



2020 Global Board
Diversity Tracker

Who's Really On Board?

EgonZehnder



Diversity is finally front and center

Whether viewed as a business imperative, an ethical responsibility, or a fiduciary requirement, diversity and inclusion have moved to the top of the agenda. The same is true for corporate governance: In a time of great economic uncertainty, political unrest, and a global pandemic, having the right voices in the boardroom is the key not only to success but very possibly to survival.

We are in a crisis—but crisis also means opportunity.

At Egon Zehnder, we believe passionately that building diverse leadership in both the boardroom and the C-suite is a direct path to creating business success. We also believe that it is good for the world. That is why we have tracked gender and international diversity on boards around the world biennially for the past 16 years, and why we are committed to increasing the broad range of diversity and experience in leadership as well. Our 2020 report *Global Board Diversity Tracker: Who's Really On Board?* shows how far we've come globally—and just how much remains to be done.

Below you will find the highlights of our study, which shows improvement in gender diversity in many, but not all, countries. Overall, 23.3 percent of board positions are now held by women, up from 20.4 percent in 2018. The news is positive but still far from gender parity. Indeed, only two countries—France and New Zealand—have more than 40 percent of their board seats filled by women. Although the global data on board representation by race, ethnicity, and sexual orientation is limited—and sometimes even illegal to collect—there are many success stories demonstrating the expansion of diversity beyond gender. We are pleased to share some anecdotes that other boards can learn from.

In this report, we ask and—with the help of diversity champions around the world—try to answer:

Which countries lead and lag?

Why does progress remain slow, despite so much public discussion of the topic?

How can directors create environments that will help new appointees with different identities, experiences, and opinions succeed on the board?

How do we increase board diversity with other underrepresented groups when no global data points exist?

What can we learn from chairs, CEOs, and directors who have already built diverse, high-performing boards?

What can leaders do today to make their boards more representative and inclusive?

Our analysis looks first at gender diversity in the boardroom and how it has improved (or in some cases regressed) over time. Our work looks at who serves on these boards and examines who holds leadership positions, where new directors come from, and how board leaders build an inclusive culture. We also highlight success stories of companies and individuals around the world who have made all types of board diversity a priority. At the end of the report, we offer our recommendations, based on more than 50 years of advising companies on senior leadership topics, on how best to accelerate the process of diversifying your board.

The data are clear on one fact: For all of the attention given to board diversity—manifesting in global social unrest, shareholder and stakeholder pressure, and more proof tying diversity to better corporate performance—there is simply not enough progress. But today, there is alignment. There is attention. There is acknowledgment.

Now it is time to act.

Please visit <https://www.egonzehnder.com/global-board-diversity-tracker> to see our video case studies and to explore and conduct your own analysis of the data, which can be customized by country or sector. Our hope is that the information and real-life case studies in this report will help your organization build more inclusive board leadership—and reap the benefits.

Cynthia Soledad and Pam Warren
Co-leaders, Egon Zehnder Global Diversity,
Equity & Inclusion Council

Ashley Summerfield
Leader, Egon Zehnder Global Board Practice

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Our Universe



The 2020 Egon Zehnder Global Board Diversity Tracker examined the boards of the largest public companies across 44 countries globally. This is the ninth biennial report since the first findings were reported in 2004.

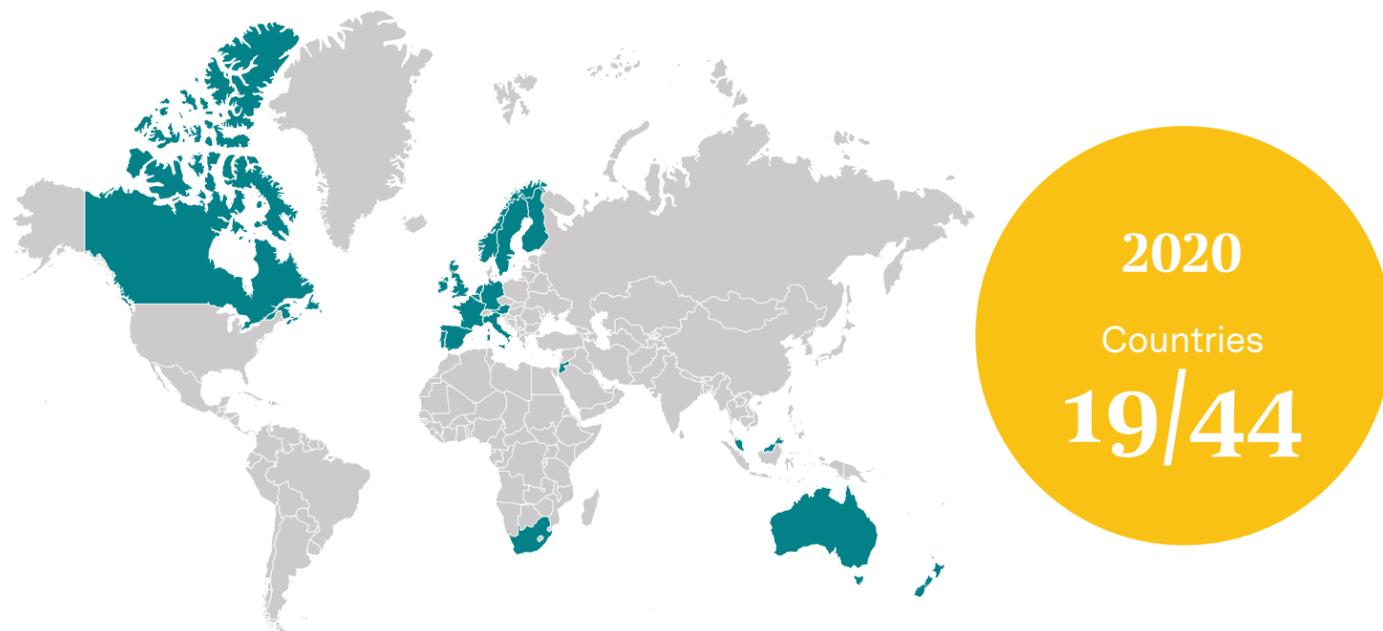
The data was sourced from BoardEx on April 29, 2020, with corrections and clarifications made by Egon Zehnder Research. In total, the analysis considered data from 1,685 companies from all over the world. Most companies included in the study have market caps exceeding €6 billion—with a few exceptions if there were not six companies of this size in the country.

One On Board Club

One important measure of progress toward gender diversity is the percentage of major companies that have at least one woman on their board, a number that has risen to 89 percent this year globally, from 85 percent in 2018. And yet, one in 10 large global companies still does not have even one female director.

Much depends on the location. In 2020, the number of countries in the One On Board Club was the same as in 2018, with 19 of the 44 countries we studied

having at least one female director. However, three countries—the Netherlands, Portugal, and the United Kingdom—joined the club this year, while India, Poland, and Turkey left. Nine of the 19 countries have instituted a quota requiring that companies reach a certain percentage of women on board by a certain time. Yet of the remaining 25 countries sampled, including China, Brazil, Germany, and the United States—some of the world’s largest economies—there are still large companies with no women on their boards at all.



- Australia
- Finland
- Netherlands
- South Africa
- Austria
- France
- New Zealand
- Spain
- Belgium
- Israel
- Norway
- Sweden
- Canada
- Italy
- Portugal
- United Kingdom
- Denmark
- Malaysia
- Republic of Ireland

Leaders and Laggards

As of 2020 Leaders

New Zealand	45.5%
France	43.8%
Norway	39.1%
Finland	37.8%
Italy	37.3%
Belgium	37.3%

Leaders (Average % of women on large company boards, 2020)

Laggards

Hungary	8.0%
Chile	6.7%
South Korea	6.0%
UAE	3.6%
Saudi Arabia	2.6%

Laggards (Average % of women on large company boards, 2020)

— Quota Country

By Two-Year Progress Leaders

New Zealand	18.4%
Portugal	8.9%
Austria	7.9%
Brazil	7.6%
Canada	7.2%

Leaders (% change of women on large company boards, 2018-2020)

Laggards

Mexico	-0.5%
Sweden	-0.8%
Poland	-0.9%
Chile	-2.3%
Turkey	-2.7%

Laggards (% change of women on large company boards, 2018-2020)

Our Take

More Global Progress Needed

Overall, the number of companies in the One On Board Club has improved, but it is disappointing that the past two years have not led to more countries joining it. If women are not represented on the boards of the world's largest companies, it's hard to claim a true commitment to diversity. Those who do not demonstrate this commitment may also be vulnerable to reputation risk as other companies embrace its importance.

In some countries, the perceived lack of sufficiently experienced female and other underrepresented minority candidates leads to many of the same people being approached for several boards. Yet pursuing “overboarded” directors misses an obvious possible solution: opening up the set of board-ready candidates and actively building relationships with those candidates in hopes of understanding their leadership abilities, not just their job titles. Says Monica Lozano, a director sitting on the boards of Target Corp. and Bank of America Corp., “As the chair of the governance and nominating committee of various boards that I’ve been on, I have really pushed us away from titles to competencies. You’re looking for people who have been able to navigate change, who understand the culture of a boardroom, who have been able to demonstrate problem solving, good decision-making skills.” Using markers of executive potential—a combination of traits including insight, determination, curiosity, and engagement—is, we believe, the best way to evaluate an executive’s ability to take on leadership roles, including joining a first board.

“As the chair of the governance and nominating committee of various boards that I’ve been on, I have really pushed us away from titles to competencies.”

Monica Lozano
Director, Target, Bank of America

Success Story

One Diverse Director Is Step One



Justine Smyth
Chair, Spark New Zealand

There is one easy way to avoid being the only woman on a board: Refuse to join it unless you can guarantee that you will not be. That’s what Justine Smyth, now the chair of New Zealand-based Spark, did, accepting on the condition that the next director would also be female. “Take the first appointment,” she says, “but be an advocate for change. I was pretty determined not to be the token woman appointment that would tick some boxes.”

Her persistence paid off: The board of Spark is now 50 percent female, with both a female executive chair and female CEO—still a rarity in the world today, if less so in New Zealand, which leads our ranking of countries promoting board diversity, averaging 45.5 percent women directors among the companies analyzed. In addition, 50 percent of the “Leadership Squad” at Spark is female. “I’ve definitely noticed a mindset shift in the New Zealand business community over the past few years,” she says. “You have to start with the genuine desire to recruit the diverse candidate. Then you use your networks to find the talent. But measurement is a key. You can’t manage what you can’t measure.”

The Institute of Directors in New Zealand has also created innovative programs, including a one-year apprenticeship for women to shadow current directors, helping to prepare them for the role. But gender diversity is not enough, Smyth emphasizes. Spark is now working to include and welcome Maori and other groups long left out of corporate life. “There is no doubt,” she says, “that boards will benefit from wider diversity in leadership.”



Success Story

Reflect Your Consumer



Suresh Narayanan
Chairman and Managing Director,
Nestlé India

Diversity isn't just about doing the right thing. It's also about doing the smart thing. So at a company like Nestlé India, where the majority of customers are women, it's actually counterproductive for a board not to have significant female representation. That's the perspective of Suresh Narayanan, Nestlé India's chair since 2015. "If you look at the Nestlé portfolio, almost 60 to 80 percent of the decisions that get taken on our brands are taken by women. It would be rather strange if the governance model of that company does not have women to represent the core issues, be it on portfolio, on strategy, or operations, or any other aspect." Today, there are three female directors—the number that has been shown to make a difference in the way a board operates.

The first woman to join the board, Dr. Swati Piramal, says that the entire perspective of the board has changed since Narayanan became chair, proving the point that many directors rely on chairs for prioritization. "I've always found myself being the only woman on many boards," she says. "So I think it wasn't very difficult to give a different perspective to the Nestlé board. When Suresh came, it was a major shift of leadership. To change that to be a more inclusive board, to have a diverse point of view, to have today many women on the board, that was a shift."

That shift is both about what is said and how it is said, says Narayanan. "It's both the quality of perspectives and the quality of the discussion. In a male-centric board, usually it panders to either hierarchy, or it panders to the wisest man in the room, or a combination of both. And the discussions usually rest with very familiar notions of what we think is good governance."

Yet he cautions women and men alike not to fall into the trap of seeking a female candidate for her gender alone. "You're not joining them to be an embellishment," he cautions. "You're joining them because of accomplishment."



Dr. Swati Piramal
Director,
Nestlé India

"You're not joining them to be an embellishment; you're joining them because of accomplishment."

Suresh Narayanan
Chairman and Managing Director,
Nestlé India



The Advantage of Three

When it comes to fully unlocking the power of diverse thinking, we believe that it takes three underrepresented voices in a boardroom to truly change internal dynamics. Rather than seeing one person as the token stand-in, a larger group allows the individuals to be heard for their perspectives rather than for their perceived identity. Here, we see significant progress in 2020 in terms of gender: 18 countries, up from 13 in 2018, average three or more women on the boards of their largest companies.

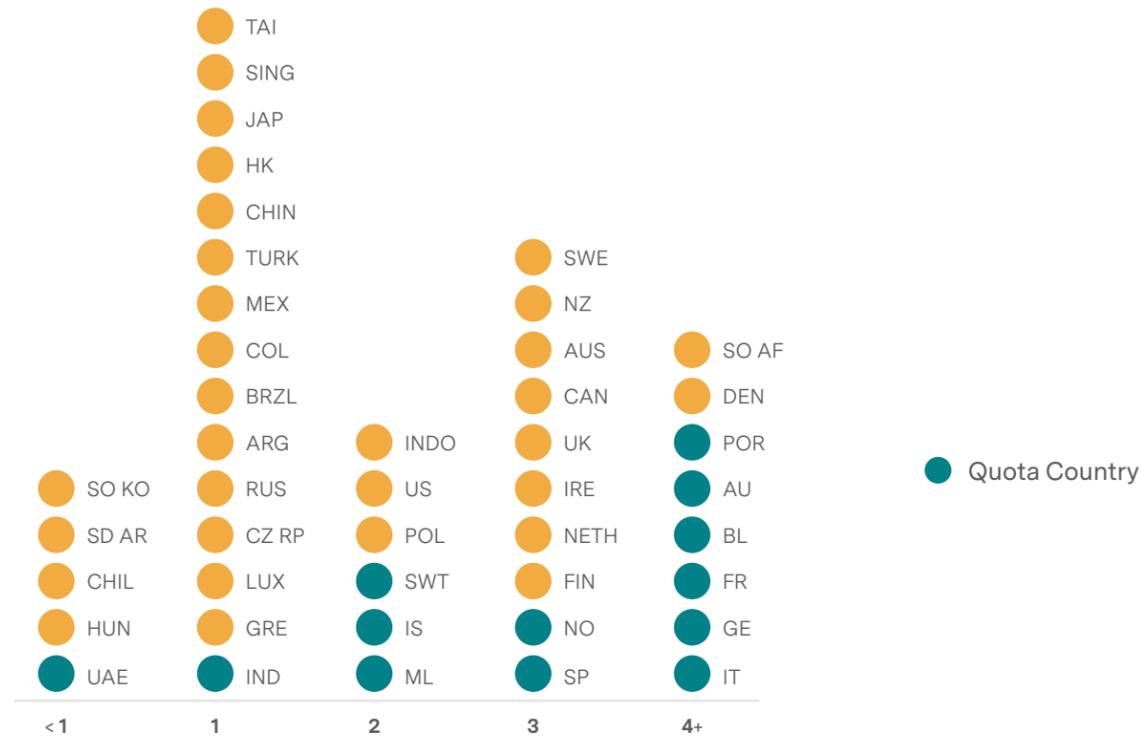
It is worth noting that quotas have impact. Those countries that have instituted official diversity requirements average a much larger number of women on their boards. Eight of the 18 countries averaging three or more women have quotas or regulations in place requiring the hiring of women. Switzerland is the most recent country to add a quota.

Multiple studies show that board dynamics shift positively when there are at least three female directors (the impact, of course, depends on board size). An IMF study shows that adding one more woman to a company's board or senior management team, while keeping the board size unchanged, correlates with an increase in return on assets of 8 to 13 basis points¹. The countries listed on the next page each average at least three women on their large-cap company boards; of them, Australia, Finland, New Zealand, Portugal, and the Republic of Ireland have reached the target in the past two years. We celebrate those efforts and look to these countries as proof that real change is achievable.

¹ Lone Christiansen, Huidan Lin, Joana Pereira, Petia Topalova, and Rima Turk, "Gender Diversity in Senior Positions and Firm Performance: Evidence from Europe," IMF Working Paper, International Monetary Fund, 2016, <https://www.imf.org/external/pubs/ft/wp/2016/wp1650.pdf>.



Average Number of Female Directors By Country



Only 18 countries have hit the tipping point

- | | | |
|-----------|-------------|---------------------|
| Australia | France | Portugal |
| Austria | Germany | Republic of Ireland |
| Belgium | Italy | South Africa |
| Canada | Netherlands | Spain |
| Denmark | New Zealand | Sweden |
| Finland | Norway | United Kingdom |

8 of the 18 countries on this list have quotas: Australia, Belgium, France, Germany, Italy, Norway, Portugal, and Spain

Our Take Three Is the Baseline

It is clear that a larger number of diverse voices changes the boardroom dynamic. How, then, to get there? Quotas are one clear path. But there are also other actions that have spurred positive change. In Canada, as of the beginning of 2020, public companies must provide annual proxy disclosures about their diversity policies and practices at both board and executive leadership levels. Also, institutional investors such as BlackRock are pushing companies in which they invest to prioritize diversity on their boards. Employees can also apply pressure in this regard.

Yet what is most important in enabling change is, in some cases, the simplest: Nominating committee members and others in leadership roles must commit personally to making diversity an absolute requirement. If they don't have access to robust pipelines of women or other underrepresented groups, they must hire people who do.

“I was pretty determined not to be the token woman appointment that would tick some boxes.”

Justine Smyth
Chair, Spark New Zealand

Success Story

Critical Mass Leads to Better Board Performance



Kathleen Taylor
Chair, Royal Bank of Canada

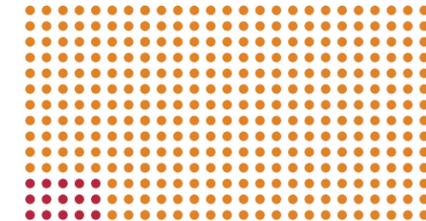
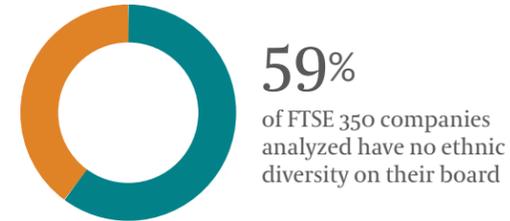
Royal Bank of Canada (RBC), with seven women on its board of 15, has long been a leader when it comes to diversity. That's in part thanks to Kathleen Taylor, the chair and former CEO of Four Seasons Hotels and Resorts, who is one of Canada's best-known business leaders and someone who has fought for many years for more diverse board representation. She is a firm believer in the research that shows that diverse boards are higher-performing—particularly with what she calls the “critical mass” of at least three women.

She has little patience for those who say they cannot find enough candidates representing different perspectives. One important element to building a diverse board, Taylor says, is to always be “planful” about expanding the pipeline, whether or not you have an immediate need. “Building a good board is a long-term proposition,” she explains. RBC maintains a list of “ready now” directors and directors who may not be quite seasoned enough yet, taking into account both gender and non-gender diversity as part of the scope.

Now, Taylor says, it is time to put the same attention placed on gender into other types of racial and ethnic diversity. “You need to be representative of the communities you serve,” she explains. “The tragic killing of George Floyd really ignited a spark for greater racial equity.” What we have learned from that plus the global pandemic, she says, is that “it wasn't that things couldn't move faster, it's that we didn't want them to move faster. Change takes a catalyst.”



Ethnic and Racial Diversity: In Sharp Focus



Only 15 directors of color hold the chair or CEO role in the FTSE 350 companies analyzed

*Data is from UK Parker Report. Due to GDPR restrictions, ethnic data was voluntarily disclosed and may not be fully representative of the director population.

While gender diversity on boards has received much attention, the focus is now, appropriately, expanding to include ethnic and racial diversity. In some countries, there are regulations prohibiting identification by race and ethnicity, so accurately tracking diversity in board representation is difficult, if not impossible. Where measurements exist, the board representation numbers are woeful: In the United States, for example, Black directors make up just 4.1 percent of all directors in the Russell 3000 index,² numbers far below their representation. In the UK, the Parker Review Committee, a nonprofit executive group, set a target for FTSE 100 companies to have at least one non-white corporate director by 2021 and for the FTSE 250 to do the same by 2024. As of early 2020, 37 percent of the FTSE 100 companies surveyed did not have any such representation on their boards, and just 54 of the FTSE 250 companies had reached that goal.

Momentum is shifting now. The killing of George Floyd in the United States in the summer of 2020 and the subsequent protests that spread around the world led to an unprecedented focus on racial inequity, including in corporate leadership. Says Enrique Lores, CEO of HP Inc.: “I think we need to acknowledge that the conversation we are having today should have happened 20, 30, 40 years ago. Shame on us that it did not happen then, but now we have the opportunity to drive the necessary changes going forward. We have an obligation to create a better world for our employees, for our companies, for our kids.”

Importantly and encouragingly, the conversation around diversity in board representation has expanded beyond gender. Boards are feeling the pressure from activists, shareholders, employees, and consumers. There are also several new shareholder lawsuits calling for more board diversity, such as the one filed against Oracle in July 2020.³

“I think we need to acknowledge that the conversation we are having today should have happened 20, 30, 40 years ago. Shame on us that it did not happen then, but now we have the opportunity to drive the necessary changes going forward. We have an obligation to create a better world for our employees, for our companies, for our kids.”

Enrique Lores
CEO, HP Inc.

² J. Yo-Jud Cheng, Boris Groysberg, and Paul M. Healy, “Why Do Boards Have So Few Black Directors?” *Harvard Business Review*, August 13, 2020, <https://hbr.org/2020/08/why-do-boards-have-so-few-black-directors>.

³ Alaina Lancaster, “Oracle Shareholder Suit Calls on Board to Replace 3 Members With Black and Minority Leadership,” *The Recorder, Law.com*, July 3, 2020, <https://www.law.com/therecorder/2020/07/03/oracle-shareholder-suit-calls-on-board-to-replace-3-members-with-black-and-minority-leadership/?slreturn=20200929131031>.

Our Take

Diversity Is Not a Zero-Sum Game

It is critical that boards seize this moment to make progress on gender and other forms of diversity, including ethnic and racial diversity. Well-documented arguments for identity diversity on boards abound, from evidence that a variety of experience on any team leads to more innovative thinking to the business benefits when the boardroom reflects the makeup of the customers a company serves.

Boards that have made progress on gender diversity have set goals, expanded the consideration set of board-ready candidates to include first-time directors, and built relationships with potential candidates outside of the current board's immediate networking circles. These same disciplines can and should be applied to expand representation beyond gender; just because one underrepresented group has been included does not mean that the board is now diverse. "It's about the 'and,' not the 'or,'" says Cynthia Soledad, co-leader of Egon Zehnder's Global Diversity, Equity & Inclusion Council.

"In a male-centric board, usually it panders to either hierarchy, or it panders to the wisest man in the room, or a combination of both. And the discussions usually rest with very familiar notions of what we think is good governance."

Suresh Narayanan
Chairman, Nestlé India

"It's about the 'and,' not the 'or.'"

Cynthia Soledad
Co-leader of Egon Zehnder's
Global Diversity,
Equity & Inclusion Council

Success Story

The Power of Being Intentional



Shellye Archambeau

*Director, Nordstrom, Verizon;
Author of "Unapologetically Ambitious"*

Shellye Archambeau has made a career out of setting and achieving big goals. Now a director on four boards, including Nordstrom's and Verizon's, she was a tech CEO for many years, running MetricStream—a governance, risk, and compliance software solutions company—and one of the only female and Black top executives in Silicon Valley. She is also someone who has pushed hard for diversity in the boardroom: At Nordstrom, for example, five of the 11 directors are women, and three of those five are Black.

So how does she think boards can achieve diversity? By following the same approach she did to be successful. "I was intentional. I wanted to be a CEO," she says. "And so I put plans in place and I achieved it. I had no business being a tech CEO, right? My father didn't graduate from college. Nobody looks like me that's running technology companies. So the odds weren't in my favor at all. Boards need to be intentional, too. Study after study after study has shown that companies with diverse boards and diverse leadership teams actually perform better. We're intentional about everything else. We're intentional about winning market share. We're intentional about building profits. We're intentional about building talent. My view is we just have not been intentional and that's why it hasn't happened."

Archambeau, who heads the nominating and governance committee at Nordstrom, champions diverse candidates—but they must, of course, have the skill sets that a board needs. "It's not that the [Nordstrom] board said, 'OK, we want three Black women on the board.' We never had that conversation. As we were building our board and looking at skill sets, we always sought a diverse candidate list every time," she explains. "But we were looking for skills. And it just so happened that we ended up with three Black women."

When asked to review the current state of affairs, Archambeau says that the focus on diversity is changing for the better but rejects the notion that the pipeline is not there. "You can always find somebody for the role who is qualified and capable. It may just take a little longer. So, this notion of you can't, I don't accept it."



Success Story

Building a Diverse Board Is Just the Start



Enrique Lores
President and CEO, HP Inc.

With few new board slots available at most companies, moving the needle when it comes to diversity can take a long time. But at HP Inc., which was spun off from Hewlett-Packard in 2015, the new entity had the chance to start fresh. “We had the opportunity to design our board from the beginning,” says CEO Enrique Lores. “We [could] decide what types of skills, experiences, knowledge we wanted, and it gave us the chance to put in place what we think is the most diverse board in the technology world and one of the most diverse boards in Corporate America.” Currently, the board is composed of 45 percent women and 27 percent underrepresented minorities.

Lores emphasizes that adding new faces is only the first step. “Having a diverse board is only the beginning,” he says. “The most important thing is to listen and to pay attention to those different opinions and different points of view. Empathy needs to be one of the key drivers looking forward.”

Board diversity is only one prong of HP’s effort to build more diversity into its ranks. Lores is vocal about the social responsibility that companies bear to address the racial and other inequities that are now at the forefront of the global conversation. “I think we need to acknowledge that the conversation we are having today should have happened 20, 30, 40 years ago,” he says. “Shame on us that it did not happen then, but now we have the opportunity to drive the necessary changes going forward. We have an obligation to create a better world for our employees, for our companies, for our kids.”

One immediate commitment from HP Inc. is to double the percentage of Black executives in the next five years. Lores says that measurement—and making sure that underrepresented groups “have access to the right programs and jobs”—is key. This is easier to do, he says, in an engineering company. “We all like to define metrics to track the progress we’ve made,” he says.

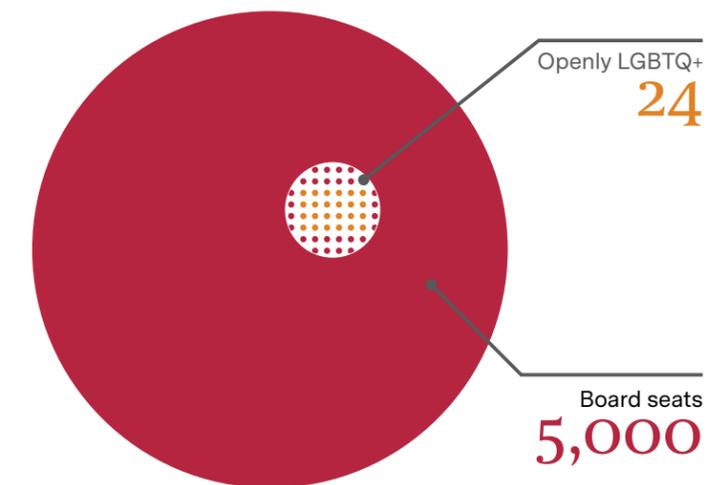


LGBTQ+: Unmeasured, Yet Critical

The value of diversity goes beyond one particular ethnic group or gender. And while it is necessary to bring new voices into the boardroom, they must also be included to the point that all these perspectives become a seamless part of a governance process. The LGBTQ+ community is an example of a group whose views have been largely ignored. It does not help that data on the number of LGBTQ+ executives are scant at best, and frequently nonexistent due to cultural, social, or even legal barriers.

In 70 countries, being openly gay remains illegal; in many others, prejudices are still culturally acceptable. Adding to the complexity is the fact that LGBTQ+ is not a physical characteristic. That, in turn, makes the process of measurement more challenging even as we are better equipped to monitor and change that which we can measure. Yet even in the United States, where many protections have been afforded to members of this group, just 24 of the more than 5,000 board seats in the Fortune 500 index are filled by openly LGBTQ+ individuals, according to Out Leadership.⁴ Of that tiny number, only two are people of color, and zero are women of color. Without their input, biases against this group and others often go unnoticed and unchanged.

Of the **5,000** board seats in the Fortune 500, only **24** are held by openly LGBTQ+ individuals



⁴ “Fair Representation Might Lead to Better Outcomes in Times of Crisis,” Out Leadership, April 7, 2020, <https://outleadership.com/insights/fair-representation-better-outcomes/>

Our Take

Focus on Inclusion

As we see in the statistic above, the number of openly out LGBTQ+ board members remains incredibly low. And only nine of the Fortune 500 companies in the United States include sexual orientation and/or gender identity as diversity criteria in their nomination and governance policies. Bringing the LGBTQ+ perspective and experience into the boardroom requires an understanding of the challenges that these individuals face. Only once that is done—and alternative viewpoints are not just represented but also consistently included in the boardroom—can true change occur. Says Jim Fitterling, Dow Inc.'s CEO and chairman: "You can't be the most innovative if you're not customer-centric and you don't have inclusion and a diversity of thought at the table."

Success Story

Bringing Your Full Self to Work



Jim Fitterling
CEO and Chair, Dow Inc.

Jim Fitterling has spent his entire career at Dow. By 2008, he was moving rapidly through the executive ranks. He was also a closeted gay man who had never shared his identity with anyone in his professional life.

Then his world inverted. He was diagnosed with stage-four cancer. While being treated, he shares, "I took a look at my life and said, 'There's some stresses that I need to relieve, and one is that I was trying to live two lives.'" Fitterling decided to go public, first to the board and leadership team at Dow, and then, in 2014, to the entire employee base during an internal broadcast. "The support I got was terrific," he says. "I look back and say, 'How much of my staying in the closet were fears that were in my own head?'"

It also transformed his leadership style (Fitterling was named CEO of Dow Inc. in 2018). He realized how much it mattered to have role models, which he had never benefited from. "There are many other people in the world who are dealing with the same thing," he says. "If they don't hear leaders talking about it, they may feel more pressure to keep that bottled up, and that's not a good thing."

Inclusion also became a key part of Dow's new ambition: to be the most innovative, customer-centric, inclusive, and sustainable material science company in the world. "You can't do one without the other, and that drives from the boardroom down to the shop floor," Fitterling explains, noting how much emphasis the company has placed on boardroom diversity. "When people come to work, they need to feel like they have a chance for advancement," he said. "If they don't see themselves in middle management and upper management of a company, and if they don't see it on the board, they struggle to feel they belong."



Success Story

Opening Hearts and Minds



Inga Beale

Former CEO, Lloyds of London;
Director, Crawford & Co.

Inga Beale has always been a trailblazer. An early standout as one of the top executives in the world of insurance, she became the first woman CEO of the more than three-century-old Lloyd's of London in 2014, stepping down in 2018. She was also one of the first top executives to self-identify as bisexual and has used her platform to argue forcefully for inclusion on boards and inside executive teams.

D&I wasn't Beale's top priority when she first took the Lloyd's job, but that soon changed. "What I was hired to do was a major transformation. And I first of all thought, 'Why have all the previous attempts failed?' It became so apparent to me that it was full of clones of white men. And then I thought, 'Well, perhaps there's a correlation between that and why they've not modernized. Where are the new ideas coming from?' And then I thought, 'We have to get different types of people to come here. Because that will make sure the company is around for another 300 years,'" she explains.

Beale is supportive of the progress that some boards have made on gender, but she doesn't necessarily believe that the same approach should be used when it comes to gaining LGBTQ+ representation or other forms of diversity. "This is a protected characteristic," she says. "We can't force people to give it. When I arrived at Lloyd's, we had very few people filling that box in as to their sexuality. As soon as we started talking about inclusion, when I started using words like *lesbian*, *gay*, *bisexual* in town halls, we shot up immediately to 90 percent of people declaring their sexuality. But you've got to have this safe environment."

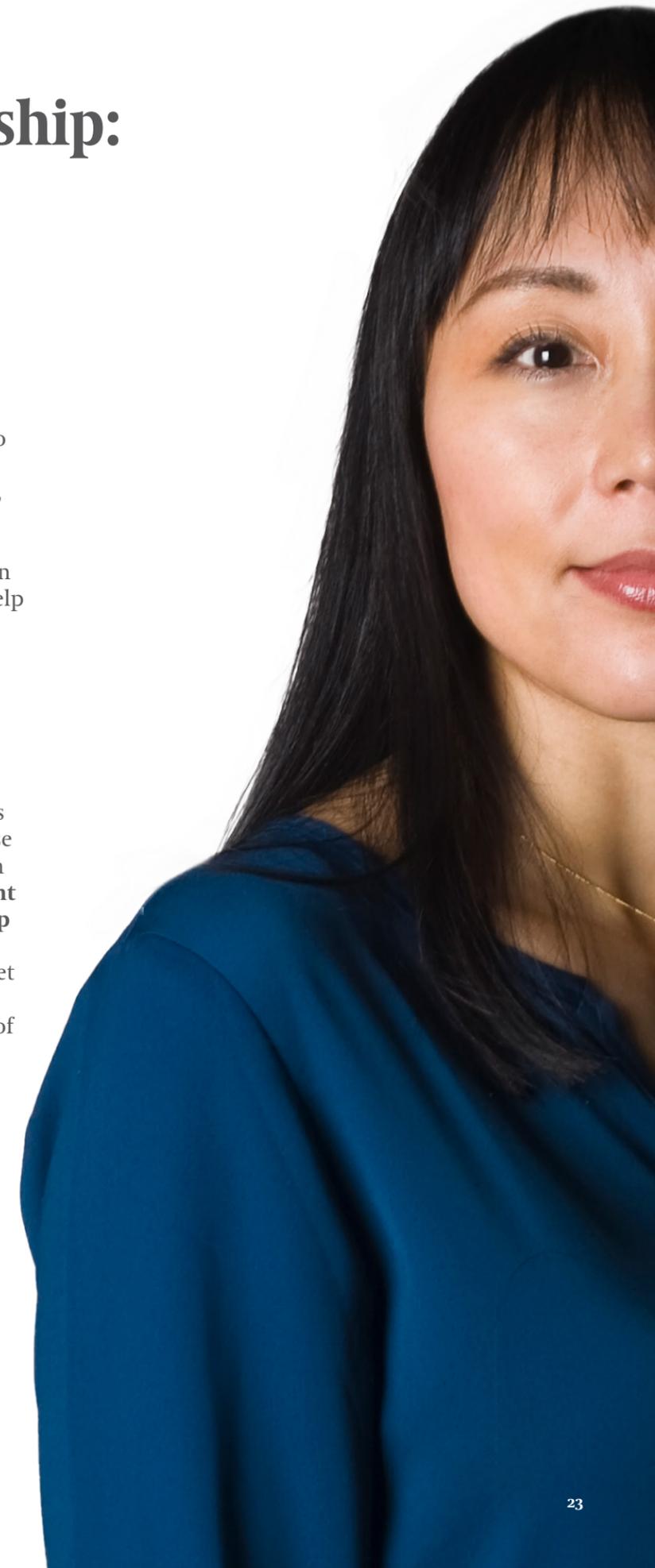


Boardroom Leadership: The Multiplier

Overall, 23.3 percent of board positions are now held by women globally, up from 20.4 percent in 2018. This is good news, directionally, and a larger increase than in 2018, when the number rose less than two percentage points. Yet positive change also requires that women and other underrepresented candidates serve as leaders, not merely participants, on boards. Putting women in these positions has a multiplier effect, since they are able to use their leadership both to boost diversity through their own personal networks, and by their relative power to help diverse candidates succeed once on the board. Says Monica Lozano of her role running governance and nominating committees: "Sometimes when, in fact, there isn't an opportunity [for recruitment] that is obvious, you make the opportunity happen."

Progress here is slow but positive. Women now make up 27.3 percent of all board committee leaders globally, up from 25.5 percent in 2018. They comprise 2.1 percent of all board chairs, up from 1.5 percent in 2018. What that means overall is that just **6.7 percent of all board seats are held by women in leadership roles**. This is up from 5.6 percent in 2018—a good sign—but it is not enough to shift the perspective. Yet certain countries, many of which have quotas, have made great strides over the past two years in terms of appointing women to board leadership roles.

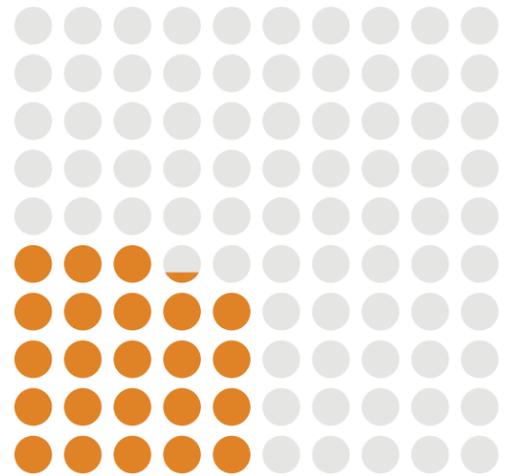
In Norway, women make up 43 percent of board chairs at the companies surveyed; in Italy, the number is 28 percent. This is, in part, a function of their relative longevity on the board due to quotas. Says Pam Warren, co-leader of Egon Zehnder's Diversity, Equity & Inclusion Council: "They have had more time to demonstrate the strength of their contributions and be recognized for them."



Percentage of Boardroom Seats Held by Women in Leadership Positions

Percentage of women in the boardroom globally

23.3%



of the 23.3%

Board Chairs

2.1%

Executive Directors

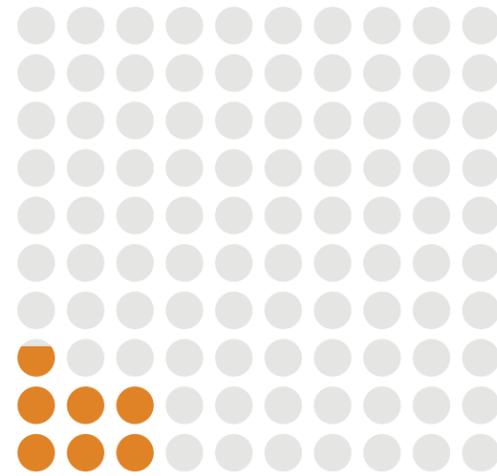
6.0%

Committee Leaders

27.3%

Percentage of all boardroom leadership positions held by women

6.7%



Our Take Leaders Beget Leaders

One way to get more underrepresented voices into leadership roles is to create more opportunities. That can come from board turnover, expansion of the size of the board, or even by adding new roles, such as vice-chairs of the board and co-leaders of committees. Once there is more diversity in committee leadership—particularly in the nominating and governance arena—the broader networks of those chairs often build a stronger pipeline for these groups, as well as within the executive teams themselves. Says Spark’s Justine Smyth: “I think the more women visible on boards, the more the question will be raised about, where are the females in the senior leadership teams? And then the more women we have in the senior leadership teams, the greater the pool for CEO recruitment, and so on.”

Just as purposeful succession planning at the executive level is best practice, it is also true at the board level. Experienced directors are absolutely vital to a board’s success, but they must also share their power with those who might help fill a knowledge gap. The appointment of committee vice-chairs can be an effective way to build capability and elevate women and other diverse groups into positions of greater authority. It is also about building a leadership pipeline inside of a board so that newer members will be prepared to take on these roles. This can be done using the same approach to succession used in executive teams, with mentorship, development plans, and formal education.

Success Story

Bringing the Essence of a Community to the Boardroom



Monica Lozano
Director, Target, Bank of America

Monica Lozano, the former CEO of publisher ImpreMedia, sits on the boards of some of the world’s most influential companies, including Target, Bank of America, and, previously, The Walt Disney Co. She’s proud to bring not only her operating experience and strategic expertise but also her perspective as a Latina to these global companies, particularly with regard to the consumers they serve. Diversity, in this case, translates directly to a better understanding of the customer.

“When you’re asked to serve on a board, as a Latina, or a Latino,” she says, “it is for a reason. Help them understand the market. Help them understand the power and potential. Help them think about how to develop products for the marketplace that speak in a genuine and relevant way to our community.”

Lozano is comfortable using her role as a nominating and governance committee chair to help expand the pipeline of Latinx and other leaders with different perspectives, and in fact, considers it her responsibility. She urges boards to rethink their entire selection process—not only for diversity purposes, but because relying on résumés alone may keep people with the right skills from the boardrooms of today: “I have really pushed us away from titles to competencies,” she explains. “You’re looking for people who have been able to navigate change, the culture of a boardroom, etc. . . . You can find those at other levels of the organization. That forces directors to dig deeper. . . where, in fact, Latino talent may reside.”

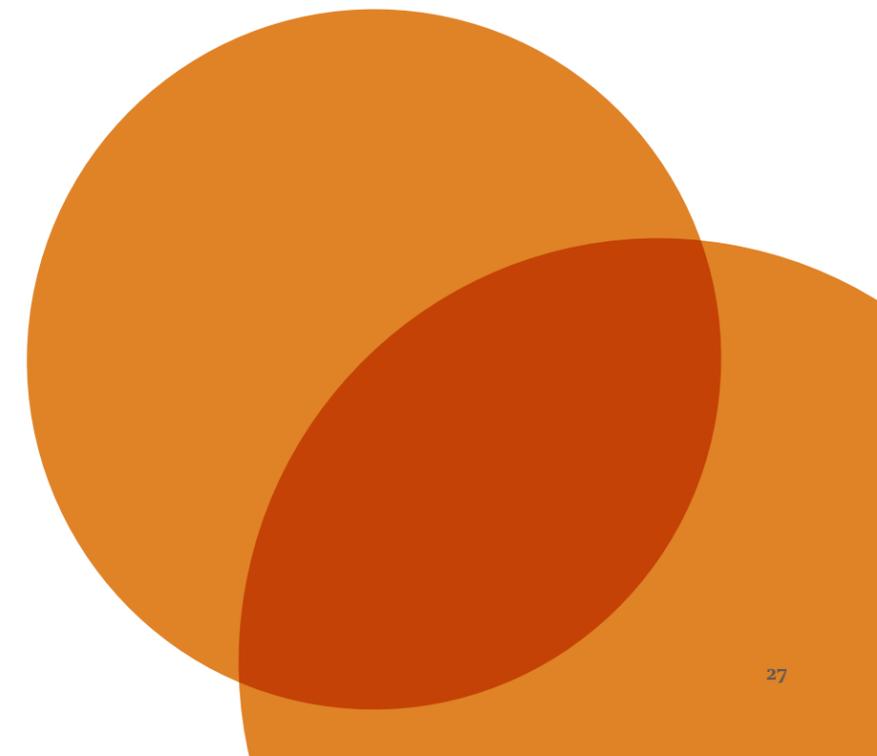


New Faces in the Boardroom

In the last year, women made up 29.7 percent of all new directors, up from 27 percent in 2018. And the number of new directors overall has also risen, from 11.4 percent in 2018 to 13.5 percent in 2020. This is certainly good news; it shows that there are more slots available and that women are being considered and chosen more frequently for them. And yet, what this means in reality is that just 4 percent of all current directors are women new to the board, up from 3.1

percent in two years. In almost no region of the world do women make up a larger percentage of new board members than men: One bright spot is New Zealand, where a full two-thirds of new directors in our data set are women, and South Africa, where the number is 62.5 percent.

In 2020, women make up 27.3 percent of new directors, defined as those hired in the past 12 months. That means that just 4 percent of all directors are women new to the board.



Our Take

Board Structure Counts

The obvious reality from the statistics on the previous page is that we are not doing nearly enough to change the perspective of the modern boardroom. This is despite the fact that many efforts are being made—whether via quotas, incentives, targets, or simply a shifting realization that it is good for business. One way to address this is by looking at board turnover itself. More regular pruning and refreshing of the board should be considered, along with expanding the board size if that is an option. However, our data show that the average board size has actually fallen in the past two years, from 11.4 members to 11.1 globally.

Another way to bring fresh perspective to boards is to keep lists of potential directors so that you can act quickly when space emerges. Says Kathleen Taylor, chair of Royal Bank of Canada: “Today, we keep a list of ‘ready now’ directors. We also keep a list of directors who aren’t really ready at this point in their careers, perhaps. And built into that, of course, is gender and non-gender diversity as we think about both our gender needs, our non-gender needs, but also our geographic needs.”

“Today, we keep a list of ‘ready now’ directors. We keep a list of directors who aren’t really ready at this point in their careers, perhaps.”

Kathleen Taylor
Chair, Royal Bank of Canada

Success Story

Take a Chance on Potential



Robert Hanson
EVP and President, Wine and Spirits Division,
Constellation Brands

Robert Hanson has had a remarkable career, serving most recently as CEO of John Hardy before taking on the wine and spirits division at Constellation Brands, where he previously served as a director. He attributes much of his success to doing one thing that many others have not been able to do: “I made a decision when I entered the world of business to bring my entire self to work. And that included being an out gay man.”

Hanson feels compelled to use his own experience to help others do the same—not only because it is good for them personally, but because diversity, inclusion, and equity enhances the performance of any business. “I always felt if I was given the privilege to lead people that part of the challenge was creating the conditions for everyone to contribute to the best of their ability,” he says. “It is very difficult to optimize contributions to a business if you cannot bring your whole self to work.”

At Constellation, the chair and CEO have committed to creating a board that now reflects the company’s customer base, diverse perspectives, and skill sets it needs as it goes through a transformation from traditional CPG company to a high-end beer, wine, and spirits producer. It is currently made up of 50 percent women and men from underrepresented groups. “They set out on a mission,” Hanson says. “That meant recognizing there was a profile for each role but then committing to and demanding a slate of diverse candidates.” To find them, they also decided to look beyond traditional CVs in favor of “someone who has the capability but not necessarily the experience.”

Hanson served on the board for six years—a relative long-timer—and emphasizes that the company “took a bet on me as a first-time public company CEO to be a first-time public company director at an early stage of my career because they believed in my skills and capabilities. I’ve seen them do that in every case, where they brought new directors on, and I’ve seen those directors make some of the most significant and effective contributions to the board of any director. I think it’s just a travesty that anyone would restrict themselves [to establishment candidates].”

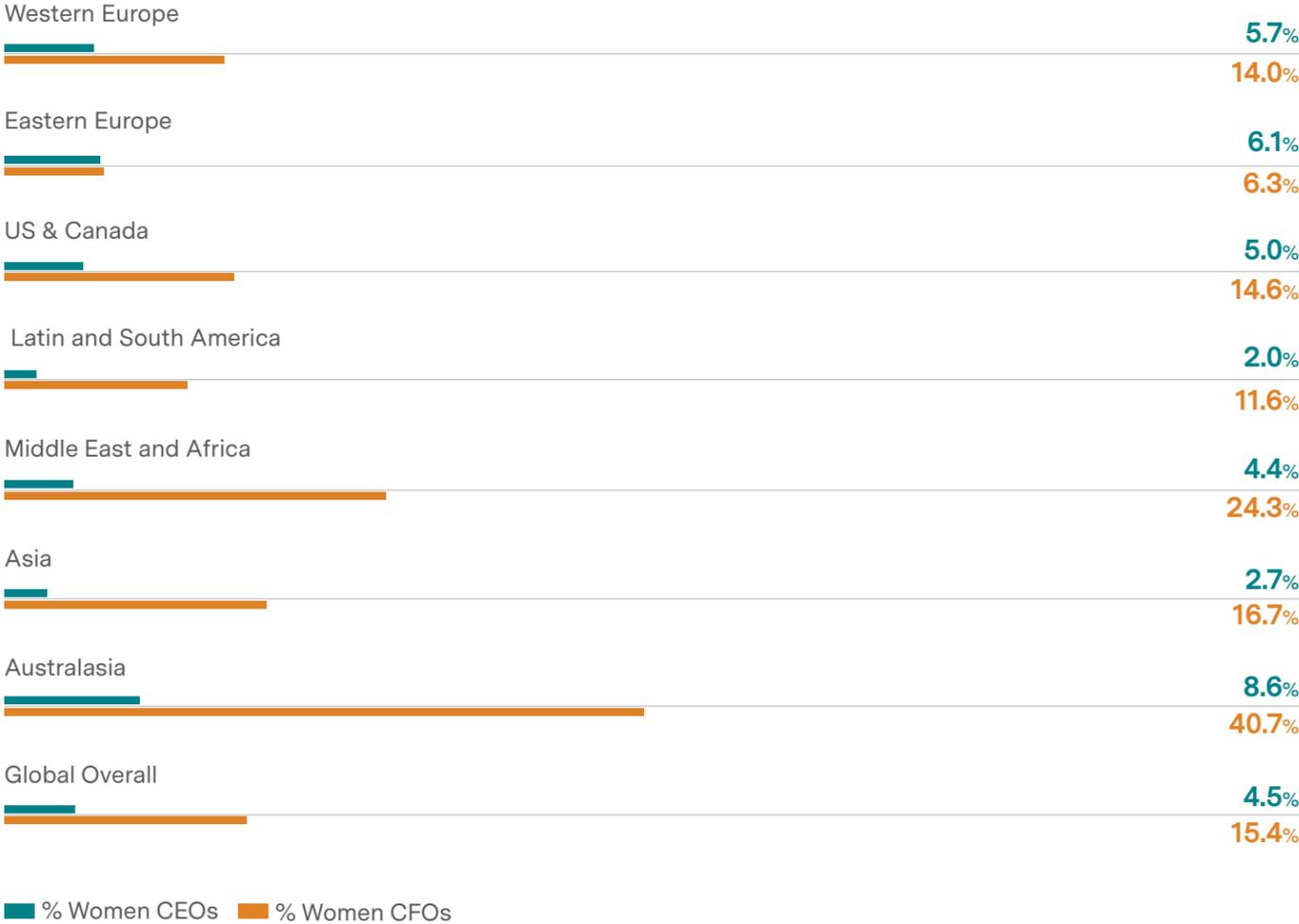


Thinking Beyond the CEO or CFO

A standard recruitment pool for directors is sitting or retired CEOs and CFOs; the assumption is that broad management expertise and finance expertise are among the most important skill sets on a board. Yet fixating on these two skills limits the range of functional skill represented, as well as identity diversity. Other specific expertise, be it digital, HR, legal, marketing, supply chain, or others, is also needed in a boardroom that can debate ideas from all angles. Thinking more broadly here also opens up

the pipeline of women and other underrepresented groups; globally, women make up just 4.5 percent of CEOs and 15.4 percent of CFOs, up from 3.7 percent and 12.2 percent in 2018. This, too, varies by region: The Australasia area has made the most progress, with 8.6 percent of CEOs and 40.7 percent of CFOs now female, while Latin America and South America lag, with 2 percent female CEOs and 11.6 percent CFOs, respectively.

Female CEOs and CFOs



Our Take Consider Other C-Suite Leaders

It is clear that the expertise of CEOs and CFOs is critical to a successful board. Yet with the range of business challenges a corporate board faces—from digital transformation to executive succession planning to supply chain responsiveness in COVID lockdown—other functional backgrounds are also needed. Considering other C-suite leaders also allows for a broader range of identity diversity, given the low representation of women and people of color in the CEO and CFO seats, which in turn brings greater connection to a company’s entire customer base. Says Michel Liès, chairman of Zurich Insurance: “That was one of the aspects that I took very seriously, to bring people from the industry on the board in order to have the voice of the client.”

“That was one of the aspects that I took very seriously, to bring people from the industry on the board in order to have the voice of the client.”

Michel Liès
Chairman, Zurich Insurance

The clear long-term solution is to address the root cause: lack of diversity in the succession pipeline all the way up to CEO and CFO. How might development and succession planning be subject to unintentional bias? Are these roles, in particular, more prone to those biases? Board leaders can play a powerful role in requiring that diversity be considered in CEO succession planning processes in particular.

Success Story

Diversity of Age and Experience



Michel Liès
Chairman, Zurich Insurance

With a board that is 45 percent composed of women, Zurich Insurance Group leads the list of major Swiss companies when it comes to diversity—even before a quota requiring 30 percent women on boards was phased in. For Zurich’s Chair Michel Liès, who has led the board since 2018, this is a happy confluence of skills and board needs rather than a particular effort to promote women. “I simply think it makes sense,” he says, “and it’s a classical evolution; women are half of the population of this planet.”

Liès is also focused on making sure that other functional expertise is represented on the board, along with different generations. This type of diversity of thought, he explains, doesn’t get as much attention as it should. “What is important,” he says, “is also to try to find people who are outside of your own industry . . . in order to have the voice of the client. And I believe that if you want to be successful integrating the world of tomorrow, you also need to have the players in the world of tomorrow playing a role.”

Creating a more inclusive atmosphere in the boardroom has been one accidental positive result of the global pandemic, Liès remarks. Although the COVID-19 outbreak has limited the ability of his board to meet in person, he has noted that the virtual approach to meetings makes it easier for all voices to be heard. “In the current situation it is a convenient way to get all the opinions,” he says.



Success Story

Harnessing Diverse Energy



Jef Colruyt
*Chairman and CEO
Colruyt*

Belgian retailer Colruyt has among the most gender-diverse boards in Belgium, with 50 percent female directors. Says Jef Colruyt, chair and CEO: “When I look at the future family shareholders, the majority are women. I think we are in the spirit of the times. Female power, bring it on!”

Colruyt did not seek female directors based on gender alone, but rather started with skills (HR, digital, audit) and then looked for qualified women with those skills. He emphasizes that if companies limit their searches to CEOs only, that it is by definition more difficult to find female and other candidates.

The board of directors has also done a lot of work on its own internal dynamics, trying to find a balance between what Colruyt calls feminine and masculine energy. “You need that combination,” he says. “Those with a high testosterone level who want to ‘go for it,’ and also some who understand the cultural context, what the organization needs, and what employees need.” Despite the terminology, neither type of energy is restricted to gender.

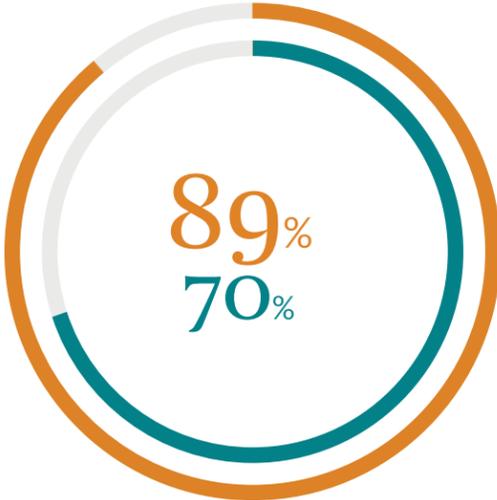
Colruyt believes that by bringing more young people on the board, who have a much more fluid understanding of gender, it is easier to access this polarity. “I have the sense,” he says, “that they understand themselves better and can better articulate whether they are giving off masculine or feminine energy.” Although Colruyt is proud of the gender mix on the board, he emphasizes that there is work to be done on other fronts. “One challenge that I still see is cultural diversity. We see an opportunity to go even further in this regard in the future.”



International Diversity: Little Change

Another opportunity to increase diversity on a board, particularly in countries where women have limited roles in the business culture, is by looking elsewhere for talent. In 2020, 21 percent of board members globally and 37 percent of Western European boards were non-residents of their company's headquarters. Of that global group, one-fourth were female, but in Western Europe, the number rose to 41 percent. These numbers haven't changed much in recent years, although the impact of the COVID-19 outbreak was just beginning in the spring of 2020, when this data was collected.

International Diversity Trails Gender Diversity 2020



% Boards with women
% Boards with non-national board members

Our Take Maintain Global Ties

As the world moves away from globalism and toward nationalism, maintaining international voices on boards of directors may become more important than ever as a means of connecting companies to one another and to their global consumers. Says Roberto Marques, chairman and CEO of Brazil-based Natura & Co., which has five non-Brazilians on its board: "We wouldn't be able to . . . in three to four years move from a Brazilian company, with one brand and one market, to become a global, multibrand, multichannel organization if not for a strong conviction that we needed to bring different competencies and capabilities and to be more diverse and inclusive in our approach." These various perspectives may take on added importance in this politically charged era. And although it is physically more difficult during the pandemic era to appear in a boardroom on the other side of the globe, it is also much easier to appear virtually. We must take advantage of technology to support the addition of more global voices.

"We need to open the doors to a different kind of profile."

Roberto Marques
Chair and CEO, Natura & Co.

Success Story

International Diversity in Our DNA



Roberto Marques
Chair and CEO, Natura & Co.

Natura & Co., based in São Paulo, Brazil, is a beauty care company that has been on an acquisition tear of late, buying Avon, the Body Shop, and Aesop in recent years. With three women on the board, the company has long understood the value of directors who represent its customer base.

But with the recent spate of acquisitions—all of which came from other countries—Chair and CEO Roberto Marques came to realize that diversity of cultures was another critical perspective that the board needed. “In just four years, Brazil [has become] only 30 percent of the group’s revenues. We are now becoming a truly global business,” he explains. “We are not going to have all the answers. We need to open the doors to a different kind of profile.” In the past four years, Natura’s board has added five members from different countries, out of a total of 12.

Brazil is seeing some improvement in terms of gender representation on boards, and Marques says he feels that diversity is finally getting the attention it merits. “Diversity and inclusion has been part of the DNA of Natura since we started,” he notes. “It’s maybe compounded by the [COVID-19] crisis. A lot of other stakeholders are thinking about how companies can play a role in reshaping the world, and diversity and inclusion is becoming much more front and center, and I see that in a very positive way.”



The Importance of Combating Diversity Fatigue

With so much attention being paid to board diversity over the past two years, it is puzzling that there has not been more true progress. Could the continual push for change be having the opposite effect, leading to inaction rather than inspiring more of it? There is definitely some evidence supporting this idea. In 2019—even before social unrest related to racial inequity flared globally—63 percent of board members in a U.S.-based PwC survey said their investors devote too much attention to gender diversity in the boardroom, up from 35 percent in 2018.⁵ The perspective varied dramatically between male and female directors: 72 percent of male directors said there was too much focus on gender diversity, and 67 percent of men said there was too much attention paid to ethnic/racial diversity. Only 25 percent and 21 percent, respectively, of female directors agreed.

This is a critical time to address lingering sentiment among some that boardroom diversity should not be the top priority. While the global pandemic and massive economic contraction may lead to conservative behavior, a time of great uncertainty—where even those with long experience struggle with answers—is arguably the best time to bring in new voices and fresh perspectives.

⁵ “Turning Crisis into Opportunity: 2020 Annual Corporate Directors Survey,” PriceWaterhouseCoopers, 2020, <https://www.pwc.com/us/en/services/governance-insights-center/library/annual-corporate-directors-survey.html>.



Success Story

Diversity Is Messy—in a Good Way



Nadia Shouraboura

Director, X5, Blue Yonder, Ferguson plc, MTS Group

Nadia Shouraboura is an accomplished technology executive, originally from Russia, who currently serves on four boards: X5, Blue Yonder, Ferguson plc, and MTS Group. For Shouraboura, success in the boardroom is not only about diverse perspectives; it's also, particularly for women, about feeling supported to share those perspectives. "I was [always] surrounded by very, very smart men; it's the story of my life," Shouraboura says. "For me, the biggest challenge was self-confidence. That held me back for many, many years."

What changed her approach was her experience working at Amazon, where she was a senior executive during its startup period. Jeff Bezos created an approach to meetings in which everyone was required to give an opinion on every topic by going around the room. Stronger personalities had to share time equally, and she learned that what she had to say was equally valuable.

Shouraboura has taken this approach with all of the boards she sits on and emphasizes that diversity can be messy—but that sometimes difficult interaction is what leads to the best outcomes. "What diversity promotes is disagreement," she says. "When you are making a business decision, the worst thing and biggest waste of time is if you sit at the table and everybody agrees. When I think about more women on a board sparking that discussion and breaking that social cohesion, that's very important."



"Board leaders have the power to modernize governance with a few bold steps. Change is within our grasp."

Jill Ader
Chair, Egon Zehnder

"Business decisions are sharpened by open debate among people of different experiences and perspectives. The time to bring diverse voices together on boards is now."

Ed Camara
CEO, Egon Zehnder



Action Plan

Diversity Is Diverse

Since we conducted our last Global Board Diversity Tracker in 2018, the world has changed dramatically. The need for diversity has only increased: The global pandemic has proven that nontraditional types of leadership skills—be they increased ability, courage, emotional intelligence, or comfort with a digital-first approach—are needed more than ever. At the same time, a painful and public global reckoning with a culture of embedded racism and discrimination has put increasing pressure on companies to make quick and significant changes to their leadership teams, both inside and outside of the boardroom.

How can companies move the needle on diversity successfully? There are several long-term and short-term actions that companies can take to achieve meaningful change.

1 Champion Change From the Top

A focus on diversity and inclusion has to be a core part of a company's strategy and must come directly from the top. This means that chief executives and board and committee chairs must truly buy into the fact that diversity is an imperative rather than good public relations or a political statement. Shaming executives can also backfire, says Cynthia Soledad, co-leader of Egon Zehnder's Diversity, Equity & Inclusion Council. "You can inadvertently create barriers if you activate defense mechanisms," she says. Criticism can be transformed into an opportunity to learn new behaviors. Soledad also suggests making the business case to connect diversity to engagement and performance by using stories of real people in addition to data points, which can sometimes feel impersonal.

2 Inclusion Matters

Traditional boardroom culture is hierarchical, with a tendency to show deference based on tenure and committee leadership. A survey of 700 directors conducted by PwC in 2019 revealed that 43 percent of respondents felt it was difficult to express dissent in their boardroom.⁶ For new directors representing different backgrounds, it can be even more challenging. If the goal is to encourage different perspectives to make better decisions as a group, experienced directors must take it upon themselves to welcome new voices and dissenting opinions. The chair can set the tone before new directors even come to their first meeting. Says Enrique Lores, CEO of HP Inc.: "I think having a diverse board or a diverse team is only the beginning because the most important thing is that you need to listen to it. You need to pay attention to these different points of view."

3 Power Through Numbers

The drive to diversify your board does not end with the hiring of one woman or person of color. First, candidates can sense a low commitment to diversity and will not accept tokenism. Without breadth, the board cannot grow and change. Second, without a multiplier, inclusion is lower; without inclusive spaces, the ability of all to contribute is limited. When a dominant majority remains, minority voices are too easily drowned out. Says Nestlé India Chairman Suresh Narayanan: "You're not joining to be an embellishment. You're joining because of accomplishment."

4 Pick for Potential

Now that diversity has moved to the top of many board agendas, many directors who fit the bill and who already have significant boardroom experience are finding themselves in high demand. Our own research and client feedback has found that executives with certain leadership attributes can deliver enormous positive impact, even in business situations or industries in which they have no prior experience. These traits—curiosity, engagement, insight, and determination—make up what we call "executive potential." Choosing based on these traits can create an entirely new pool of diverse directors. Those who are not current or retired CFOs or CEOs but who have tremendous experience in critical functions such as marketing, supply chain, digital, and technology can also be evaluated using this approach, adding to the pool of available candidates with diverse backgrounds.

5 Expand the Network

According to a recent survey, "What Directors Think 2020," the majority of current board seats are filled with people already known by one or more current directors.⁷ Network bias can work against diversification, as we naturally gravitate toward people who are similar. The antidote is for directors to deliberately and strategically expand beyond known networks and to include people who are different both from them and from each other. Enlisting others from outside the board can add to the effectiveness. But change starts by recognizing that the perceived lack of diversity among board-ready candidates may be as much about the limitations of one's network as anything else. Says Shellye Archambeau, a director of several companies, including Nordstrom and Verizon: "There are lots of people out there. If you fish in the same pool, you're going to catch the same fish."

⁶ "Turning Crisis into Opportunity: 2020 Annual Corporate Directors Survey," PriceWaterhouseCoopers, 2020, <https://www.pwc.com/us/en/services/governance-insights-center/library/annual-corporate-directors-survey.html>.

⁷ "What Directors Think: Public Company Directors Reflect on the Top Issues in the Boardroom," Corporate Board Member/Computershare and Georgeson Research Report, 2020, <https://go.boardmember.com/what-directors-think-report-2020/>

6

Build the Pipeline for Others

It's impossible to discuss board diversity without also talking about diversity in management and in the employee base. Directors who are also working executives also bear significant responsibility for helping to develop a group of diverse leaders in their own companies. If they do so, that pipeline will create a group of people who could become directors elsewhere. There is an additional responsibility for directors, whose job is, in part, to provide advice and guidance to the company's top management team: They must hold the CEO accountable to prioritize diversity and inclusion inside the company—and to assess the CEO in part on his or her own personal commitment to change. Having diversity in a leadership team can lead to inefficiency and sometimes conflict; it's not an easy thing to embrace, particularly in these fraught times. But if the directors hold their CEOs to the same standards they hold themselves, change will come quickly.

7

Ride the Wave

In times of great change, it sometimes feels natural to stick to what feels comfortable. This also can happen in the boardroom, as people default to those with more experience rather than less in times of volatility. But it is precisely when there is change that a more diverse set of perspectives and skills are most needed. This is also true with a new or reconstituted board. From crisis—or from uncertainty—comes opportunity. Whatever shifts your company is facing, take advantage of the moment to gain as many new perspectives as possible.

“I think having a diverse board or a diverse team is only the beginning because the most important thing is that you need to listen to it. You need to pay attention to these different points of view.”

Enrique Lores
CEO, HP Inc.

Thank you for taking the time to read our study.

For more—and to analyze and personalize our data—please see:

www.egonzehnder.com/global-board-diversity-tracker

To hear more about Egon Zehnder's Diversity, Equity & Inclusion Council, please contact:



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About Egon Zehnder

Egon Zehnder is the world's preeminent leadership consulting firm, sharing one goal: to help people and organizations transform. We know what great leaders can do and are passionate about delivering the best solutions for our clients. As One Firm, our more than 500 Consultants in 68 offices and 40 countries combine our individual strengths to form one powerful collaborative team. We partner closely with public and private corporations, family-owned enterprises, and non-profit and government agencies to provide a comprehensive range of integrated services: Board advisory, CEO search and succession, executive search, executive assessment, leadership development, and organizational transformation.

Our leadership solutions cover individual, team, and organizational effectiveness, development, and cultural transformation. We work with world-class partners including Mobius Executive Leadership, a transformational leadership development firm. In addition, we have partnered with Paradox Strategies, co-founded by Harvard University professor Linda Hill, to develop the Innovation Quotient (IQ), a proprietary culture diagnostic.

Our goal is that the work we do contributes to successful careers, stronger companies—and a better world.

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