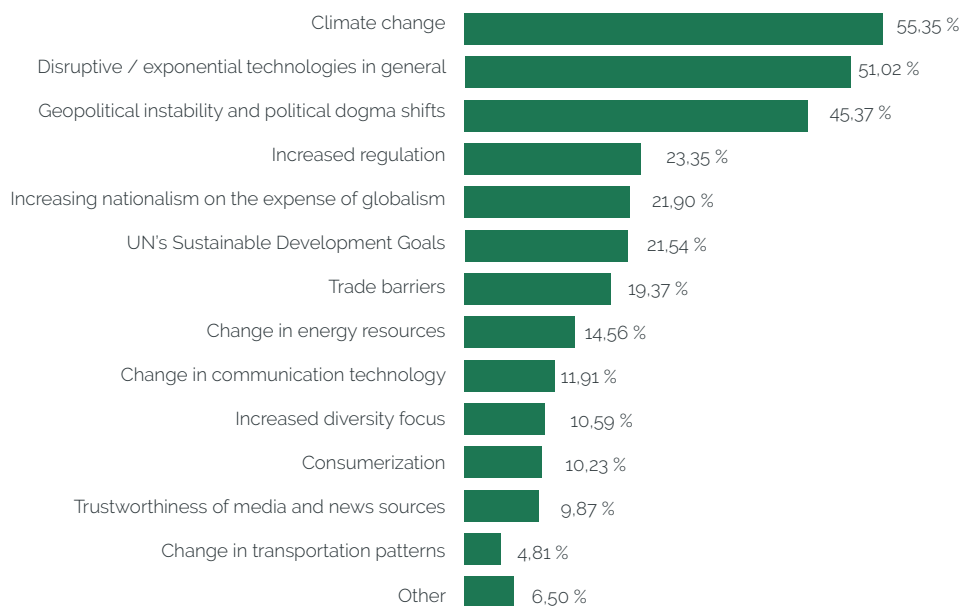
Megatrends are trends that have economical, societal and/or political impact of magnitude across a number of geographies over a wide span of time. Megatrends have been in our focus in every Global Board Survey we have done in the past 6 years, and every year until now, we have seen the same number one trend; Disruptive / exponential technologies in general.

But **this year is different and marks a true turning point with 55% of respondents pointing to climate change as the most important megatrend.** With UN SDGs and Greta Thunberg as spearheads towards the broader public, and devastating pictures and live footage all over traditional as well as social media from natural disasters like floods, droughts, wildfires, melting ice at the poles, etc., the global climate is now being recognized as the number one concern of responsible leaders – not just from within NGOs and politics, but surely enough also in business.

However, that does not mean that exponential technologies are no longer a trend – it is still by 51%

an unrivalled number two – but radical innovation and digitalization has grown upon us to become an integrated part of the new normal. Geopolitical instability and political dogma shift is an equally clear number three – which might not come as too big of a surprise after a year of Brexit disputes in the UK, the impeachment of the President of the US, a new and to some controversial President in Brazil, a continued refugee crisis in and around Syria, growing tensions between particularly Iran on one side and Israel and the US on the other, a meltdown in Venezuela, and Xi Jinping's consolidation of power in China. The latter might on the surface be perceived as a stabilizing factor, but instead it means that there is no longer a global free market as China – the only challenger to the US as the globally leading economy – practices state capitalism, a system that never forgets that its political and national interests are just as important as the economy, and a system under which Beijing is building a separate system of Chinese technology with its own standards, infrastructure and supply chains – to compete with the West.

Which 3 megatrends do you expect to have the most significant impact on society and the economy in your country in the coming 3 years?



Mirroring the global megatrends, we also see a very particular change in the top spot of anticipated board trends for the coming three years. **New as number one – with a significant margin (55%) – is Increased sustainability / purpose focus** – while previous years' top scorer, Digitalization, is down to number two with only 38%. The findings on this question provide a neon-like underlining on our conclusion that **the most advanced boards of today are the Purposeful Boards**.

Two other significant board trends are More focus on the future of the business (28%), and More regulation and governmental control (26%). On the surface it could seem as a contradiction in terms, but rather it reflects the complexity that today's boards are navigating through. Boards are held accountable for all the company's dealings these days, which has

resulted in boards involving themselves much deeper in the business. They take deeper interest and greater part in the formulation of the strategy and leadership aspects like how vision and purpose are being defined and lived throughout the organization.

At the same time, the regulatory burden is nowhere decreasing and boards have no choice other than to simply step up their game. Thus, we are seeing a dramatic increase in resources dedicated to serve the board directly, independent of the usual chain of command in the company. From what 10 years ago in most companies was only a part-time/shared PA-like Corporate Secretary-resource, boards are now more and more having full departments of general counsels, internal auditors, compliance officers, strategy- and M&A-experts, and corporate governance specialists at their hand.

Which 3 board trends do you expect to have the most significant impact on the board / corporate governance agenda in your country in the coming year?



Gazing Into the Future

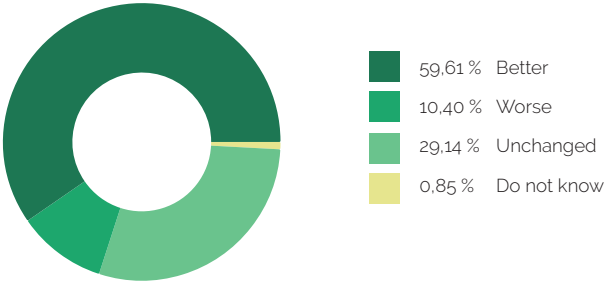
To obtain an understanding of the development in boards' general view on their company's financial outlook, every year we ask them about two things; about their expectations for the company's performance in the coming 24 months compared to the previous 24 months, and about their expectations for the company's performance in the coming 24 months compared to their closest competitor(s).

A remarkable 60% state that they see their company looking into a financially bright future, and only 10% expecting a financial downturn.

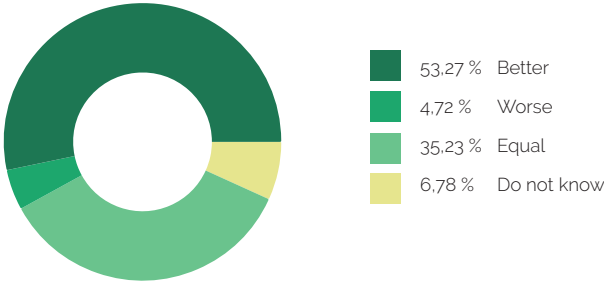
Also when prompted to compare their expectations for their own company to their closest competitor(s), optimism prevails: 53% expect to do better, and only 5% to do worse than their peers.

All in all, some very strong positive signs. We do note however that a large number of responses to the survey were recorded before mid February 2020, when the COVID-19 virus had a full outbreak outside of China with all the implications which that later has proved to have for the global financial markets. The total impact of this world-spanning healthcare crisis is as of yet still to be determined.

What are your expectations for the company's financial outlook for the coming 24 months compared to the past 24 months?



What are your expectations for the company's financial outlook for the coming 24 months compared to that of your closest competitor(s)?



We also surveyed respondents' beliefs in relation to the most immediate external as well internal challenges for the company. As we have seen in previous years, they are to a great extent interlinked.

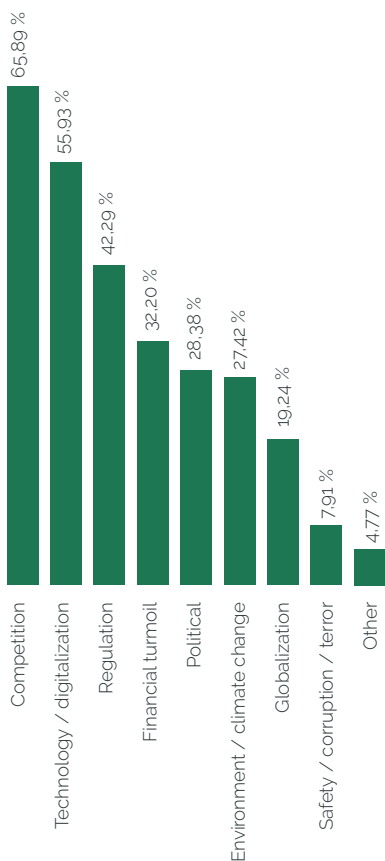
On the external side, Competition and Technology / digitalization stand out, followed by Regulation and Financial turmoil.

While on the internal side, strategy is a clear number one, followed by HR, Sales, Financial / cash, Operations, and Innovation / R&D. It is the second year in a row that we see Financial / cash taking a top 4 position on this

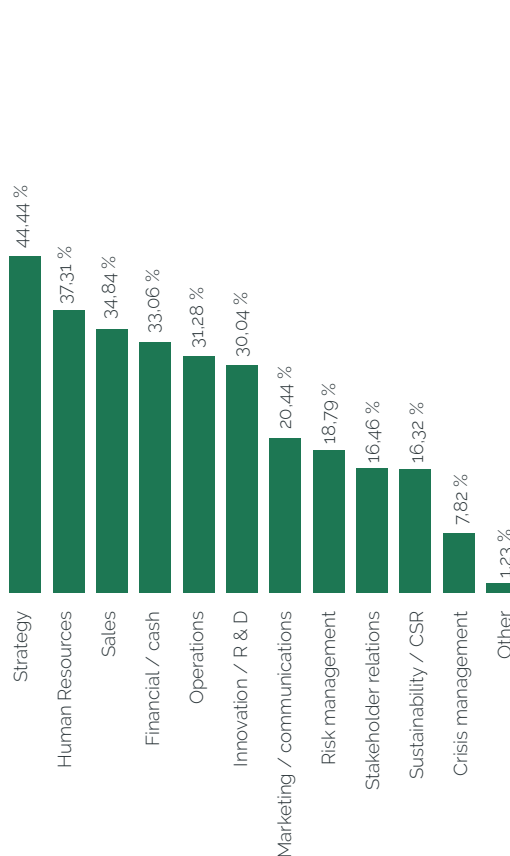
question. Again, just a small token of concern for the future among global boards.

Taking into consideration 1) what respondents expect to spend more time on in their capacity as board members (above), and 2) respondents' rating of their board's overall understanding of the company's strategy within a number of sub-areas (below), **the same overall challenges show up again and again; strategy, innovation, HR, digitalization and cyber risks.**

Over the next 12 months what are the 3 most important external challenges your company faces



Over the next 12 months what are the 3 most important internal challenges your company faces



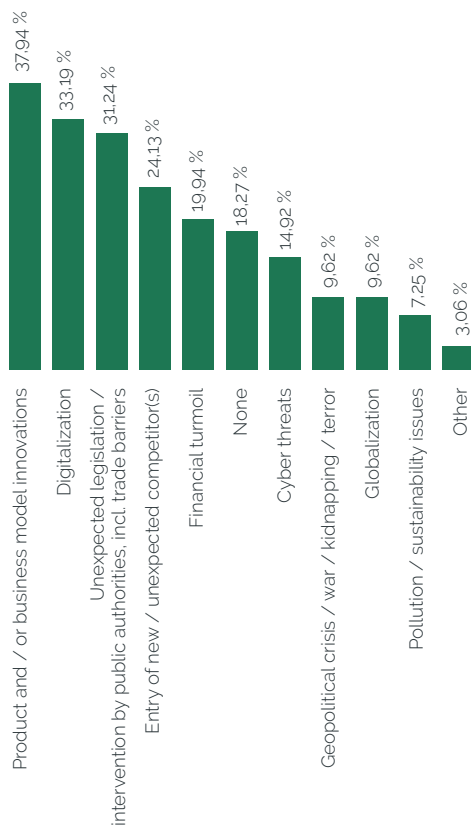
Challenged on what disruptive scenarios, boards have had to deal with over the past two years – and similarly on what they are preparing to deal with in the coming two years, a relatively homogeneous picture unfolds: Up until now, boards have primarily had to deal with Digitalization, Product & business model innovations, Unexpected legislation, and Entry of new or unexpected competitors.

What they are preparing for – or at least are expecting to face - in the future is Product & business model

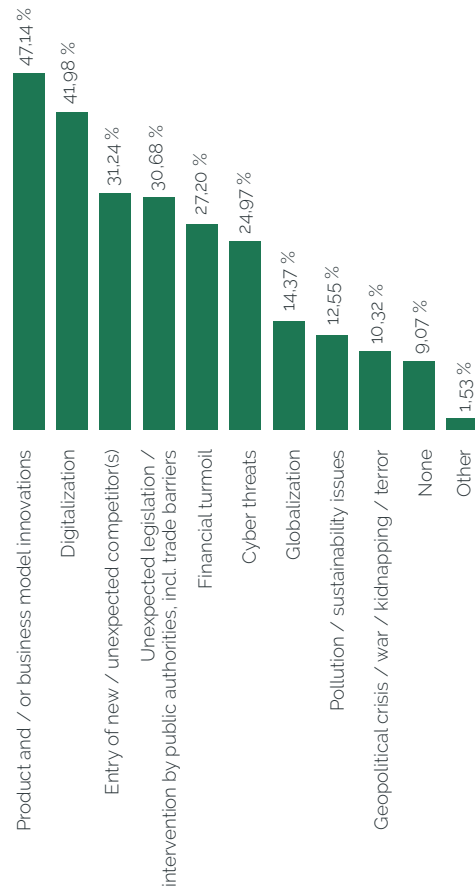
innovations, Digitalization, Entry of new or unexpected competitors, and Unexpected legislation. The runners-up are Financial turmoil and Cyber threats.

Thus, the question that springs into mind is if boards are perhaps inhibited by the fish-can't-see-water-syndrome, ie. **even when challenged to imagine the unimaginable, respondents might tend to only think along the lines of disruptive-scenarios-as-we-know-them.**

Has the board had to deal with any of the following disruption scenarios in the past 24 months?



Is th board expecting and / or preparing for having to deal with any of the following disruption scenarios during the coming 24 months?



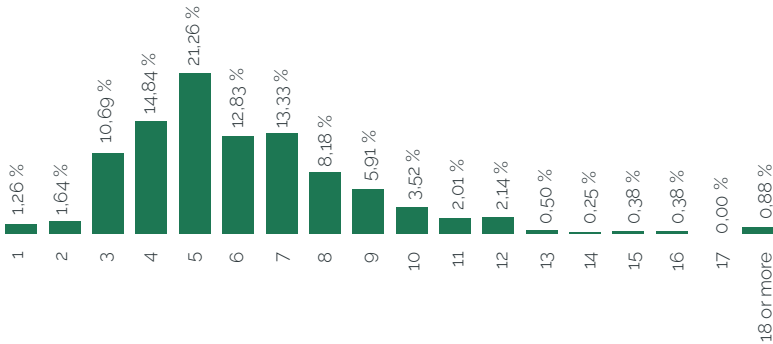
Board Composition – Size and Diversity

The total number of board members vary significantly – from 1-18. Most common is a number between 4-8, and the **global average board size is 6,1 directors.**

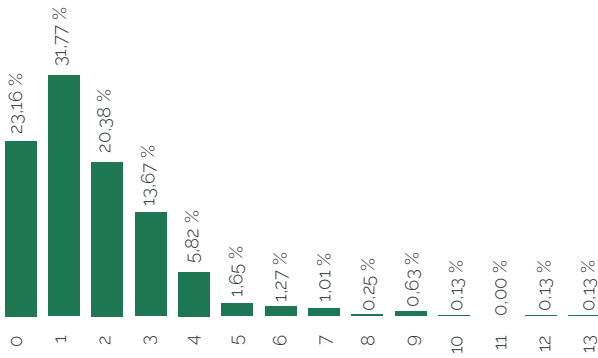
We have also examined the share of women directors, showing numbers between 0-13. Most notably, **23% of all boards have no women (compared to 27% in last year's survey), and another 32% only have one woman on their board.** Overall, the average number

is 1,8 women – meaning that **there is now 29,5% women of the total number of board members globally** (up from 26,5% last year)– a remarkable and positive increase of 11% year-over-year, but still with huge differences from country to country.

How many directors is the board composed of?



Of the total number of directors, how many are women?

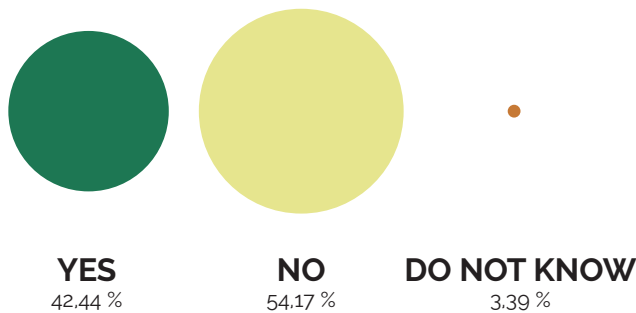


Following up on the previous question, we examined if respondents found that increasing focus on diversity on boards has had an effect on how their board is composed. 42% said yes, and of these a staggering 79% said that it had been gender-driven while 40% had looked for more diversity in competencies. 23% had looked for candidates of international background, and 21% had sought to increase the age diversity.

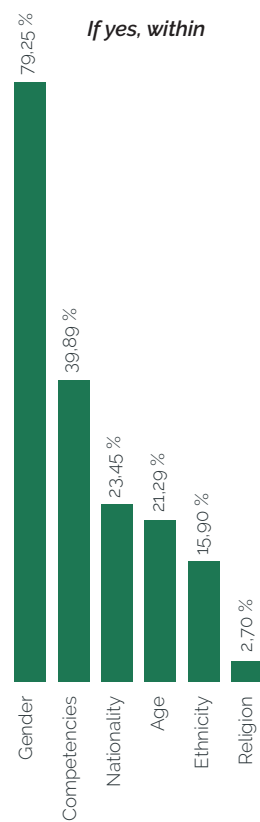
Increased gender diversity is largely driven by large companies. Of companies with more than USD 1B in annual turnover, 59% have seen changes in their board composition, of which 88% had been gender-driven. Only 8% of the companies with more than USD 1B in annual turnover have zero women on their board – compared to 23% of boards overall.

When probed if respondents agreed with initiatives like e.g. gender quotas, 52% of all respondents said yes to some or a great extent, however with a remarkable difference between men and women among the respondents. **A staggering 83% of women support gender quota-initiatives, while this is only true for 43% of the men.** However, we must note that the numbers for the overall support to gender-diversity supporting initiatives are continuously growing. In our surveys from the last two years, we saw a support of 50% (83% women, 40% men) in 2019 and as little as 41% (73% of women, 31% of men) in 2018, ie. implying a landslide shift in opinion over just two years among both men and women.

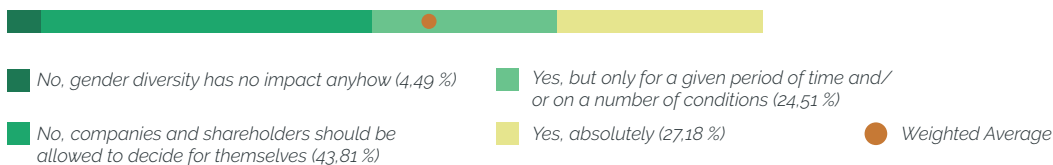
Has increasing focus on diversity on boards had an effect on how your board is composed?



If yes, within



Do you agree with initiatives leading towards increased gender diversity in the boardroom, like e.g. gender quotas by either law or as part of the Corporate Governance code?

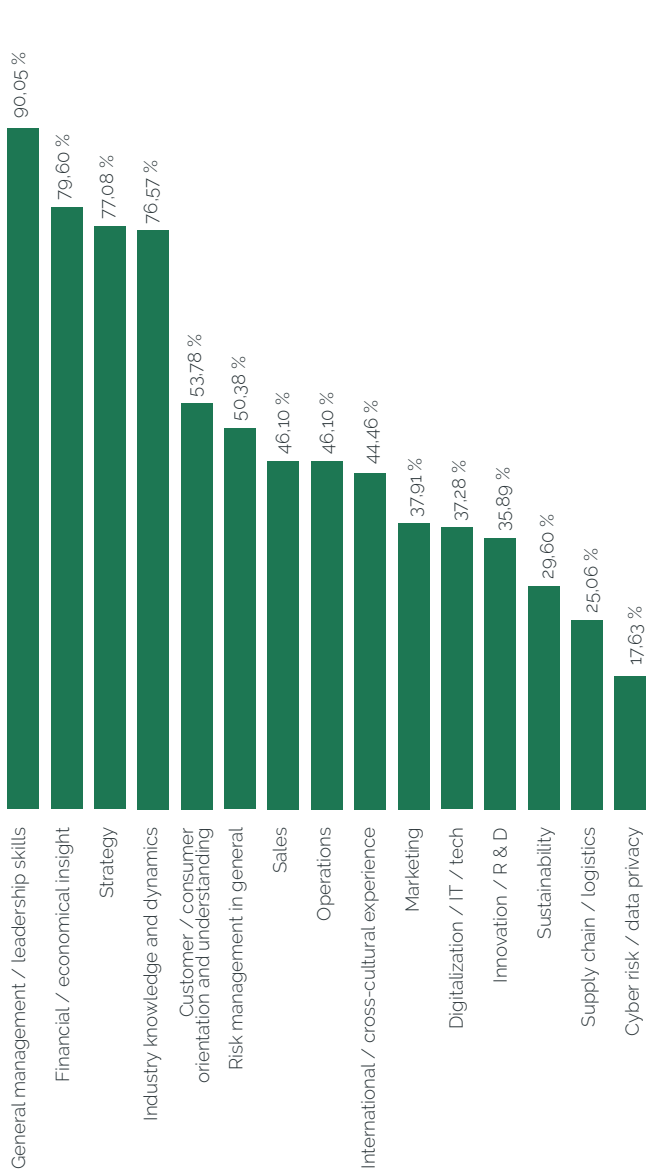


Competence Demands and Succession Plans

When trying to map what competencies are sufficiently represented on the current board in light of the company's current strategy and financial situation, General management, Financials, Strategy, and Industry knowledge are clearly where boards feel most comfortable.

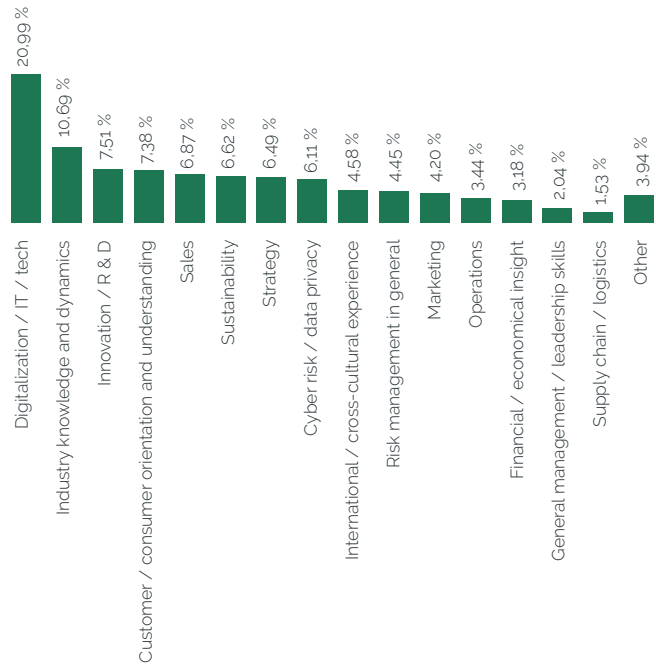
Areas where boards could need some strengthening in their own personal view are Digitalization, Innovation & R&D, Cyber risks / data privacy, and Customer orientation.

Which competencies would you say are present on the board to a sufficient extent considering the company's strategy and financial situation right now?

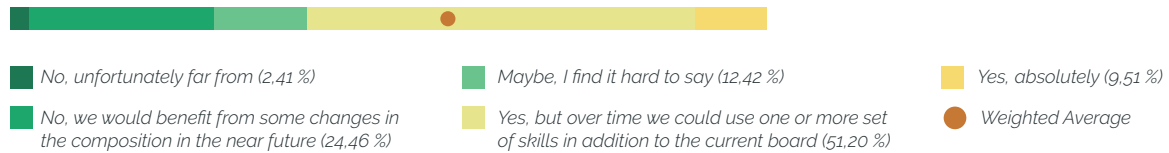


There is – for the fourth year in a row - an obvious, clear correlation to the most important megatrends, board trends and perceived future challenges here. A remarkable 62% say that the overall composition seems right to them, while **27% would like to change how the board is composed from a competence point of view**. The remaining 11% is undecided.

If you could add one more member to the current board, which competency would you personally prioritize?

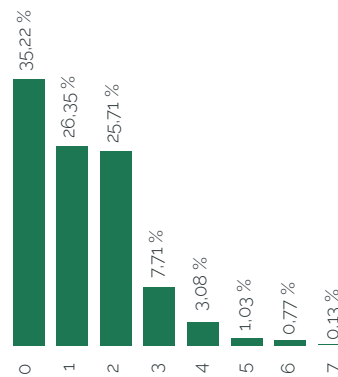


Do you believe that the current board composition matches the competencies needed for the future in light of the company's strategy?



Following up on this, we asked how many board members should ideally be replaced at the next given opportunity, and this time only 35% said none. **26% thought that one board member should be replaced, and another 26% said two, but 13% found that three or more board members should be replaced.** Maybe the satisfaction with their peer board members is not so high after all.

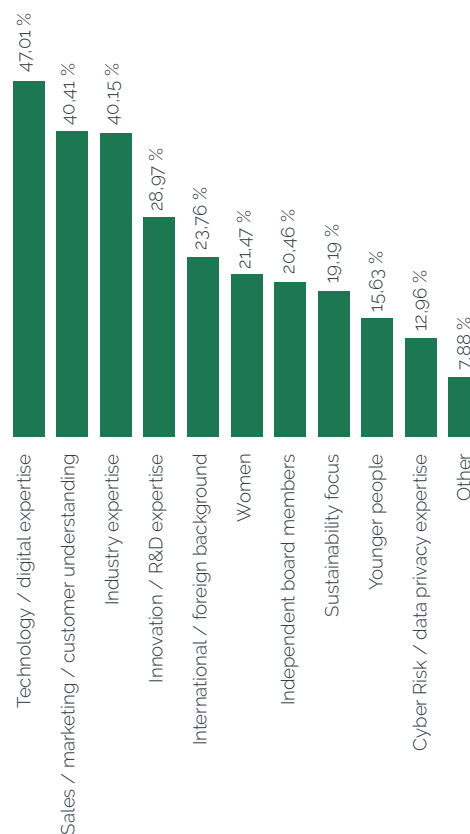
How many directors should in your view be replaced at the next possible General Assembly (or sooner)?



Earlier we looked at the personal preference among respondents if they were given an opportunity to expand the board with an additional set of competence. But in putting the big jigsaw puzzle together when looking at any board composition, other factors than just personal preference might play in. Thus, we went on to ask what the board's actual highest priorities are for future board profiles.

What is your board's actual 3 highest priorities for future board profiles?

An overwhelming **47% are looking for additional digitalization expertise**, while 40% are looking for sales / marketing / customer understanding, and another 40% for industry insight. 29% say they prioritize Innovation / R&D capabilities and 24% an international background. 21% mention women and 20% independent board members. 19% mention sustainability focus, 15% younger people, 12% cyber risk / data privacy expertise, and 7% other.

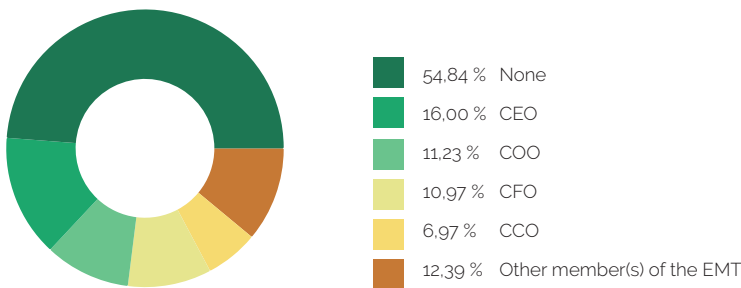


We are happy to see that the actual priorities appear to be very much aligned with what respondents also express to be their personal preference. Consistency in this field is usually a sign of health.

Considering that 65% of our survey population would like to replace one or more board members at first given opportunity, it must be reassuring for the Executive Management team that satisfaction with their performance seems to be considerably higher among respondents.

55% say that they see no changes needed on the EMT. 16% would consider to change the CEO, 11% would consider to look for a new COO, and another 11% think of replacing the CFO. Considering that the overall global tenure at C-level is just above 5 years on average, we find the satisfaction rate with all C-level executives to be very high.

Which members (if any) of the Executive Management Team should in your view be considered for replacement within the next 12 months?



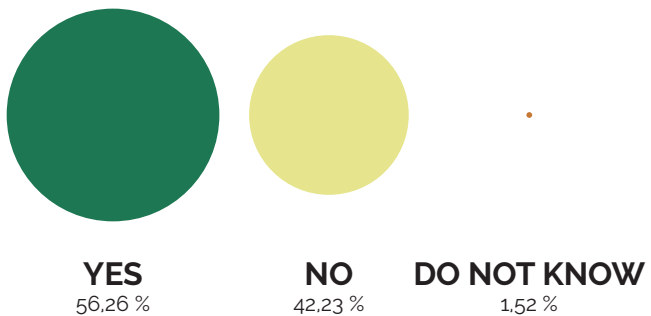
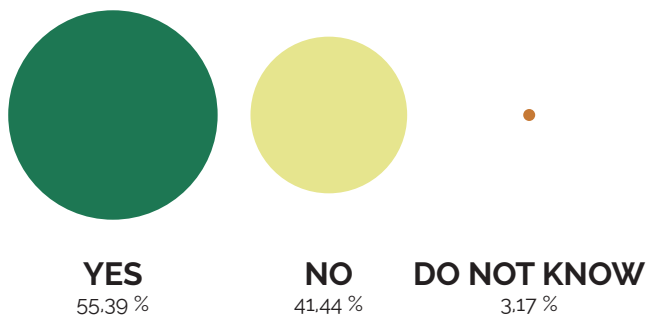
Independency

Two of the biggest global trends among institutional investors are undoubtedly their focus on decreasing the level of overboarding among board members, and increasing board members' level of independency from the company and major shareholders. **55% report that the majority of the board members are independent** of the company and its largest shareholder(s), and 56% that the Chair is also to be considered independent.

Last year, we saw 52% independent board members, and 52% independent Chairs, implying growth in both numbers this year.

Is the majority of the board members independent of the company and its largest shareholder(s)?

Is the chairman of your board independent of the company and its largest shareholder(s)?



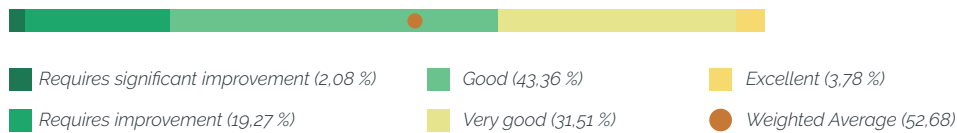
Board Effectiveness, Dynamics and Performance

In general, respondents express a relatively high degree of satisfaction with their board's overall performance. Thus, the weighted average is Good. Yet only 4% believe it to be truly excellent, and a total of **22% think that the board's performance could either slightly or significantly improve.**

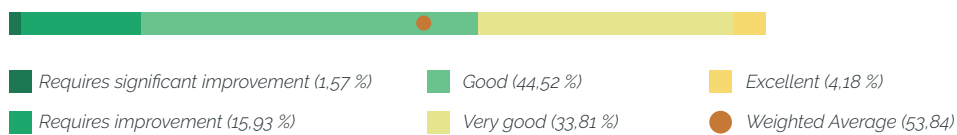
Interestingly enough, respondents express a perception of even slightly higher satisfaction with the boards performance from the EMT's side.

This is in sharp contrast to the findings in the HBR article 'What CEOs Really Think of Their Boards' from April 2013 by Sonnenfeld, Kusin and Walton, where a majority of CEOs expressed only very little satisfaction with the support given to them by their boards. Either boards' performance has improved in general or board members might have a tendency to overrate their contribution to the EMT and the organization in general.

How would you rate the quality of the board's overall performance?



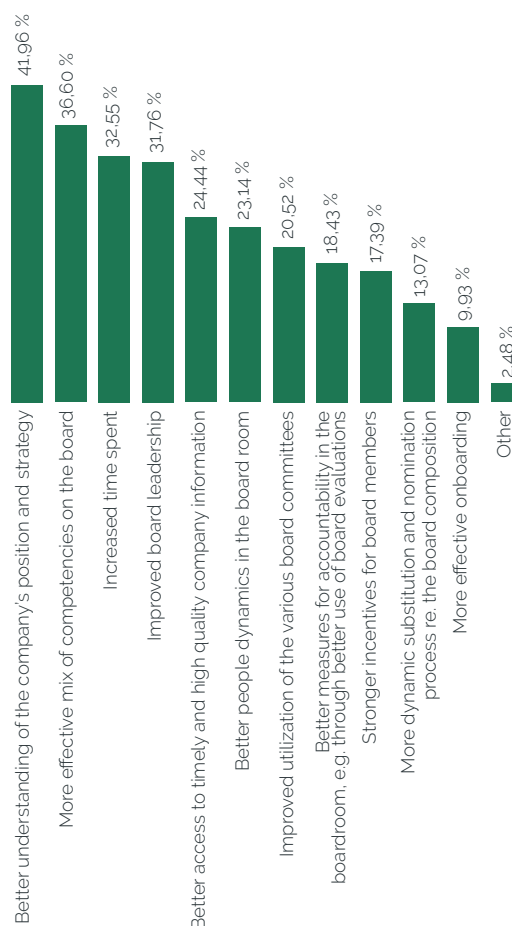
How do you think the Executive Management Team would rate the quality of the board's overall performance?



When probed about what could possibly further increase the board's performance, four factors stand out over others. Number one is Better understanding of the company's position and strategy, second is More effective mix of competencies on the board, third is Increased time spent, and fourth is Improved board leadership.

However, considering the findings above on the level of satisfaction with the board's competencies within strategy, and the findings below on the impressions of the board's overall understanding of the company's strategic positions, we may have identified a possible disagreement between respondents. In any case, **we urge boards world-wide to challenge themselves on exactly how aligned the board members really are on the company's strategy.**

In your opinion what 3 factors would best improve the overall performance on your board?



When challenged on the board's overall understanding of the company's strategy within 11 specific subareas, the weighted average is above 50% within 7 areas – but below within 4 areas.

Most particularly **boards feel the least comfortable around Cyber risk / data privacy, Digitalization, Talent management / HR, and Innovation / R&D.** Isolated this should not be too much of a surprise as these areas are farthest away from the board's traditional focus.

Strongest areas by a far margin are Company's purpose and why, and Financial position – both with a 62,8% weighted average comfort rating.

However, bearing in mind what respondents themselves point to as being the biggest challenges for

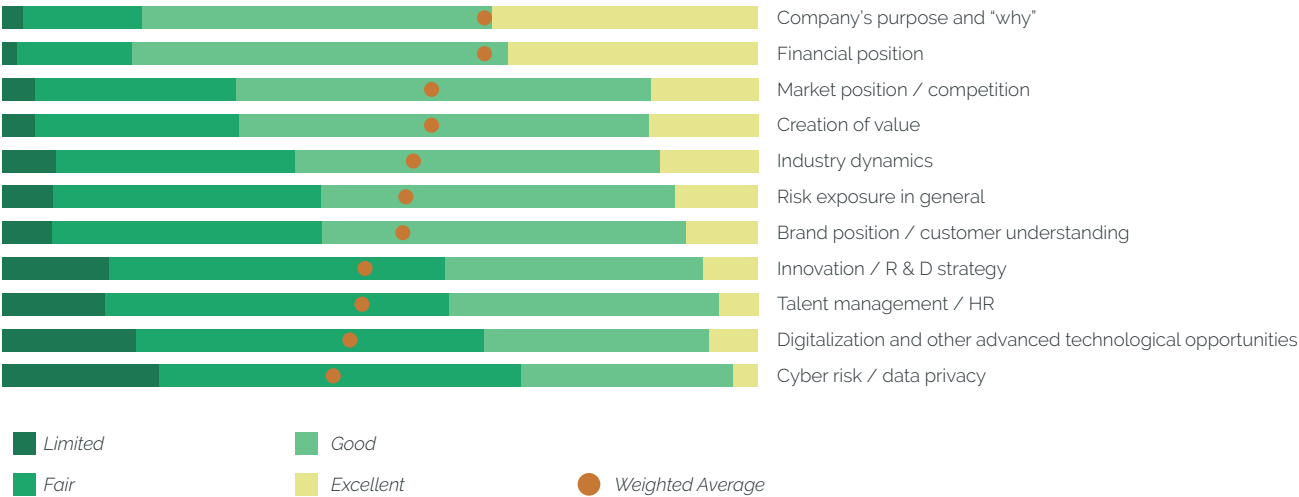
their companies in the immediate future, and also which areas they expect to spend more time on in board meetings, the outcome here must be disturbing for most boards.

Digitalization and Cyber risk are often really two sides of the same coin. With growing digitalization, companies obviously become much more exposed to cyber risks and data privacy challenges. But bear in mind that **78% of our survey population are over 50 years old, and can thereby hardly be called digital natives,** this could call for further age diversification and imply refreshment of the composition of most boards in the near future.

Further, cutting costs and looking for minor productivity adjustments in the value chain will not provide any business with a ticket to the future. Without a firm grip of which products, services and/or business models that will prevail in the future, the company will face obsolescence sooner or later. And the same thing goes for the company that doesn't

understand and/or appreciate how to recruit, motivate, develop and retain the best employees. It doesn't seem of lesser importance when also considering that Innovation and HR are both considered by the boards themselves to be two of six top internal challenges for the coming year, ref. above.

How would you rate the board's overall understanding of the company's strategy within the following areas?



When asked to rate the working climate on the board, respondents in general express a high degree of satisfaction with their peers and with the board dynamics displayed. Especially the fact that Enjoyment of board meetings, Exhibition of integrity, and a Candid and honest atmosphere take the top 3 spots is to us a sign that boards are able to conduct themselves and their meetings in a meaningful and respectful manner to the benefit of not only the company but also all its shareholders as well as other stakeholders.

One of the factors that can often be used to determine if a company will excel compared to its competitors, i.e. advance from poor to good – or from good to great – is the effectiveness of its board, and that usually depends on the inner dynamics on the board.

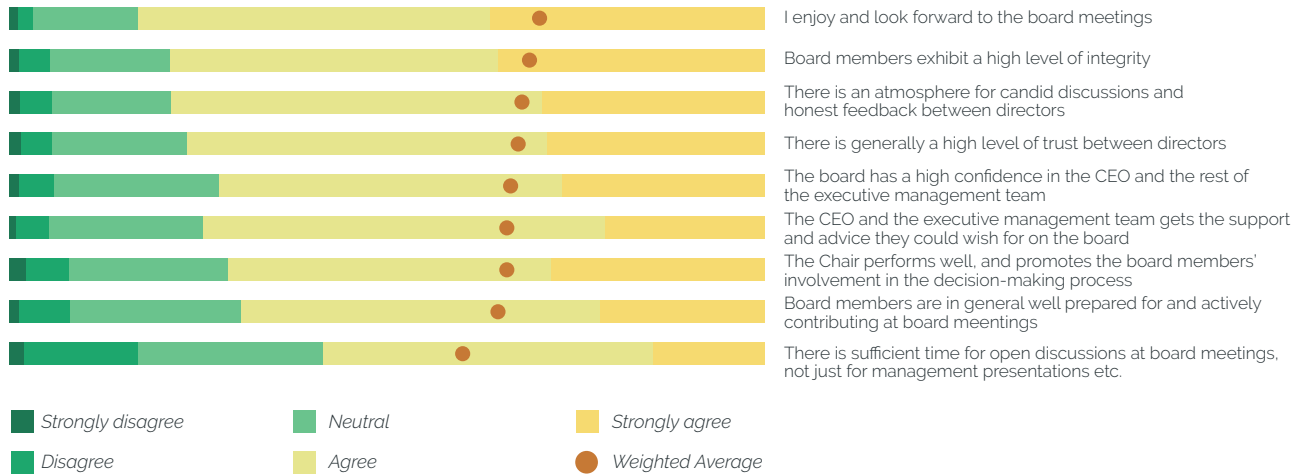
Looking purely at the CVs of board members of e.g. Kodak, Lehman Brothers, BHS, Asia Aluminum, Thomas Cook, Blockbuster and Texaco, one would normally only be impressed by the collective wealth

of experience, knowledge and insight on each of those boards. But past successes don't cut it alone. Boards need to stay agile, focused, curious, courageous and not least maintain a high work ethic and exhibit a strong will to work together.

That is why **on board recruitments we always advise the nomination committee, the chair and the most influential owners to look equally at Competencies, Character and Chemistry** (with the rest of the board).

If formalities, compliance, check-lists and endless reporting on historical issues take up the predominant part of the board agenda, leaving only very little room for intelligent questions, constructive criticism, sound debate, and broad-minded business discussions, then boards only have a role to play in companies where the management is already on their heels either due to misconduct, misrepresentation or simply poor performance.

How would you rate the working climate on the board?



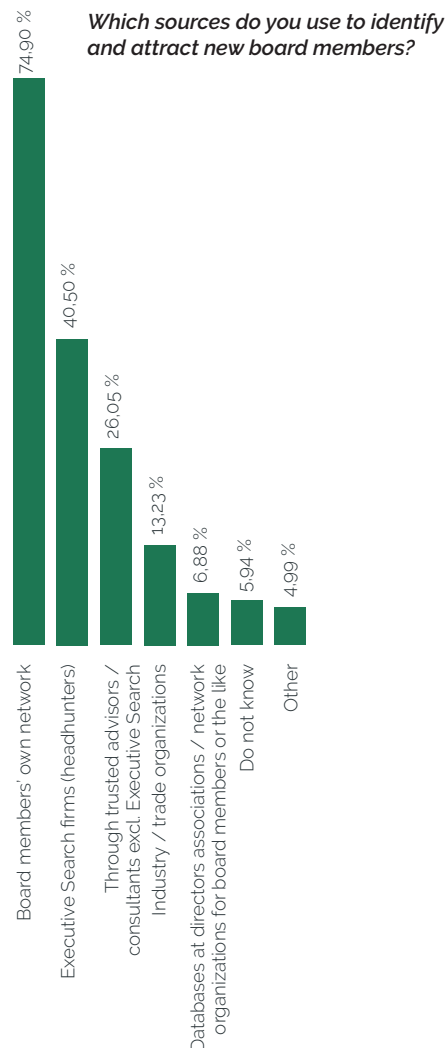
Board Recruitment, Board Evaluations, Board Education

Across the entire globe, there has historically been one preferred way of recruiting to boards; through 'Old Boys Network'. That is indeed still the case with 75% confirming that at least one of the sources used to identify and attract new board members is using the existing board members' own network.

This year however, we've seen a notable increase in the use of executive search. **41% use headhunters for board recruitment while that was only the case for 33% last year.** The growth is primarily driven by larger companies (with turnover over USD 1B) where 65% utilize the expertise of executive search firms.

Nevertheless, we expect this growth to continue even further in the years to come. With calls from investors for more independent board members, from political side and from the society at large for more diversity; from the regulatory side for more professional board members and in some regions for more transparent recruitment processes, the trend is clear.

We do not claim to be completely unbiased in this respect, but from the data at hand and additional input from our extensive global network of some of the most influential chairmen worldwide, we expect the prevalence of executive search firms involved in board searches to at least double over the next 3 years.



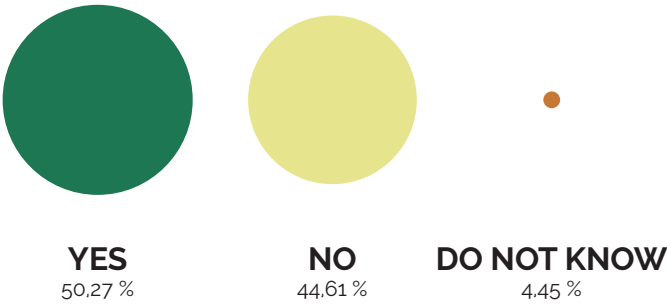
Half of all boards globally undergo regular board evaluations, of which two-thirds do them every year. A little more than half do it as a self-evaluation, while at least 26% find help from an external facilitator / consultant. **With growing investor attention on the performance on the board and transparency in the reporting on the board performance, we expect the utilization of evaluations to grow with up to 50% over the next 3 years – not just in listed companies, but it will accelerate there first.**

Most of the evaluating boards include qualitative questions (67%) and questions on the board as a whole (63%), while fewer include quantitative questions (45%) and specific questions on the Chair's performance (39%). 34% have 1-on-1 interviews with

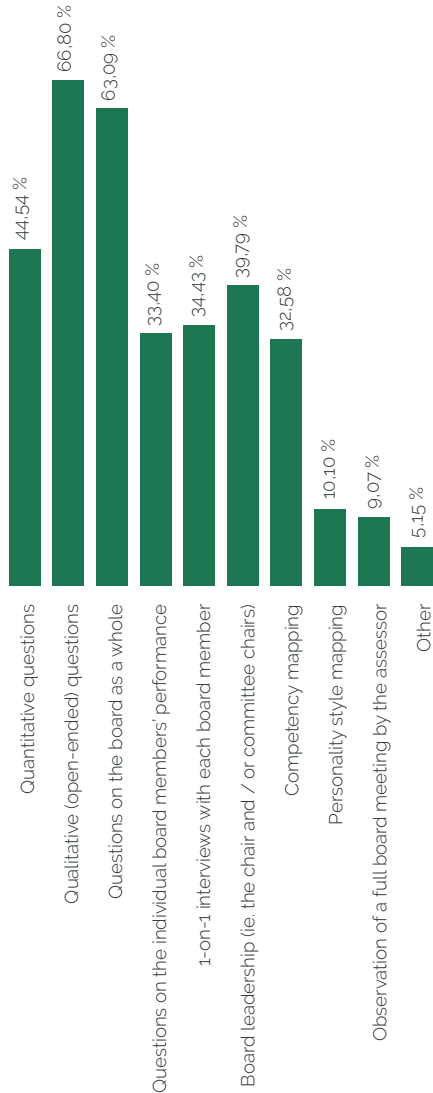
each board member, and 33% assess all board members' individual contribution. Another 33% include a competency mapping. All in all, a clear indication of growing professionalization of boards.

In e.g. Sweden and Norway, the nomination committees are either partly or entirely made up by third party representatives of the largest shareholders. These committees' preferred tool of choice to assess the effectiveness and competence adequacy of the current board is the annual board evaluation. As a result, we expect to see especially institutional investors – also outside of the Nordic region - zooming in on the evaluation results in advance of the AGM when determining whom to nominate for re-election and whom to replace.

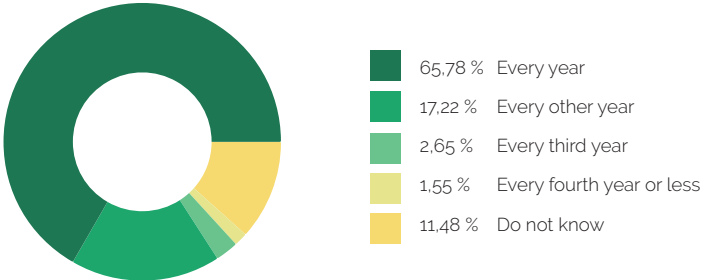
Do you perform regular assessments / evaluations of board performance?



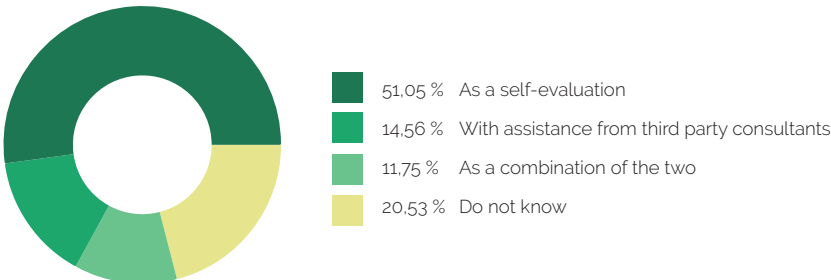
Which structural elements did the latest assessment / evaluation include? (pls. check all that apply)



If yes, how often?



How was the latest assessment / evaluation conducted?

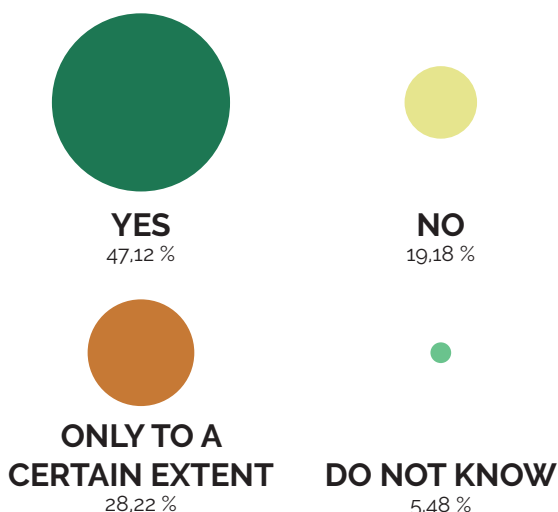


Considering how most board recruitment processes historically have been done (and still are) – through Old Boys Network – it should be no surprise that letting a fellow board member go against their will can be difficult to tackle.

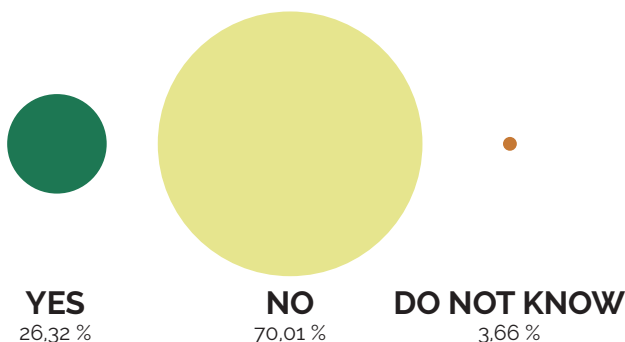
Nevertheless, 47% feel to a smaller or larger degree that the possibilities for removing ineffective fellow directors are not good enough, although only 26% have already had to do so in the past.

In a number of countries and jurisdictions, term periods can go up to two, three, four, even five years, and during that period it can prove itself very hard to get rid of non-performing or ineffective directors. Annual (re-)election seem to be the most efficient way of managing such cases, and thus we strongly recommend this to be implemented in companies' articles of association, if at all possible.

Do you feel that there is sufficient possibility for removing ineffective directors from the board?

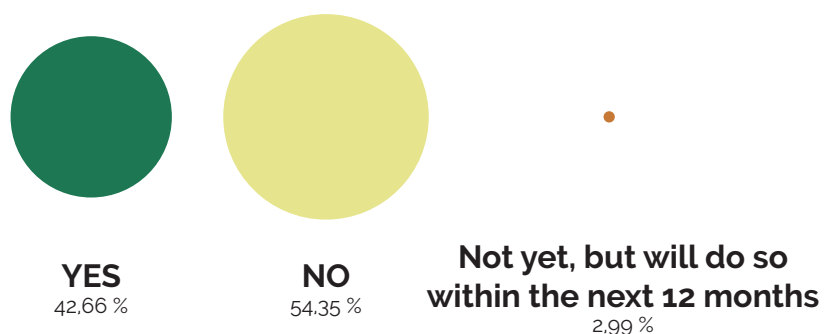


During your term of service, has the board had to remove one or more directors due to ineffectiveness?



Over the past 10 years, board work has undergone a clear professionalization, and with that also a steep increase in the demand for continuous professional development within the board profession. Thus, the industry of executive educational programs focused on corporate governance, board leadership, board effectiveness etc., has seen tremendous growth. As a result, more than **43% of our survey population has either individually or as a group followed a board program** with a duration of minimum 4 days in the past 10 years (up from 41% last year). Another 3% are planning to do so in the coming year. That is very far from the apprenticeship-like approach that had been prevailing up until around 2007.

Have you individually or as a board undergone any specific 'board training / education' of minimum 4 days duration in the past 10 years?



Concluding

Strong winds are sweeping across global political systems, financial markets and companies in all sizes and industries. Climate change, pandemics, geopolitical tensions in a number of regions and countries, political dogma shifts, and a continued exponential advancement of new technologies are all factors that impact businesses and their leaders.

Sometimes it can feel almost biblical with the amount and severity of natural disasters and other international catastrophes that the world has seen over the past 12-24 months. Wildfires, tornados, thunderstorms, flooding, earthquakes, tsunamis, invasion of locusts in Africa and North America, droughts, COVID-19, war, riots, fugitive and migrant influx, terror, etc. are all part of today's world order.

With an almost never-ending globalization trend over the past 20 years, we now have extremely complex supply chains, often spanning half the globe, cases of natural resources / components supply shortage (like after the earthquake in Fukushima in 2011), trade barriers and quarantines, which have all left businesses across the world in a state of unprecedented unpredictability.

So what should boards be doing now? There is no doubt in our minds that we have come to a turning point. **General global acknowledgment of human-induced climate changes has never been broader.** More importantly, we are seeing millions of initiatives to reverse these changes. We see recycling initiatives, technological production innovations, waste reduction efforts, changes in transportation and logistic patterns, and much more.

Even for companies in service industries that have traditionally had a much smaller carbon-footprint than production companies, we see an embracement of sustainability efforts like never before. The 17 UN Sustainability Development Goals, adopted by all UN member states in 2015, have set measurable examples and identified specific milestones that can be incorporated in most businesses' purpose and values statement – and more importantly, be translated into operational action steps. It can be just one or two of the SDGs that companies choose to work actively with, but that is still making a huge difference compared to doing nothing.

Accepting a board position today will be on a very different mandate than a decade ago. Across the globe, board work is rapidly undergoing professionalization that entails enlarged responsibility,

increased liability, more time spend and a closer involvement with the company, its executive management and the rest of the operation. It is no longer a mere honorary position, but a real job to accept the election to a board.

Additionally, there is a wide and genuine recognition on what the future beholds of demands to the boards. Regulation and legislation will increase, shareholders are getting more active and demand full transparency, new stakeholders expect to be heard too, and business is changing at a never-ending accelerated pace. New technology, more interconnectivity, greater transparency, more complex supply chains means that **your cutting-edge product of today can very easily be surpassed by the introduction of a new service tomorrow.** Just think of a telephone answering machine a few years ago – today such product no longer exists but is available as a service via our phone subscriptions.

Concluding, we have the following four pieces of advice for boards that want to stay agile and abreast with megatrends - enabling them to stay on top of the board agenda - in order for them to increase their competitiveness and fulfill their growth ambitions. **We believe that these are the characteristics of The Purposeful Board.**

1. **Engage.** Board members are individually as well as a group responsible for charting the course and setting the pace at any company. That implies responsibility for setting the Tone at the Top, and ensuring integrity values throughout the entire organization.

Adhering to sustainable business and production methods, and fully embracing stakeholder capitalism will ensure the dedication to building long-term value. The Business Roundtable Statement on the Purpose of a Corporation, signed in 2019 by 181 of the world's most influential CEOs, incl. Larry Fink, Tim Cook, Mary Barra, Jamie Dimon, Ginni Rometty, Jeff Bezos a.o., states it very clear: **'Businesses must have a purpose beyond profit'**. A statement that resonates well in a number of countries that have long strived for supporting more sustainable business and societal models, like e.g. Singapore, Canada, Switzerland, New Zealand, Benelux and the Nordic countries. Now it is becoming a global trend.

This calls for engagement from the board – but can be done in numerous ways. Some might find it valuable to impose more frequent board meetings; some will take advantage of introducing Ethical Committees on the board; others again will charge individual board members with responsibility for particularly defined SDG focus areas – obviously in close collaboration with senior management. It can involve new incentive schemes for management, new board processes, new goal-setting structures, and many other initiatives. It is all about wanting to make a positive difference – for the company but increasingly also in a broader societal context.

The only thing that will not work is to stay passive and deliberate unconscious. Because investors as well as stakeholders will have no patience for that in the future.

2. **Innovate.** Broadening the board's insight to building of new revenue streams through executive training, study tours abroad, increasing gender diversity and hire new recruits are all good initiatives and often needed to broaden the insight and skillset of the board.

In addition, we also suggest experimentation. That could imply getting used to getting uncomfortable. It is not easily done. Using a trial-and-error approach at board level is very much against the nature and upbringing for most directors that has focused on training them to be the custodians of the company, its shareholders, its creditors, etc.

But take the chance and try to build wholly new revenue streams on the edge of your organization. Start at small scale and learn before stepping up to taking big bets. Treat each and every idea passionately like a start-up would and man this division with people freed from the pull of the past, the corporate legacy and complicated internal politics. Let this group report bi-monthly to a specifically charged board member and use a venture capitalist's assessment to determine whether to keep or kill the proposed initiatives.

3. **Glocalize.** While globalization has been the driver of a tsunami of transformations not least in the production and assembly parts of the value chain, recent events, e.g. COVID-19, have highlighted the need for a more diversified and less vulnerable supply chain in major companies.

Hence, identifying, assessing and building alternative supply channels, preferably from another continent than the main supplier(s), is among our recommendations to boards. Other than contributing to better risk management, in many cases it will also prove to be more sustainable to source from countries closer to your main operations.

There might be enhanced costs attached to such an approach but it can prove much more costly to remain at a single supplier-setup, cheap as it might be.

Glocalization also goes the other way around. Many companies have in the past tried a universal go-to-market strategy and paid dearly for it. Stakeholder capitalism also involves taking all stakeholders, incl. those in every marketplace, into account. That may very well vary from market to market.

4. **Diversify.** A decade and a half ago, most boards were composed by maybe five CEOs from other companies and possibly very different industries, one CFO, and one person with a legal background. That has surely changed. Diversification in terms of ensuring to have different functional backgrounds and competencies has long been a global board trend. Also, with regards to gender, ethnicity and nationality, we have seen great progress in many countries.

However, it seems less of a successful trend to try to recruit younger, digital-savvy candidates. That is essentially leaving many boards in the dark in terms of how to contribute with real value to discussions on AI, robotics, blockchain, virtual and augmented reality, deepfake, etc.

We cannot stress enough how important we perceive it to be to establish a truly diverse board – in terms of gender, nationality, competence, age – and most importantly, in thinking. Heterogeneity is a strong driver for better risk management and more innovation, while homogeneity almost only drives fast decision-making and execution. The latter capabilities are obviously good in times of imminent danger and crisis, but that should surely not be the everyday situation for any company. In such case, the problem is probably of a completely different nature.

Behind the Survey Data

As referenced above, the survey population totals **1,592 corporate chairmen and board members from 72 different countries and legal jurisdictions** on all populated continents. The regional distribution of our respondents is **46% from EMEA, 30% from Americas and 24% from APAC.**



Albania
Argentina
Australia
Austria
Belgium
Bermuda
Brazil
Cambodia
Canada
Chile
China
Colombia
Croatia
Curacao
Cyprus
Czech Republic
Denmark
Djibouti

Egypt
Estonia
Ethiopia
Faroe Islands
Finland
France
Germany
Ghana
Greece
Greenland
Hong Kong
Hungary
Iceland
India
Indonesia
Ireland
Israel
Italy

Japan
Jersey
Kazakhstan
Kenya
Kuwait
Latvia
Liechtenstein
Lithuania
Luxembourg
Malaysia
Mexico
Netherlands
Netherlands Antilles
New Zealand
Nigeria
Norway
Oman
Pakistan

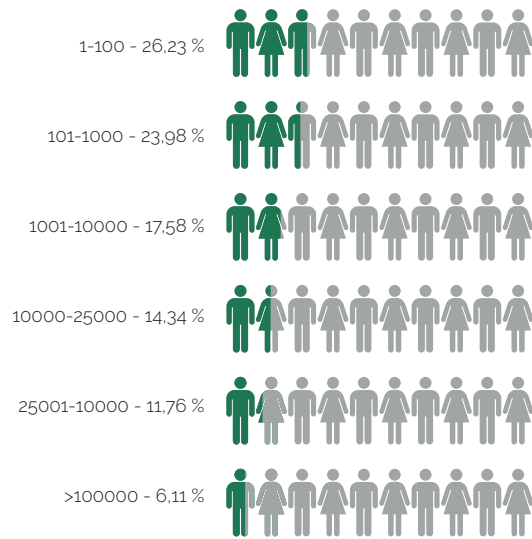
Peru
Poland
Portugal
Romania
Russia
Saudi Arabia
Serbia
Singapore
South Africa
South Korea
Spain
Sweden
Switzerland
Thailand
Turkey
United Arab Emirates
United Kingdom
United States (USA)

What kind of ownership is the company subject to?



- 20,08 % Stock exchange listing
- 16,92 % Private Equity
- 11,83 % Foundation / trust
- 28,61 % Private limited company
- 6,74 % Public / governmental body
- 12,93 % Family owned
- 9,49 % A combination of two or more of the above
- 0,69 % Do not know
- 2,47 % Other

What is the company's total number of employees?



What main industry does your company operate within?



- 14,34 % Technology / media / entertainment
- 12,83 % Financial services
- 6,48 % Government, education, non-profit
- 12,69 % Industrial
- 9,79 % Life sciences & healthcare
- 5,52 % Logistics & transportation
- 4,97 % Natural resources & energy
- 11,17 % Professional services
- 15,17 % Consumer products & services
- 8,69 % Other

Are you?

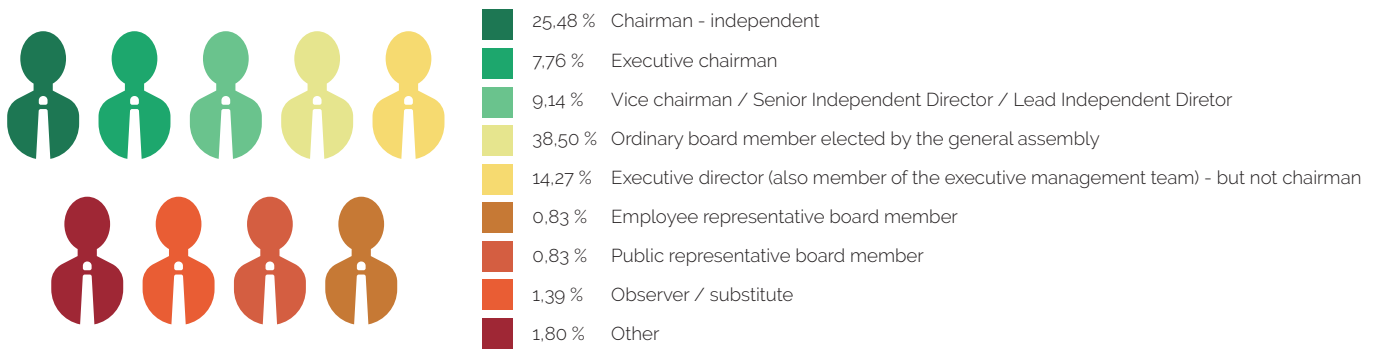


**What is the company's total annual turnover?
(given in US Dollars)**

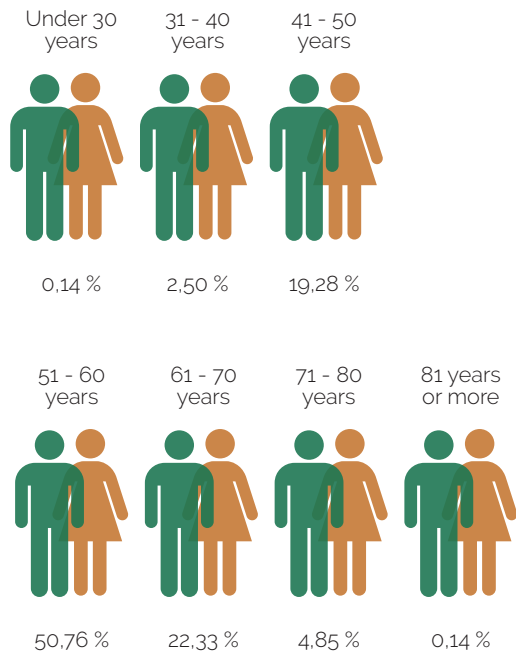


- <10 million - 18,66 %
- 10 - 100 million - 19,55 %
- 100 million - 1 billion - 21,33 %
- 1 - 5 billion - 16,23 %
- 5 - 20 billion - 13,71 %
- 20 billion or more - 10,52 %

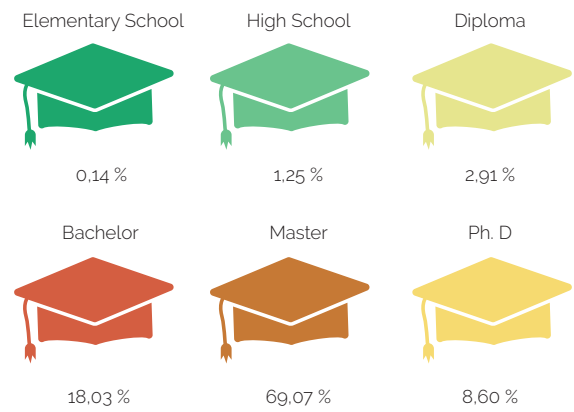
Are you?



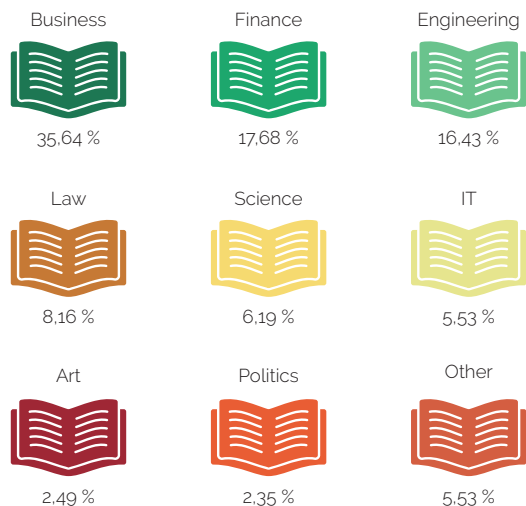
Please disclose your age



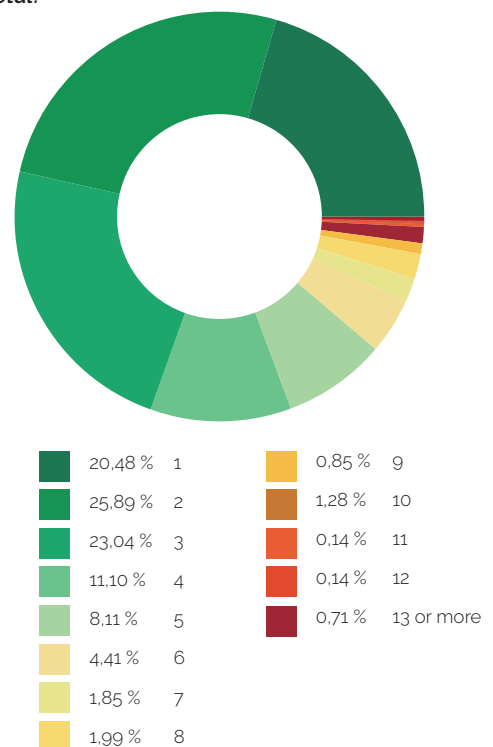
Please disclose your educational background



Please disclose your field of study



How many corporate boards - public as well as private - do you sit on in total?



Our heartfelt gratitude goes to all the 1.592 global survey participants who volunteered their time, effort and nuanced insight into the board leadership and corporate governance agenda at the highest level. We hope you find the presented collection of visuals, discussions and conclusions from the Global Board Survey 2020 valuable and relevant. You are of course

more than welcome to continue the dialogue with us, and please also feel free to quote the analysis with a clear reference to 'Global Board Survey 2020 - The Purposeful Board by InterSearch and Board Network'.



Jakob Stengel

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Jakob Stengel is among the executive search industry's globally leading board leadership and corporate governance experts, having been involved at the forefront of that agenda for more than 20 years. He is the Editor-in-Chief of the quarterly magazine, Board Perspectives, a co-founder and partner of Board Mentors, and holds a degree as Master of Law (LL.M.) from University of Copenhagen.

For further information and contact details on our two organizations, please go to www.intersearch.org and www.boardnetwork.dk.

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