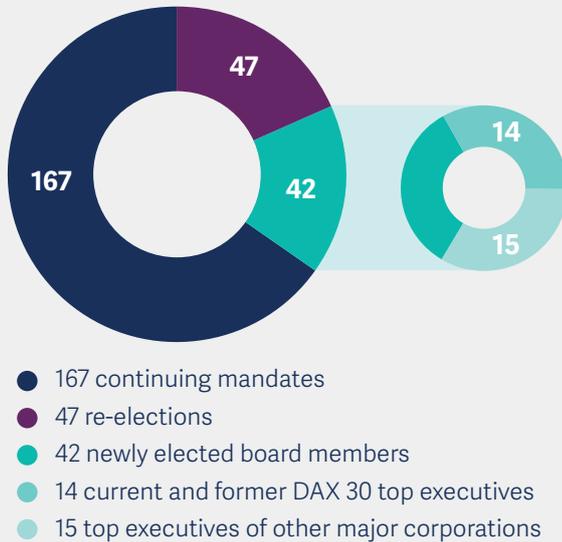

DAX 30 – Supervisory Board Study 2018

Key insights from this year's analysis

"Super election year 2018": 35% of seats were up for election



In the first of two "super election years", 89 terms of office had expired, leading to a record 42 changes on DAX 30 supervisory boards. Based on an analysis of the biographical data and work experience of predecessors and successors, we saw another improvement of the rating of the boards.

The quota of at least 30% female supervisory board members, mandated by the German government, was reached for the first time ever in May 2018. Nonetheless, men still hold most positions of power on supervisory boards and there continues to be a significant lack of female leaders on executive boards and at top management levels.

Digital expertise is on the rise – 20% of shareholder representatives have experience of IT, digital content, or digital transformation. More than half of DAX 30 supervisory boards are able to harness these crucial insights in their daily work. On the other hand, there is hardly any representation of major growth markets, such as Asia, Africa, and Latin America through non-executive directors.

With the quota having been achieved, we recommend DAX 30 companies now increase involvement of women in actual decision making and close the remaining crucial gaps in their board member's collective expertise: operational and international experience.

Gender representation has been achieved on supervisory boards, but not at top management levels:

In May 2015, the German government mandated a quota of at least 30% female members on the supervisory boards of Germany's largest publicly traded companies. This demand worked as intended and the crucial milestone was achieved almost exactly three years after the target was set! There are only two companies remaining with less than a 30% share of women: Adidas utilizes a rounding provision in accordance with German law and Beiersdorf will likely increase their female representation during the 2019 elections.

For the first time ever, the share of women among shareholder representatives exceeds 30%



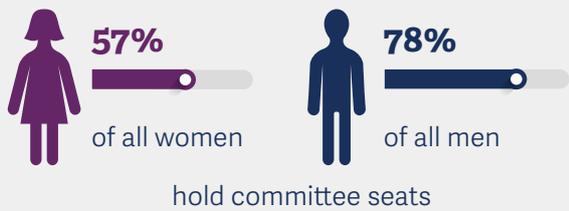
However, taking chairmanship and committee work as indicators of power distribution on supervisory boards, the DAX 30 remains dominated by males. Simone Bagel-Trah at Henkel is the only female chair of a DAX 30 supervisory board, and there are not more than ten female committee chairs among the total 129.

Taking chairmanship and committee membership as a measure of influence, the DAX 30 is still very much male dominated

One female supervisory board chairperson out of 30 **3%**

Ten female committee chairpersons out of 129 **8%**

76 committee seats held by women (out of a total of 411) **18%**



When it came to reaching the female quota on supervisory boards this year, Anglo-American managers played an important role. Germany is lagging behind when it comes to promoting female executives to management positions in executive boards and top leadership levels. DAX 30 companies have a long way to go. In order to meet the 30 percent benchmark, DAX 30 companies would currently need an additional 1,100 female top executives. While we believe that a quota for management is neither legally feasible nor reasonable, companies should significantly increase their efforts to develop female leaders. In our experience, boards and teams with gender representation exceeding a few “token members” show significantly improved creative potential and effectiveness. This may mark the start of a golden age for highly qualified women motivated to rise to the very top.

Significant increase in digital expertise on DAX 30-supervisory boards

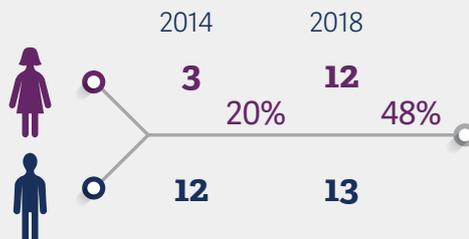
The study also reveals a rise of digital expertise among newly elected board members to a level of 20%. This strong influx of digital experts into supervisory boards results in every tenth board member having digital expertise. This number represents a 67% increase over the past four years. More than half the boards are now able to rely on their own digital experts.

53% of DAX 30 supervisory boards have members with digital expertise



Again, women have played a central role: The share of female digital directors has increased four-fold over the past four election cycles – from three to twelve. With a share of 48%, women now make up almost half of the digital experts on DAX 30 supervisory boards. Digital transformation therefore appears to be predominantly female-driven.

48% of “digital directors” on DAX 30 boards are female



International representation on the decline:

Supervisory boards have room for improving internationalism in Germany's largest companies. After posting an increase in 2017, the share of supervisory board members from outside Germany declined again this year – and is now at 28%. DAX 30 boards have 11 non-German board members from the United States, 24 from Austria and Switzerland, 30 from other European countries and six from the rest of the world. Important future growth markets such as Asia, Latin America and Africa are, for all intents and purposes, not represented by supervisory board members at DAX 30 companies.

Fewer multi-board-members, more sitting DAX 30 executives with supervisory roles:

The cross-linkages of boards by members with multiple seats at German blue-chip companies continue to decline. The massive structural and financial intermeshing of companies – previously referred to as 'Deutschland AG' – is decreasing and so are appointments to multiple DAX 30 board positions. Meanwhile, 2018 also saw an influx of current executive board members at DAX 30 companies into supervisory boards, which blurs the boundaries between management and supervisory bodies. This is a surprising trend, given the recent rise in expectations on supervisory boards.

Average grade improves further – Lufthansa is the new leader in the ranking:

Our study rates the composition of DAX 30 supervisory boards based on criteria such as gender ratio, nationalities and experience abroad, age spread, duration of tenure, business-relevant operational experience, and positions held on other boards. Applying a scoring system similar to that used in German schools (1 = best to 6 = worst), the average assessment of the composition of DAX 30 supervisory boards produced an overall score of 2.2 in 2018, compared to 2.3 in the previous year. This year's ranking saw Lufthansa in the top spot, followed by Daimler, Bayer, and MunichRe. Lufthansa made a tremendous leap from 16th place one year ago.

In conclusion:

Now that the quota for female members has been fulfilled, it is time for DAX 30 companies to achieve a balance of power on supervisory boards between male and female members. In addition, Germany should not have to rely to the disproportionate extent it currently does on female executives from abroad to oversee its businesses. Efforts to groom and promote qualified female executives into top management positions need to be increased.

The search profiles for new supervisory board members should include international experience in crucial growth markets and operational experience in the value chain of major industrial companies. We strongly recommend that boards without digital representation immediately close this critical gap. The range of effects that digitisation has on businesses will require a breadth of experience that may require more than one expert on each supervisory board.



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