

Knight Gianella

Excellence in Executive Search and Board Appointments
Our passion since 1965

Knight Gianella Board of Directors' Survey 2018/19



of board members in listed and major non-listed Swiss companies

Introduction

- **Board of Directors' Survey**

The 'world' of corporate governance continues to be fast-paced and regularly poses new challenges for boards of directors. Those challenges include politically changing parameters, both nationally and internationally, as well as additional economic complexities with their entrepreneurial opportunities and risks. The requirements and conditions for BoD activities and, thus, the competency portfolio of the respective BoDs are changing. A representative review may help to improve the understanding of these, and help to ensure that the right conclusions are drawn, particularly given the successor regulations of many BoDs. As an affected board member, we would once again like to offer you such a review this year.

Knight Gianella has compiled a questionnaire and commissioned Dichter Research to carry out an anonymous online survey of board members of major listed and unlisted corporations in Switzerland.

- **Knight Gianella (www.knightgianella.ch)**

Knight Gianella focuses on direct national and international searches for executives and consultancy, to fill key positions at executive management and board level for selected companies and organisations. Founded as a member of a US advisory group in 1965, we have been an independent, Swiss-thinking and acting partnership with a boutique character since the mid-nineties. We are pleased to offer consultancy for our clients, for specific succession plans or new appointments, through a sensitively designed process. Our qualities are extensive consulting experience in exceptional entrepreneurial or personnel situations. Other quality characteristics are our highly professional international research, coupled with an exceptional network of relationships. Our success rate in recent years has been 98%, and the repeat business over 70%. On average, over the last fiscal years, the two partners Sandro V. Gianella and Stephan Reifferscheid have successfully and sustainably filled approximately thirty positions in top management and at the board level.

If you wish to talk to us, or if you have any questions, please contact Sandro V. Gianella as initiator of the Knight Gianella Board of Directors' survey, on +41 44 421 29 03 or at svg@knightgianella.ch.

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Context

Representativity, response rate

The survey is highly representative of the Swiss economy.

- The **160 participants** represent **627 board of directors mandates**.
- **A very high response rate of 27%** of the 583 board members invited to participate in the survey.

Sample structure

Total n=160 board members

- 82% male and 18% female
- 54% chairmen/women and 46% board members

Target group and terminology

Board members in publicly listed and major unlisted Swiss companies.

The report uses BoD as an umbrella term for the mandates of both chairmen/women and BoD.

Method

Anonymous online survey conducted by DICHTER RESEARCH, Institute for Motivational, Marketing and Market Research in Zurich, based on prior written information of the target persons by Knight Gianella.

Implementation of the survey from 14 August until 1 October 2018.

Conclusion

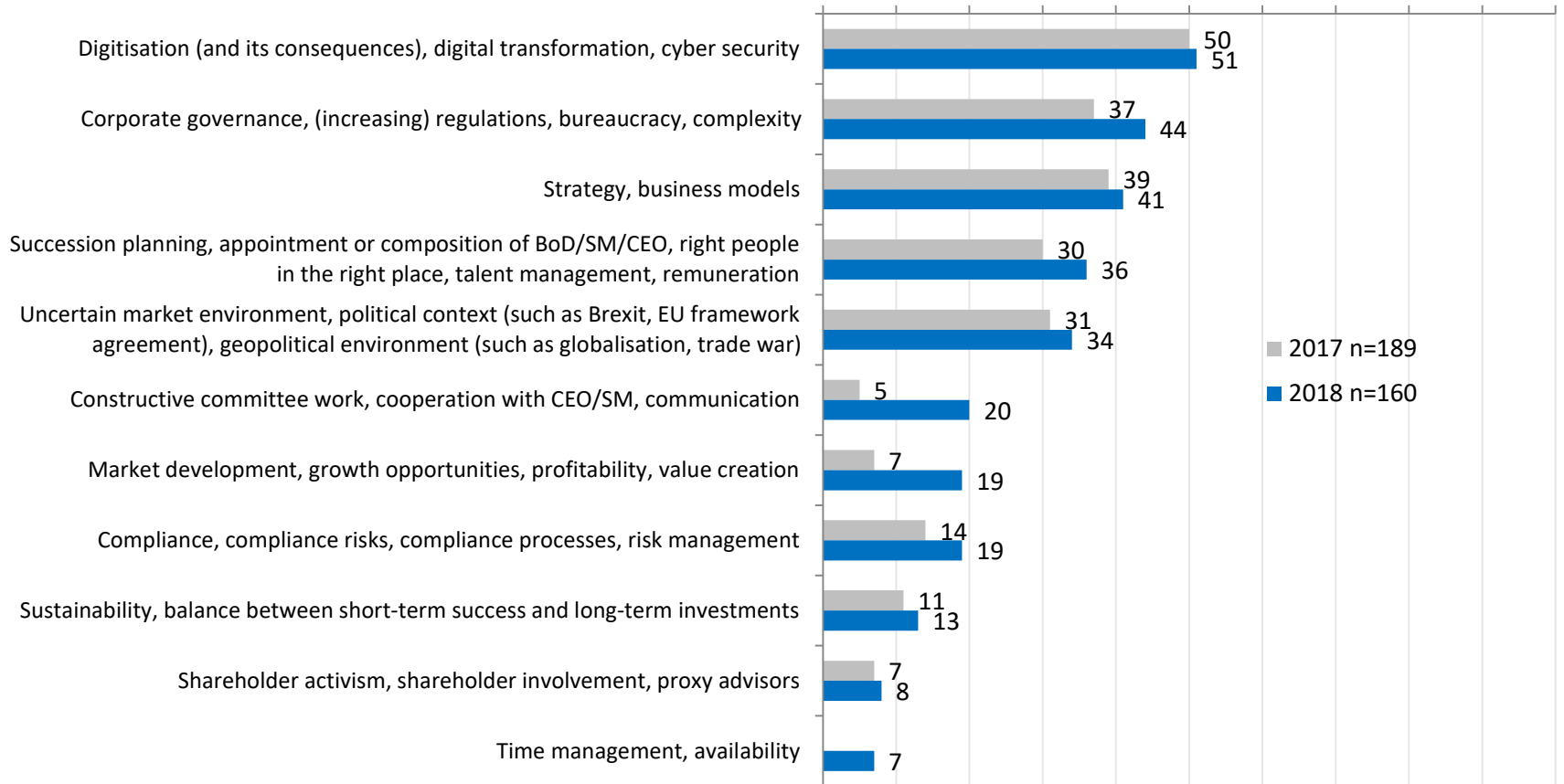
- The board members who participated in the survey, assessed the conditions for working on Boards of Directors (BoD) in 2018 as challenging as was the case in 2017. The level of requirements is likely to increase further in the future.
 - Currently, the most significant obvious challenge for board members is digitisation and its consequences. It is at the top of the BoD agenda, together with corporate governance and strategy issues.
 - By contrast, cybersecurity, as a trade-off for the technological transformation, receives little attention.
 - The cooperation between BoD, Senior Management (SM) and the board committees, along with profitability and (individual) time management, as challenges for board members, have increased tremendously in 2018, compared to last year.
 - Board members believe that digitisation, the appointment of key positions and profitability constitute the most critical challenges for CEOs. These two aspects have gained significant importance, compared to 2017.
- Most companies are in the midst of digital transformation.
 - Strategy adaptation, skills building, promotion of agility and corresponding investments make demands on board members and CEOs.
- Succession planning for CEO/SM and BoD continues to be highly relevant for board members.
 - The requirements for a board member are becoming more and more extensive, with high pressure on subject knowledge (technology, digitisation, compliance, risk management) as well as expertise specific to industry/market and internationalisation, at the expense of general management.
 - The challenge of reconciling these professional requirements with the expected independence or flexibility concerning availability are making the recruitment of capable board members increasingly difficult.
- An evaluation of the board of directors is considered worthwhile.
 - The evaluation is to be initiated by the chairman/woman with a focus on the two issues of ‘expertise and subject knowledge’ as well as ‘commitment and cooperation’.
 - Two-thirds of the surveyed board members believe that members of ‘their’ board of directors need to be replaced soon, either because of their age, the term of office, incompetence or lack of independence.
- The future development of remuneration models points towards transparency.
 - Moreover, a staggering 34% argue that future remuneration systems should be based on the capacity for finding a consensus rather than on the market.
 - Conversely, most respondents reject the CEO Pay Ratio (i.e. how does CEO remuneration compare against the average income of the company’s employees) as the basis for calculating top management remuneration, and its introduction would hardly be voluntary.

1. Current challenges and developments in your BoD work (1/2)

2018 'As an introduction, we ask you to write down a few keywords for the current challenges that you, as a board member, think that **BoDs** face today.'

Percentages, multiple replies

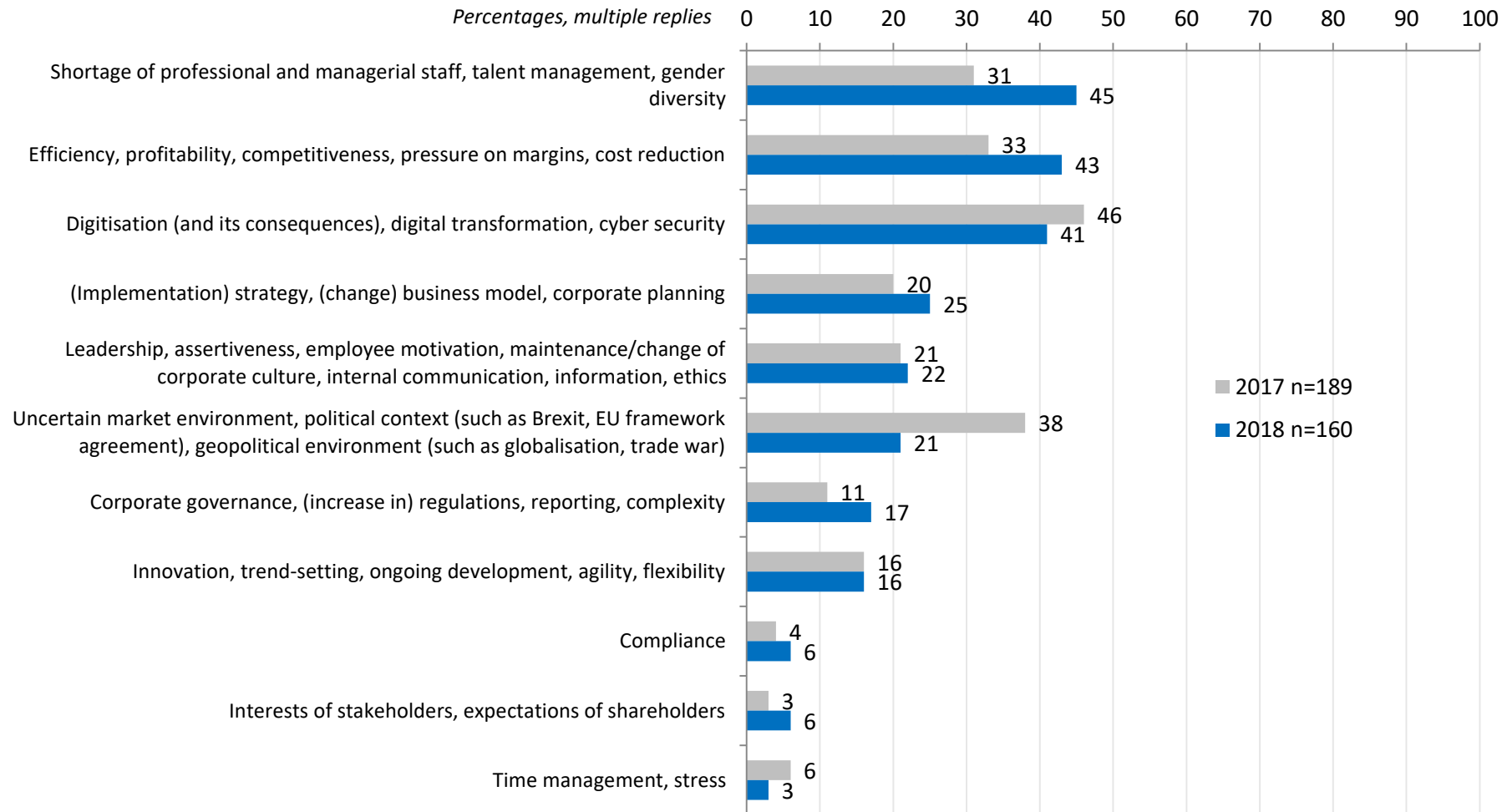
0 10 20 30 40 50 60 70 80 90 100



The most significant, obvious challenge for board members in 2018 is still digitisation and its consequences. The top five topics also include corporate governance, strategy and business model(s), the appointment of top management and BoD positions, as well as the uncertain market environment. Compared to last year, further significant challenges in 2018 include the cooperation between the various boards of directors and CEO/SM, along with profitability and (individual) time management.

1. Current challenges and developments in your BoD work (2/2)

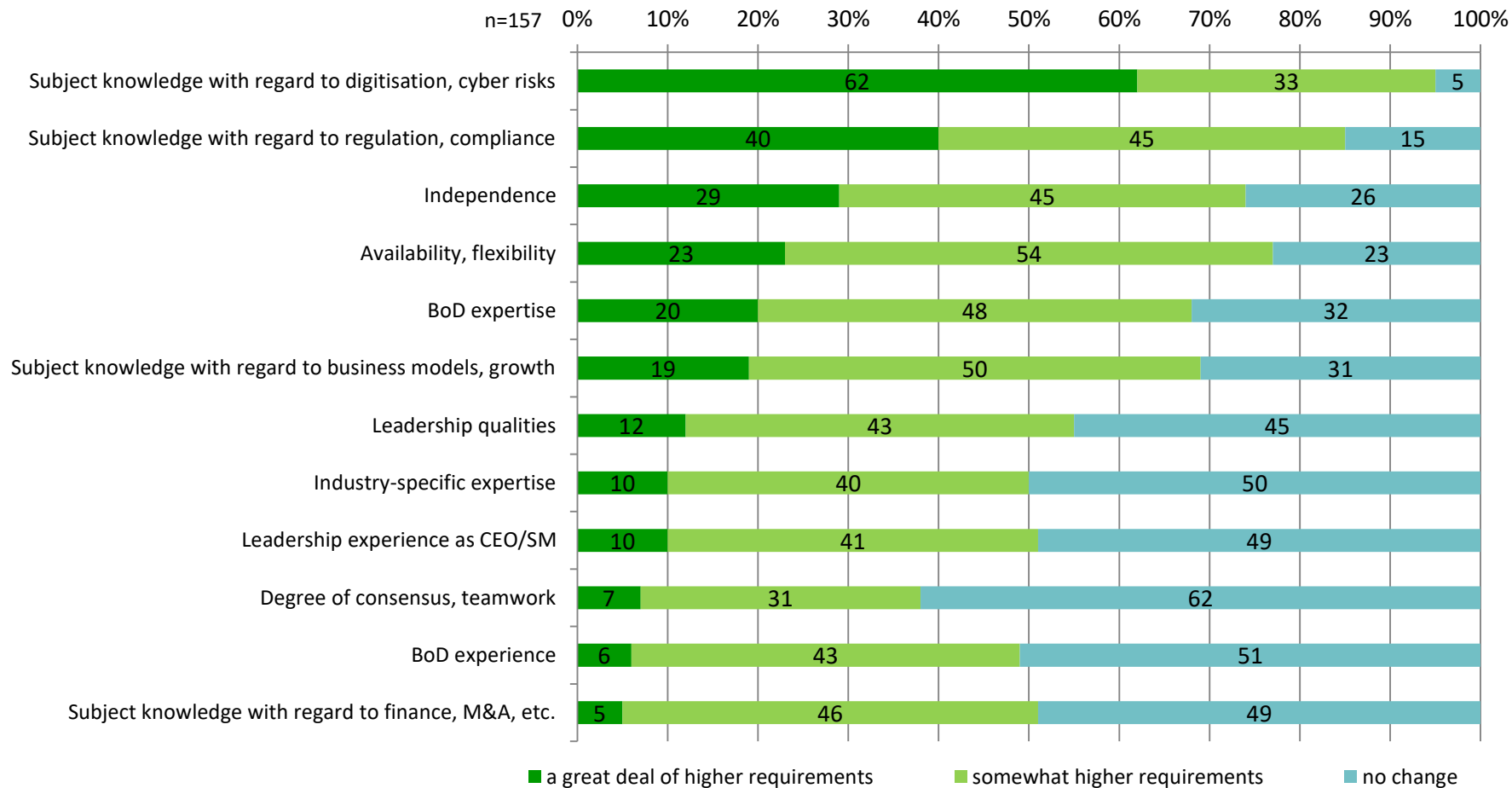
2018 'As an introduction, we ask you to write down a few keywords for the current challenges that you, as a board member, think CEOs face today.'



Board members believe that the appointment to key positions and profitability constitute more significant challenges for CEOs in 2018 than in the previous year. Digitisation has remained similarly challenging. The uncertain market environment is no longer a highly relevant issue for CEOs; they consider it more of a BoD issue.

2. Changes in your BoD work in the past three to five years

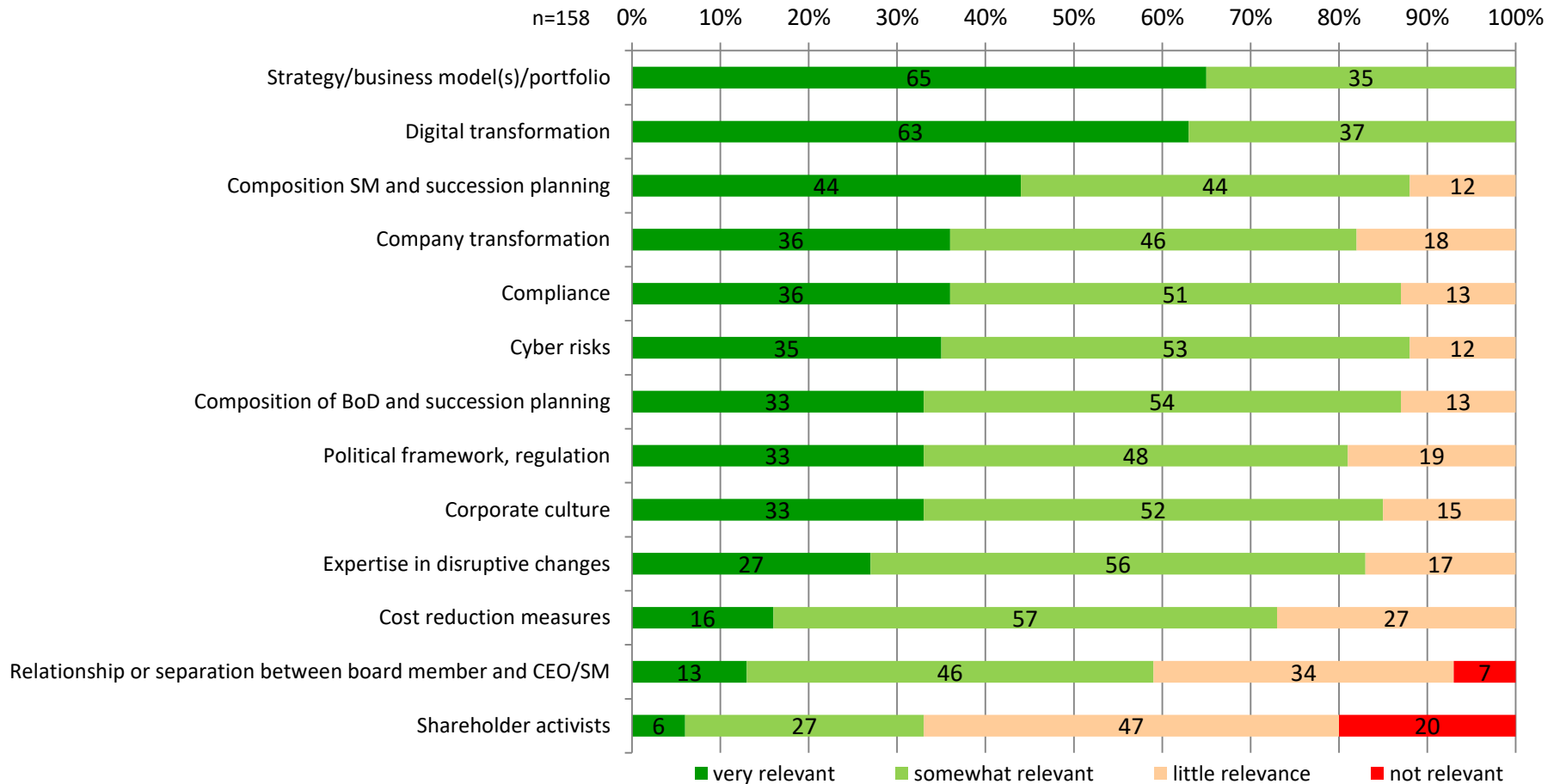
2018: 'How much have the requirements for board members changed over the past three to five years with regard to ...'



Stricter requirements for board members continue inexorably in 2018, notably with regard to subject knowledge, independence and availability.

3. Current developments in your BoD work: in general

2018: 'What is the relevance of the following topics on the agenda of "your" board of directors?'

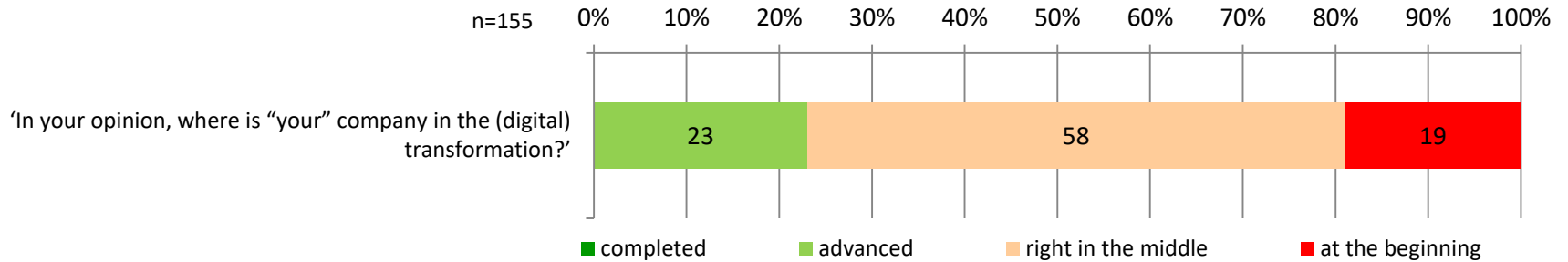


The high relevance of many topics shows the complexity and breadth of current challenges in BoD work. The two predominant topics on the BoD agenda in 2018 continue to be strategy and digital transformation.

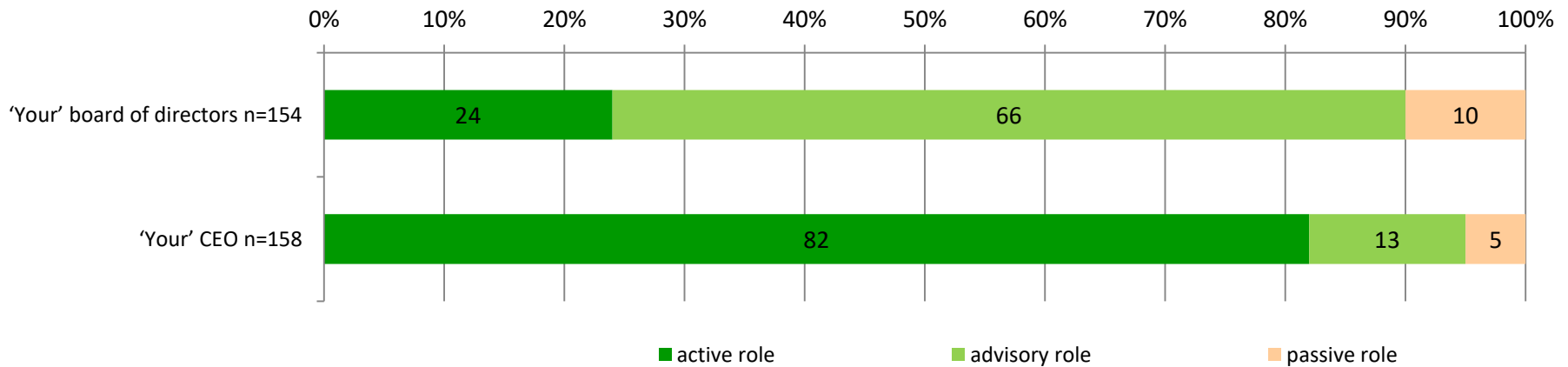
Most respondents consider cybersecurity as a trade-off for the technological transformation only moderately relevant.

3. Current developments in your BoD work: regarding digital transformation (1/3)

2018: 'In your opinion, where is "your" company in the (digital) transformation?'



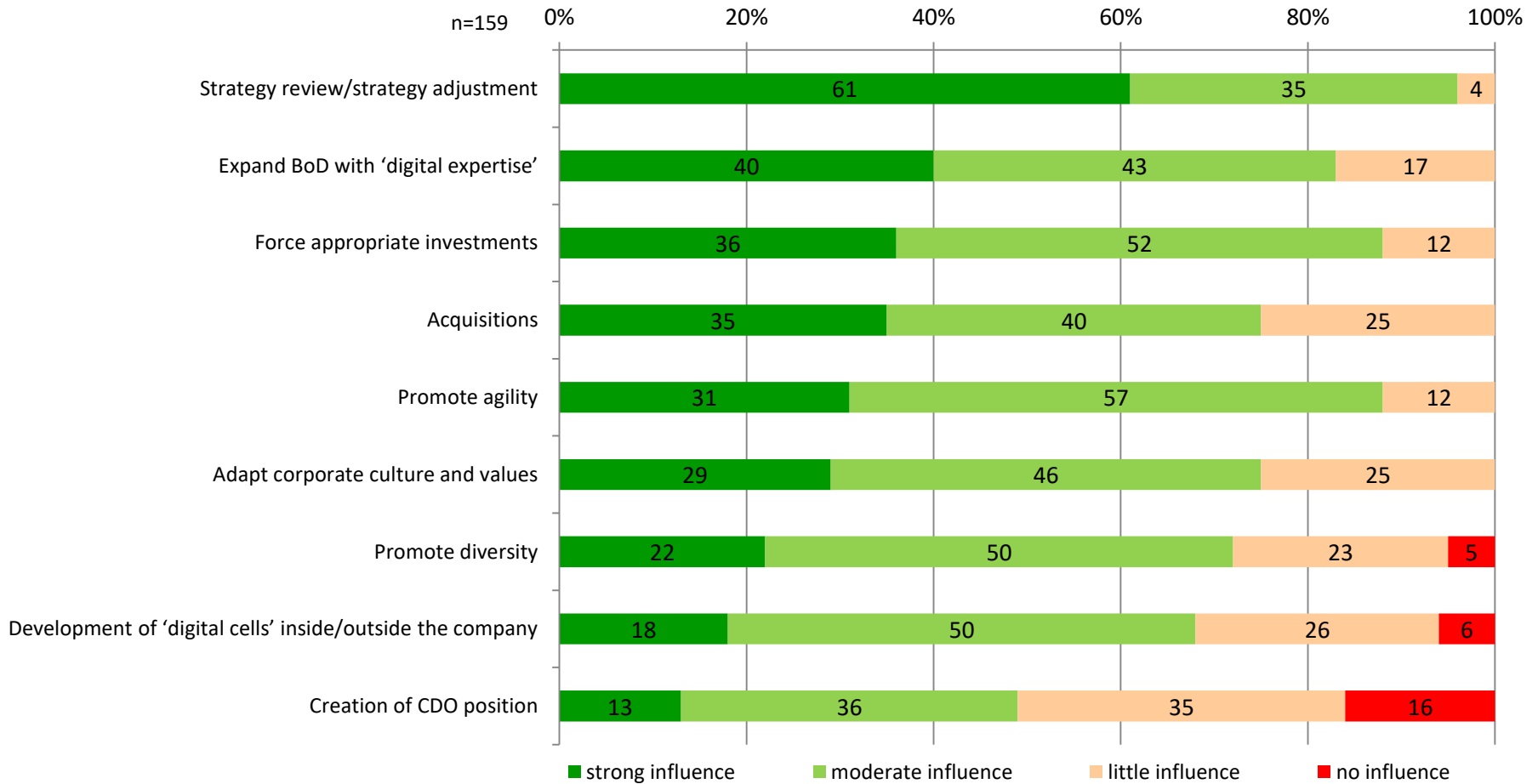
2018: 'What is the role of "your" board of directors / "your" CEO in the (digital) transformation?'



Most of the participating board members believe 'their' company is in the midst of digital transformation. The board of directors generally assumes an advisory role, the CEO an active role in this regard.

3. Current developments in your BoD work: regarding digital transformation (2/3)

2018: 'How much influence does "your" board of directors have on the (digital) transformation in "your" company regarding ...?'

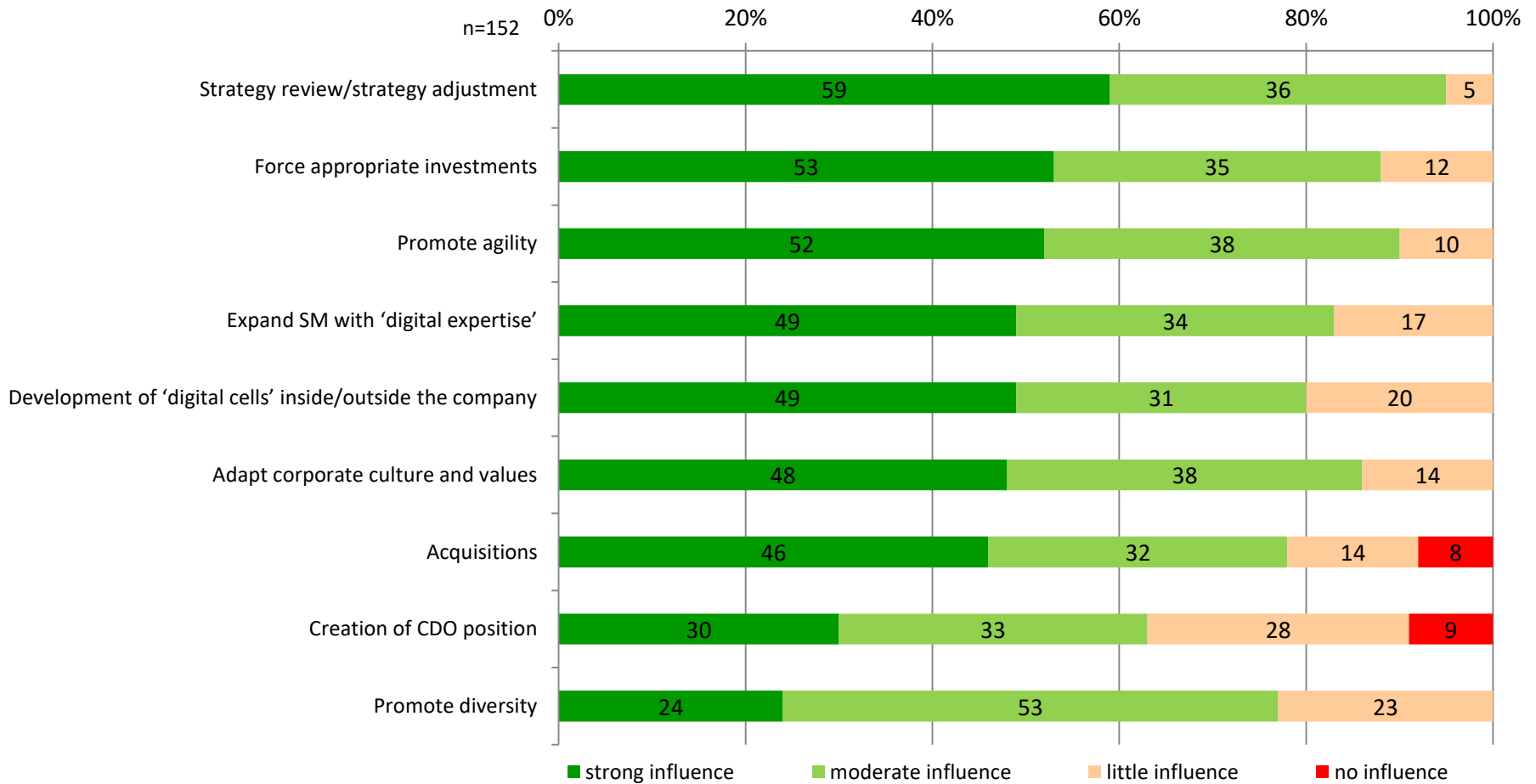


The digital transformation continues to be the (key) issue for the board of directors in 2018, prompting it to exert a relatively strong influence on various aspects of digitisation.

The most significant focus continues to be on the adaptation of the strategy, the smallest on the creation of a CDO position.

3. Current developments in your BoD work: regarding digital transformation (3/3)

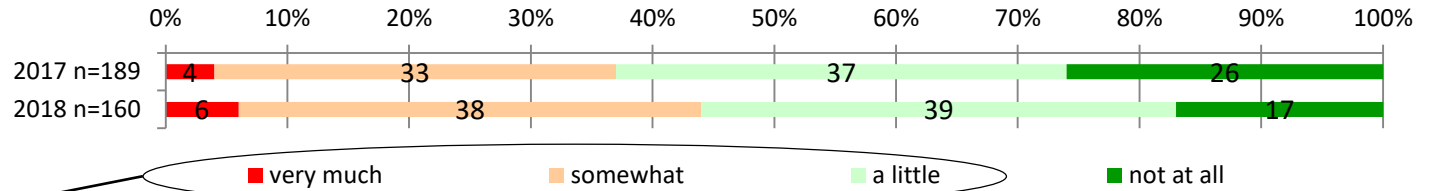
2018: 'How much influence does "your" CEO have on the (digital) transformation in "your" company regarding ...?'



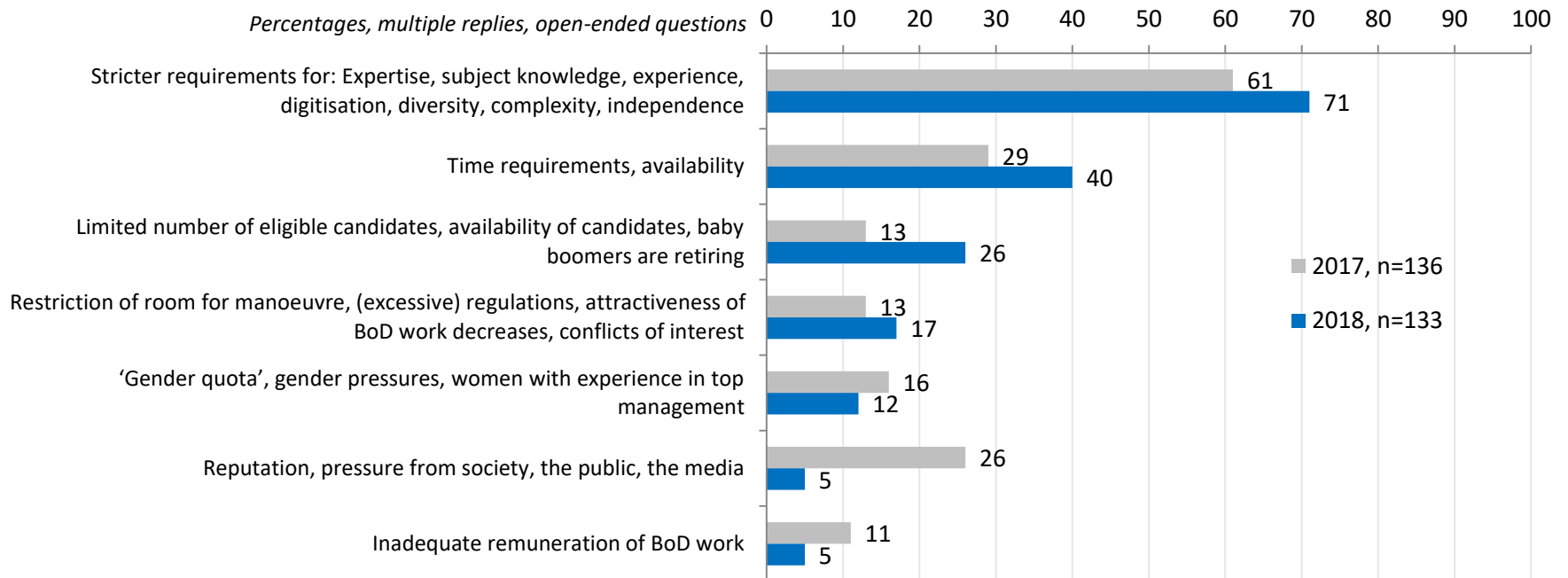
According to the participating board members, CEOs also exert a strong influence on adapting the strategy for the digital transformation. Moreover, the CEO pushes for appropriate investments and promotes agility. The creation of a CDO position and the promotion of diversity represent the smallest influence.

4. Appointment of BoD mandates (1/4)

2018: 'In your opinion, will the recruitment of new board members become more difficult in the future?'



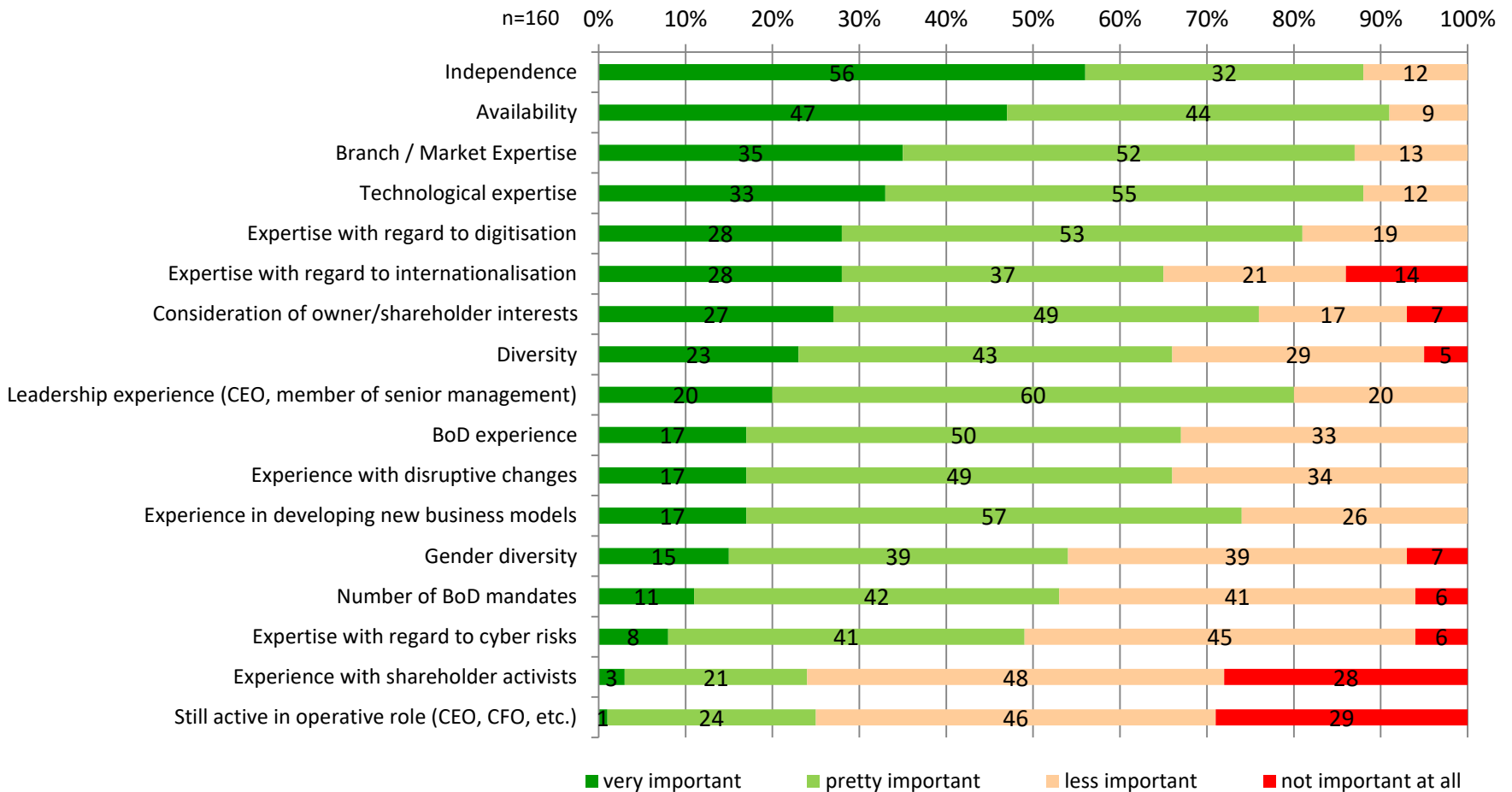
2017, 2018, if 'very much/somewhat/a little': 'What reasons could make the recruitment of board members more difficult in the future?'



The respondents anticipate that the recruitment of new board members will continue to be difficult. This is primarily due to the increased requirements concerning the expertise and experience profile. Further obstacles include ever-increasing time requirements and a limited number of candidates who meet the requirements and are available (according to the search profile). Conversely, pressure from society, the public and the media no longer play such a significant role.

4. Appointment of BoD mandates (2/4)

2018: 'How important are the following aspects of the BoD succession planning for "your" company?'

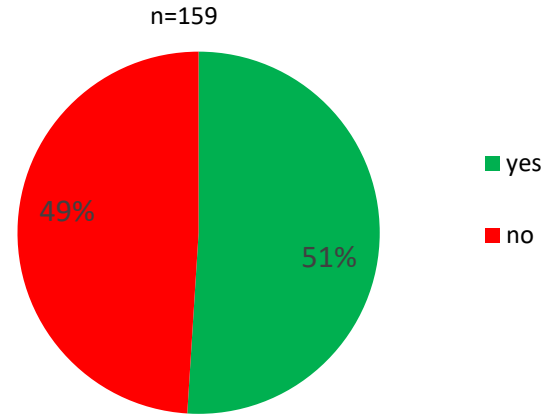


Independence and availability continue to be the central aspects of the BoD succession planning in 2018, followed by expertise specific to industry, market and internationalisation as well as technology, digitisation, compliance and risk management.

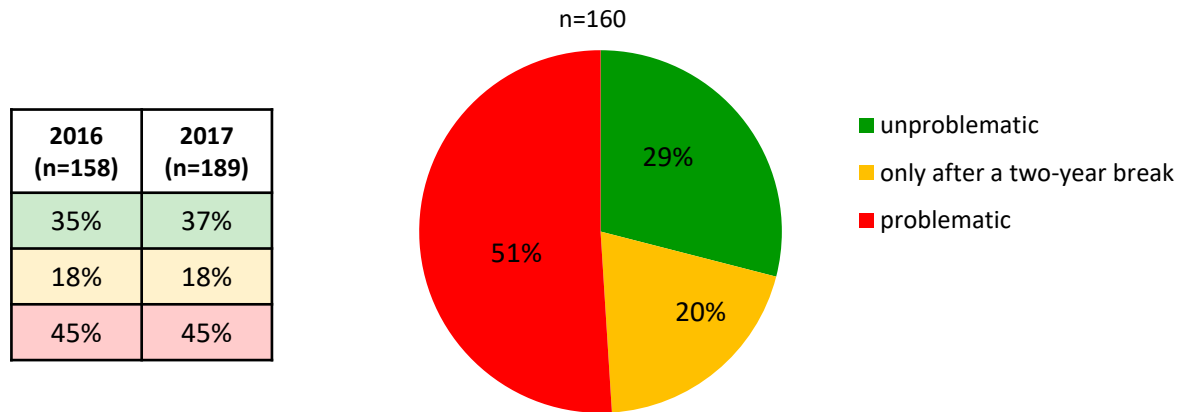
The great importance of almost all aspects illustrates the high demands a board member or a board of directors faces.

4. Appointment of BoD mandates (3/4)

2018: 'In your opinion, would it be useful to appoint digital natives to the BoD?'



2016, 2017, 2018: 'How do you rate switching of a CEO to the BoD committee of the same company?'



Half of the participating board members consider it useful to appoint digital natives to the BoD.
Switching of a CEO to the BoD committee of the same company tends to be seen as more problematic in 2018 than in the last two years.

4. Appointment of BoD mandates (4/4)

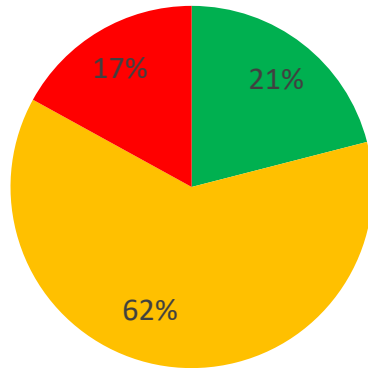
2018: 'Does "your" BoD rely on the professional support of specialised executive search advisors in the process of BoD succession planning?'

2018: 'Does "your" BoD rely on the professional support of specialised executive search advisors in the search for new board members?'

Process of planning BoD succession

n=160

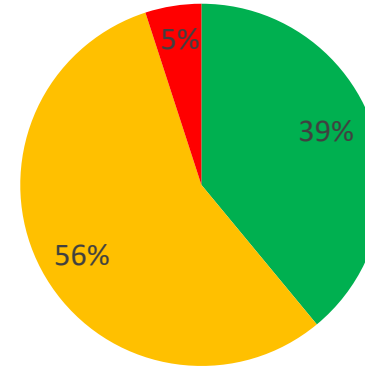
2017 (n=189)
31%
64%
5%



- yes, always
- depending on the situation
- no, never

Process of finding new board members

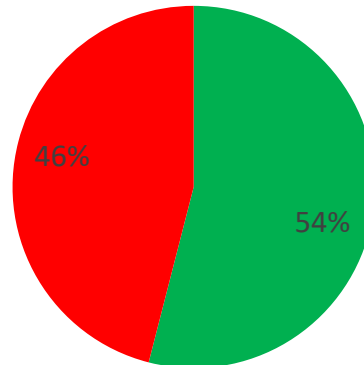
n=160



- yes, always
- depending on the situation
- no, never

2018: 'Do you prefer a candidate for the BoD position if the company chooses him/her via a specialised executive search advisor, to ensure independence, transparency, objectivity and professionalism?'

n=160



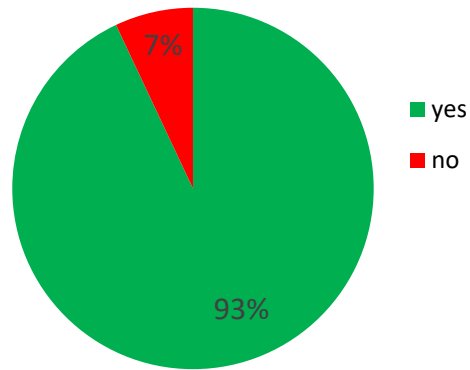
- yes
- no

The boards of directors of the participating board members rely on the professional support of specialised executive search advisors 21% of the time in the process of BoD succession planning, and 39% of the time in the process of finding new board members. Half of the candidates for a BoD position favour the inclusion of an (independent) executive search advisor.

5. BoD evaluation (1/4)

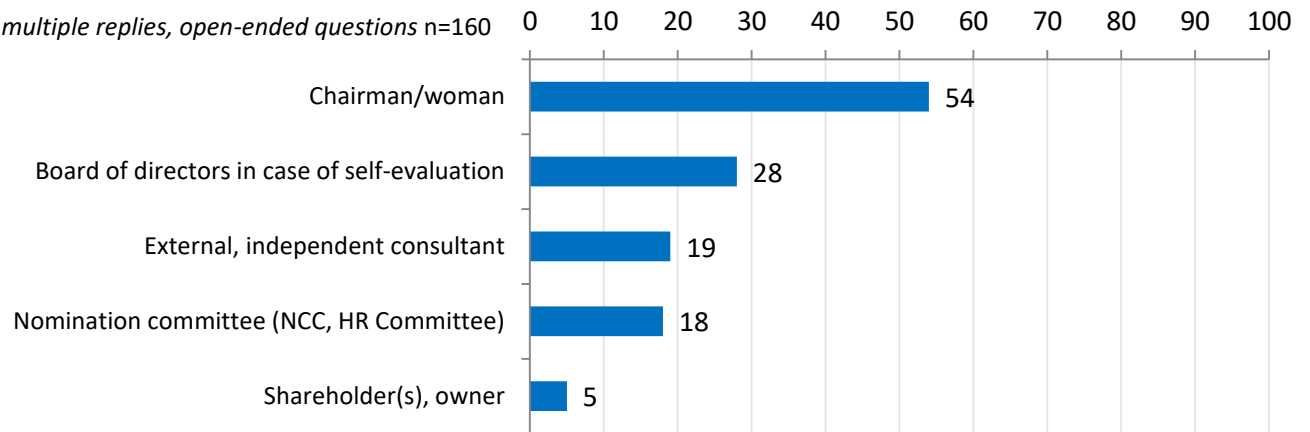
2018: 'Do you consider an evaluation of the board of directors as worthwhile?'

n=160



2018: 'From your point of view, who should be responsible for an evaluation of the board of directors?'

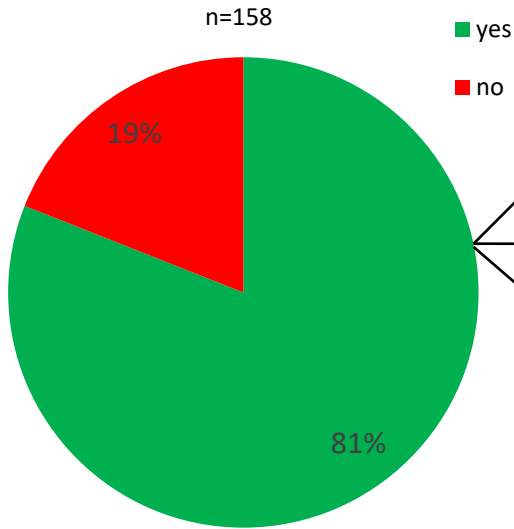
Percentages, multiple replies, open-ended questions n=160



Almost all of the surveyed board members consider an evaluation of the board of directors worthwhile. They believe that the chairman/woman is primarily responsible for the evaluation and the BoD itself for the self-evaluation.

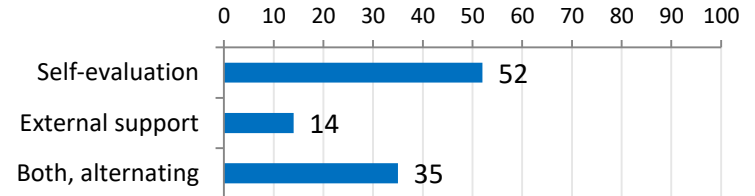
5. BoD evaluation (2/4)

2018: 'Is such an evaluation carried out for "your" board of directors?'

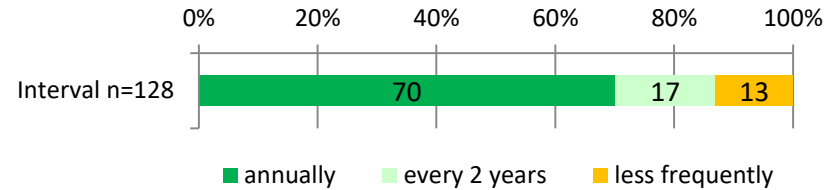


2018: 'If "yes": "Is this evaluation carried out as a self-evaluation, with external, independent support, or both alternating?"

Percentages, multiple replies n=128

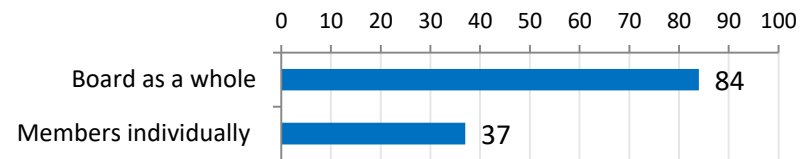


2018: 'If "yes": 'At what intervals is this evaluation carried out?'



2018: 'If "yes": 'Does this evaluation assess the board as a whole, or each member individually?'

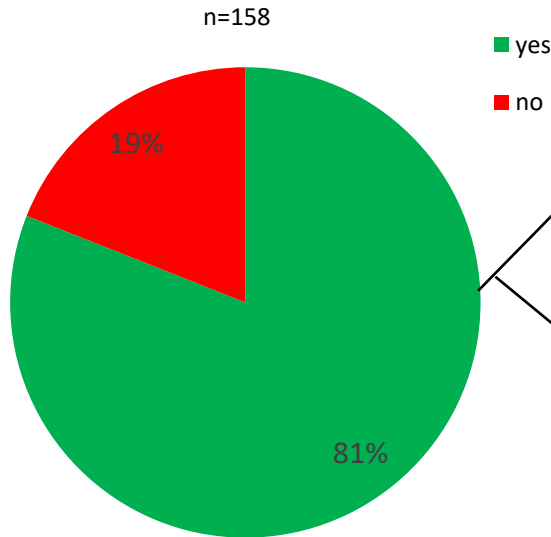
Percentages, multiple replies n=128



A BoD evaluation is carried out for 81% of the boards of directors of the participating board members, mostly annually as a self-evaluation, or alternately with external support. More often, assessment concerns the BoD as a whole, rather than individual members.

5. BoD evaluation (3/4)

2018: 'Is such an evaluation carried out in "your" board of directors?'



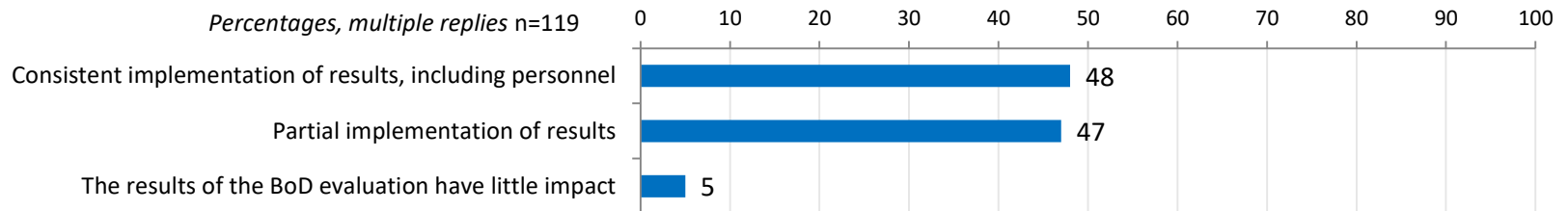
2018: 'If "yes": 'What content and topics does this BoD evaluation cover?'

Percentages, multiple replies, open-ended questions n=128



2018: 'If "yes": 'How consistently are the results of the BoD evaluation implemented?'

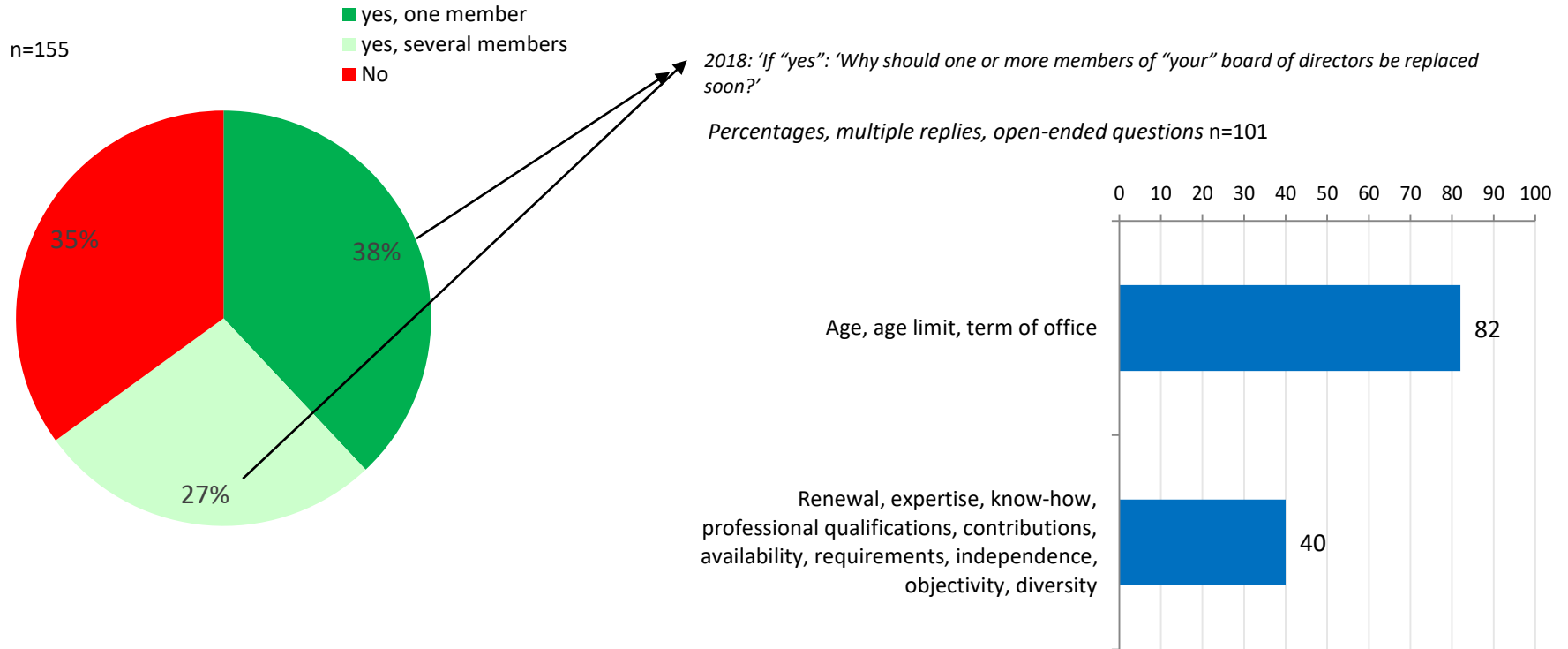
Percentages, multiple replies n=119



Respondents most often cite expertise, subject knowledge, commitment and cooperation as topics relevant for the BoD evaluation. Almost half of the BoD evaluation results are implemented consistently or only partially.

5. BoD evaluation (4/4)

2018: 'In your opinion, should one or more members of "your" board of directors be replaced soon?'

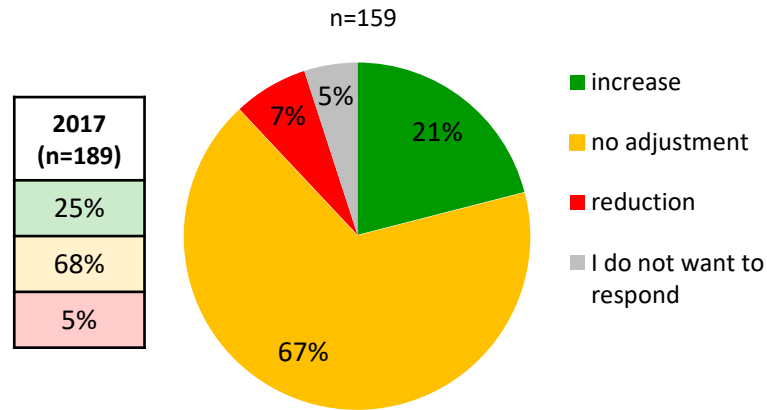


Two thirds of surveyed board members believe that one or more members of 'their' board of directors should be replaced soon. The principal reasons are age or the term of office (82%), but also professional qualifications or independence (40%).

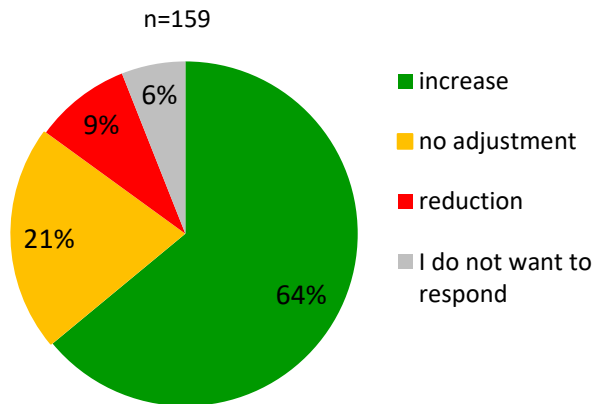


6. Remuneration BoD/SM (1/3)

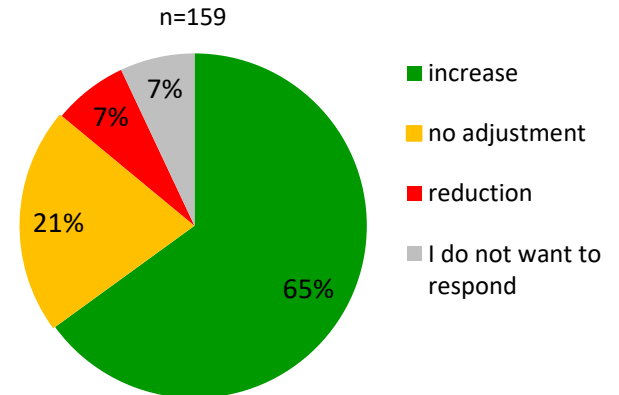
2017, 2018: 'Has your BoD remuneration been adapted in the past three to five years?'



2018: 'Have you, as a board member, adjusted the remuneration of the CEO in the past three to five years?'



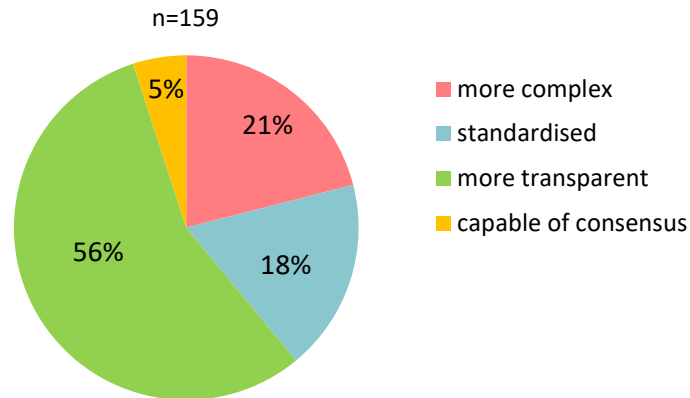
2018: 'Have you, as a board member, adjusted the remuneration of SM (CEO not included) in the past three to five years?'



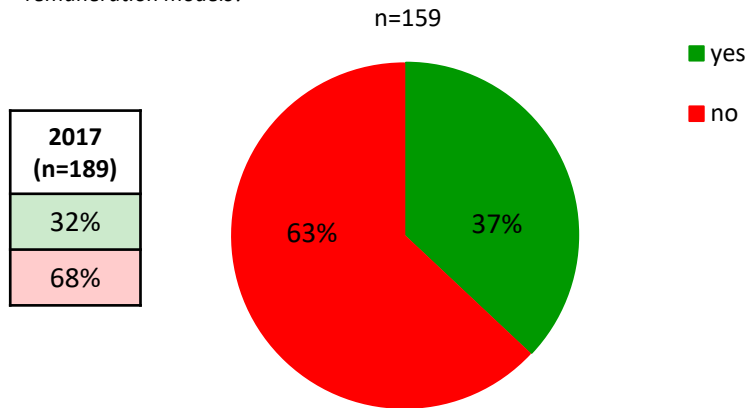
Despite the apparent increase in requirements for board members, only 21% of respondents experienced a remuneration increase in recent years, whereas 7% even encountered a decrease. By contrast, roughly two-thirds increased the remuneration of the CEO or SM.

6. Remuneration BoD/SM (2/3)

2018: 'How will the remuneration models for BoD, CEO, and SM change in the future?'

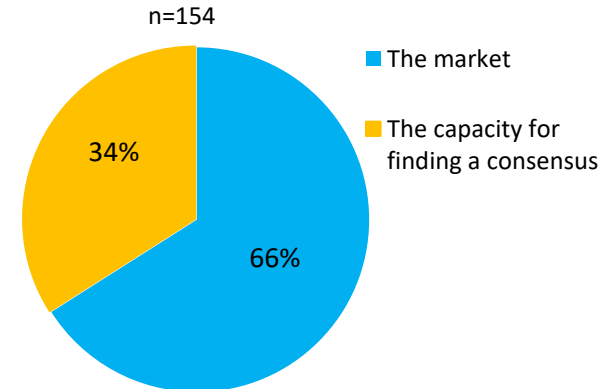


2017, 2018: 'Do you see a need for prompt action regarding the adaptation of existing remuneration models?'



Year	Percentage
2017 (n=189)	32%
2018	68%

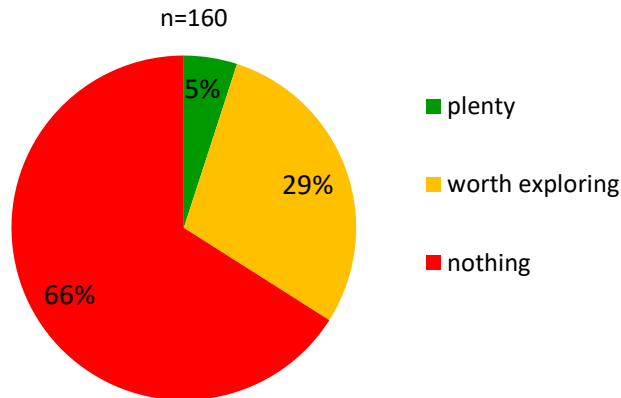
2018: 'In your opinion, which principle should form the basis for the remuneration systems?'



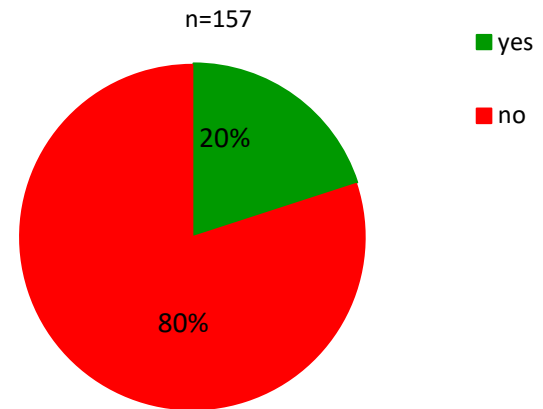
There is a trend towards increasing the transparency of remuneration models, even if two-thirds currently do not see the immediate need for action. A staggering 34% argue that future remuneration systems should be based on the capacity for finding a consensus rather than on the market.

6. Remuneration BoD/SM (3/3)

2018: 'What do you think of the CEO Pay Ratio (i.e. how does CEO remuneration compare against the average income of the company's employees) as the basis for calculating remuneration for top management?'



2018: 'Would you voluntarily introduce the CEO Pay Ratio as a basis for assessment?'



Most respondents reject the CEO Pay Ratio (i.e. how does CEO remuneration compare against the average income of the company's employees) as the basis for calculating top management remuneration, and its introduction would hardly be voluntary.

7. BoD structure main mandate

2018: 'What is the BoD structure of your main mandate?'

n=148

Age	Total per age segment	Number Women	Number Men	Number CH	Number Non-CH
<i>Up to 39 years</i>	14	8	6	14	7
<i>40-49 years</i>	106	59	47	71	34
<i>50-59 years</i>	217	83	134	149	80
<i>60-65 years</i>	137	18	119	44	58
<i>66-72 years</i>	69	3	66	58	21
<i>73+ years</i>	11	1	10	14	4
Total board members	554	172	382	350	204
Percentage	100%	31%	69%	63%	37%

The main mandates of the 148 board members who participated in the survey have a total of 554 members. Of these, 31% are women, which means that a possible gender representation of 30% would be met on average. The proportion of Swiss nationals is 63%. Female board members are mostly 40-59 years old, and male board members are predominantly 50-72 years old.

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