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ODGERS BERNDTSON
BOARD SURVEY 2023

The study aims to aims to assess the Effectiveness of the Boards of Directors in Portugal by putting together the perspectives of Executive and Non-Executive directors
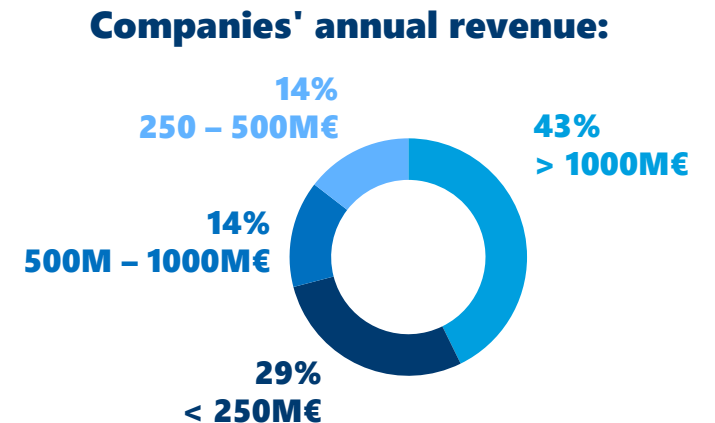
117
BOARD MEMBERS

35%
Non-Executive

65%
Executive

12+
SECTORS

FROM **private companies** TO **PSI20** COMPANIES

Companies' annual revenue:

14%
250 – 500M€

43%
> 1000M€

14%
500M – 1000M€

29%
< 250M€

MAIN CONCLUSIONS

Board Effectiveness is an important topic and is getting even more relevant given the future challenges arising. However, **only 19% of Boards are working at their best (9-10).**

Board Effectiveness is directly linked to Organizational Performance, **with high-performance organizations reporting a 41% higher Board Effectiveness** than below-average organizations.
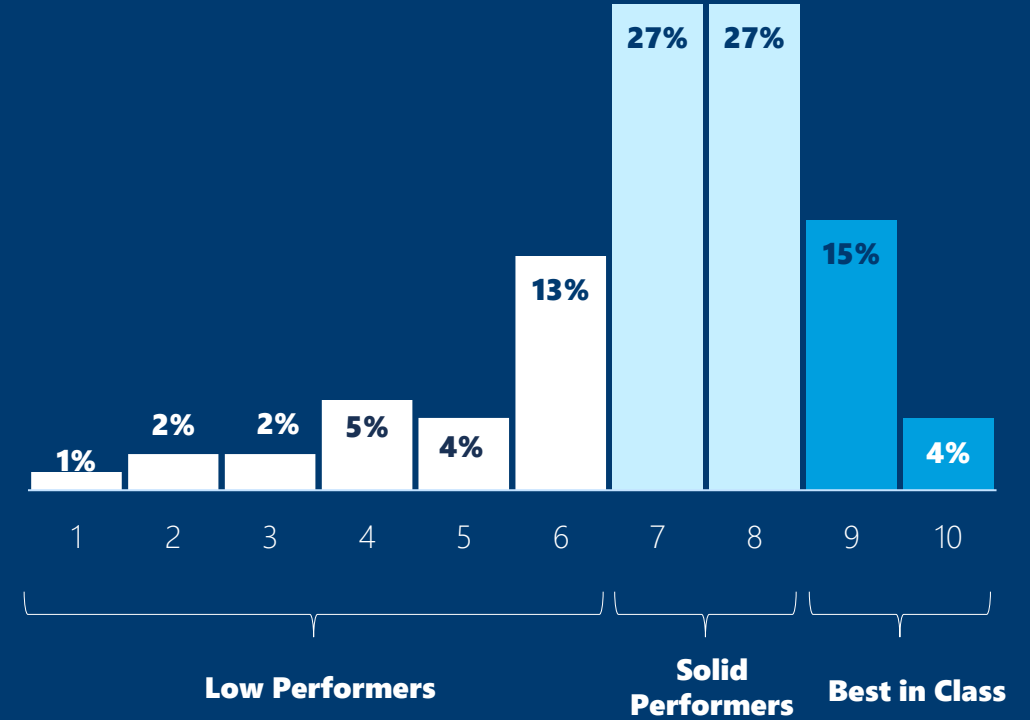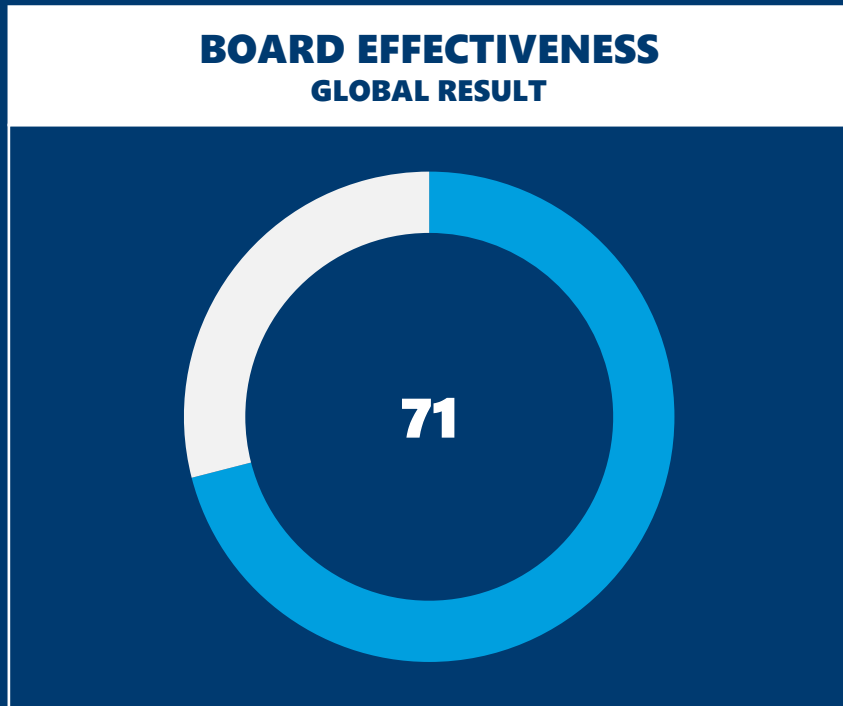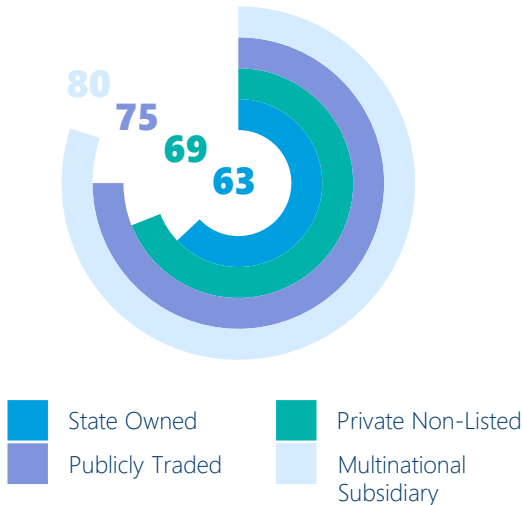
Boards are increasingly **becoming more invested in people-related topics** (evaluation, search, assessment, governance), however **51% still don't have formal evaluation processes.**
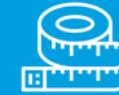
There is **not a one-size-fits-all solution to Board Effectiveness**: examples of good practices exist across multiple sectors, company sizes and ownership structures.

There is wide dispersion of Board Effectiveness

BOARD EFFECTIVENESS
GLOBAL RESULT

71

1	2	3	4	5	6	7	8	9	10
1%	2%	2%	5%	4%	13%	27%	27%	15%	4%

Low Performers

Solid Performers

Best in Class

80
75
69
63

State Owned · Private Non-Listed
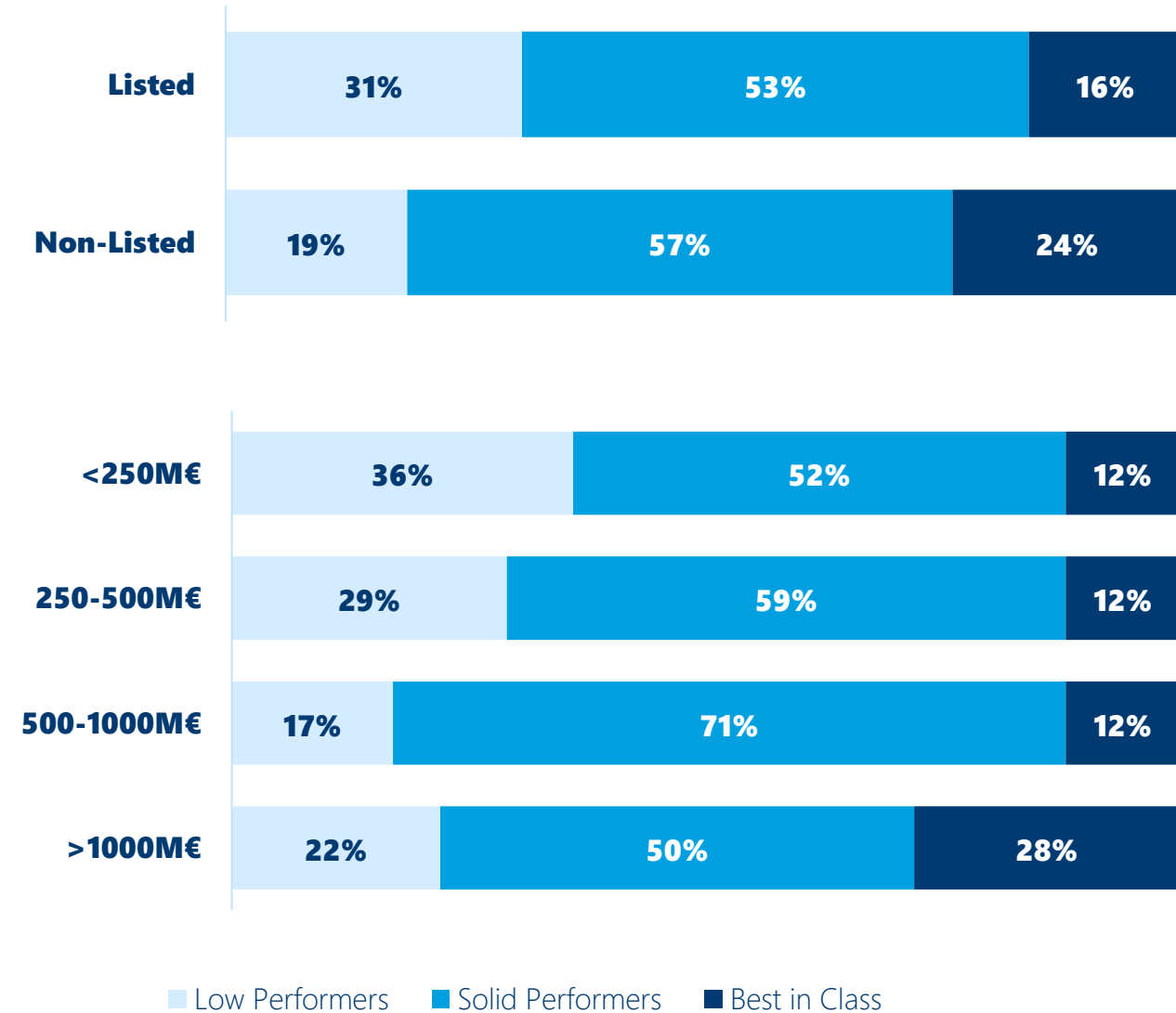Publicly Traded · Multinational Subsidiary

Board Effectiveness increases with the need for transparency required by different Capital Status
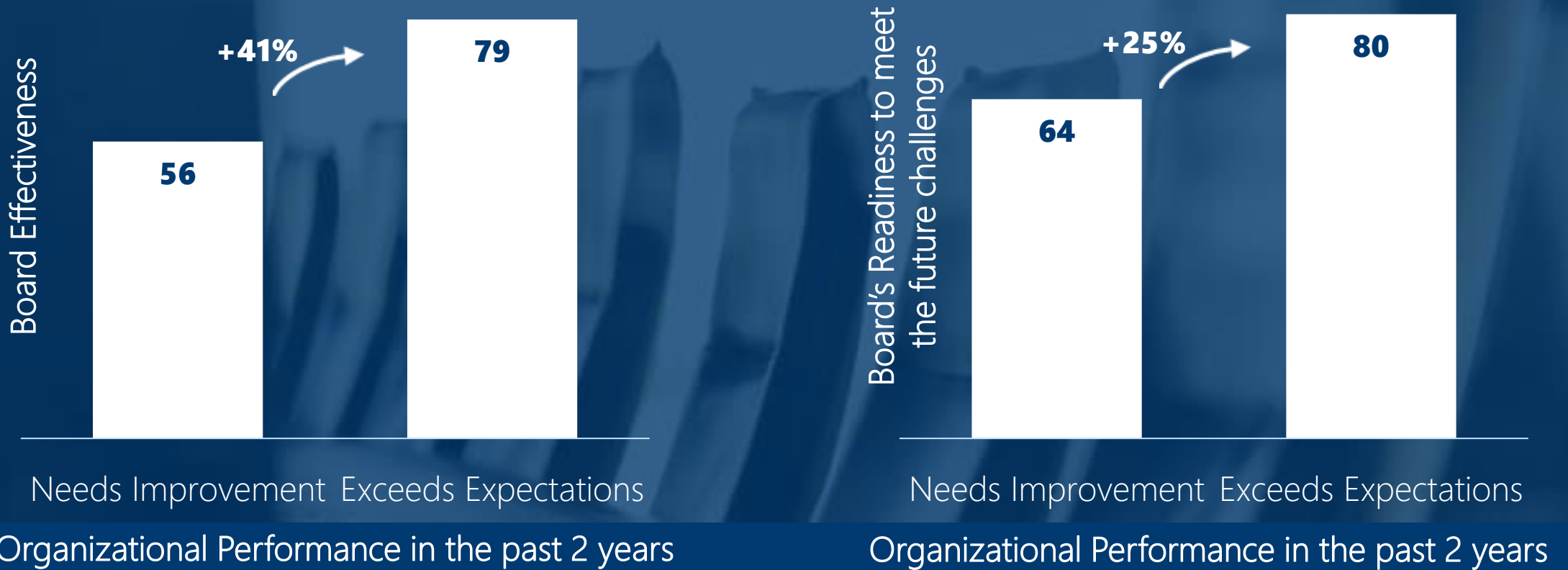
There is also a direct correlation between the organization's revenue dimension and the effectiveness of its Boards.

76
73
69
63

< 250M€ · 250-500M€
500-1000M€ · > 1000M€

5
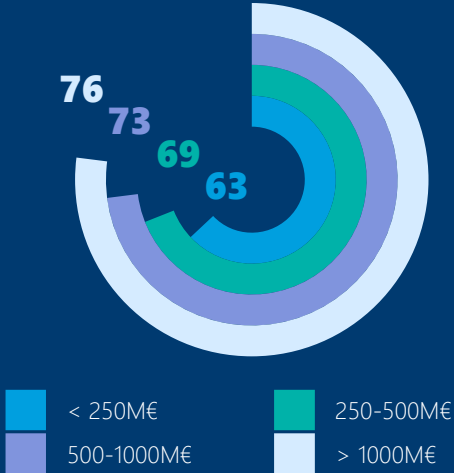
However, there are *Best in Class* Boards in all segments

Segment	Low Performers	Solid Performers	Best in Class
Listed	31%	53%	16%
Non-Listed	19%	57%	24%
<250M€	36%	52%	12%
250-500M€	29%	59%	12%
500-1000M€	17%	71%	12%
>1000M€	22%	50%	28%

Low Performers　Solid Performers　Best in Class

Organizations with better performance have more effective Boards and, consequently, more ready for future challenges

Board Effectiveness

+41%

79

56

Needs Improvement   Exceeds Expectations

Organizational Performance in the past 2 years

Board's Readiness to meet the future challenges

+25%

80

64

Needs Improvement   Exceeds Expectations

Organizational Performance in the past 2 years

Our Board Effectiveness Model identifies 5 Pillars of a high-performance Board
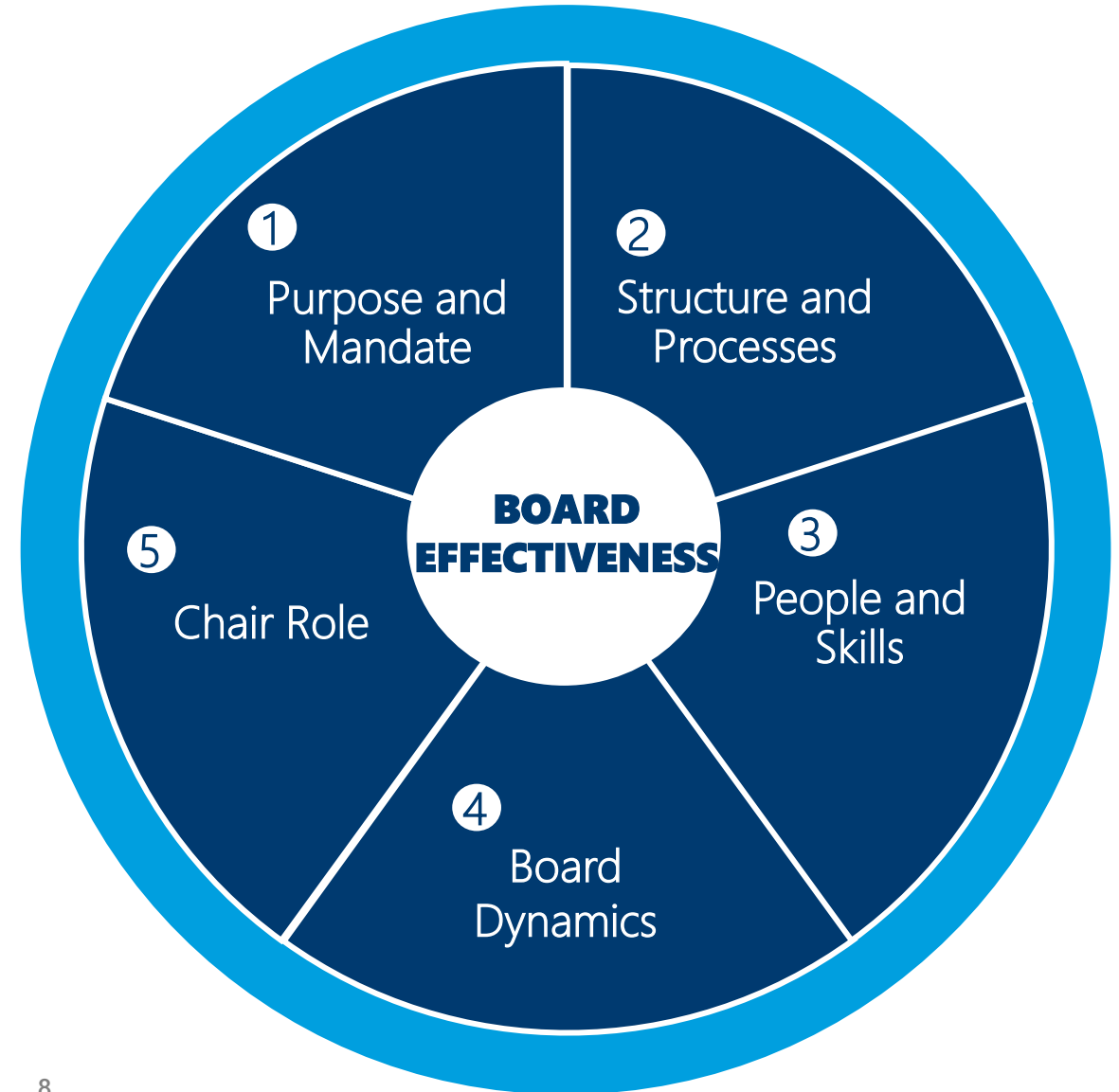
Our Board Effectiveness Model identifies 5 Pillars of a high-performance Board

1 Purpose and Mandate

- Purpose and Values
- Compliance and fiduciary responsibilities
- Performance Management
- Strategic Direction
- Risk Management
- Corporate Governance
- Challenger's role

2 Structure and Processes

- Structure and Decision Model
- Information Architecture
- Monitoring and Control
- Onboarding
- Compensation Model

3 People and Skills

- Size and independence
- Skills' diversity and balance
- Focus and dedication
- Board composition for the future
- Succession Planning
- Recruitment Priorities and Effectiveness
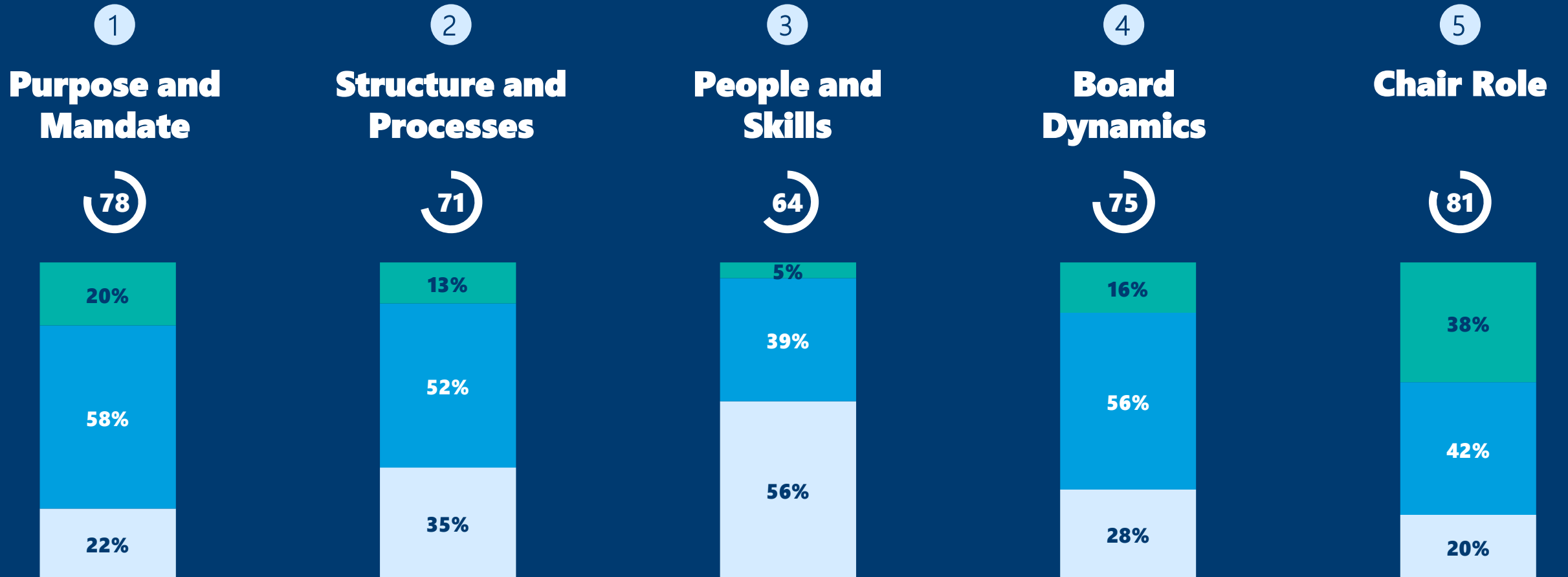
4 Board Dynamics

- Meeting's duration and frequency
- Decision-making capacity
- Innovation and Continuous Improvement
- Dynamics amongst Board Members
- Relationship between Board and Management Team

5 Chair Role

- Leadership and Direction
- Meeting management
- CEO & Chair relationship
- Balance Ownership, Board, and Management

Our Board Effectiveness Model identifies 5 Pillars of a high-performance Board

1 Purpose and Mandate

2 Structure and Processes

3 People and Skills

4 Board Dynamics

5 Chair Role

Purpose and Mandate — 78
- 20%
- 58%
- 22%

Structure and Processes — 71
- 13%
- 52%
- 35%

People and Skills — 64
- 5%
- 39%
- 56%

Board Dynamics — 75
- 16%
- 56%
- 28%

Chair Role — 81
- 38%
- 42%
- 20%

■ Low Performers   ■ Solid Performers   ■ Best in Class

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Chair Role has the highest number of behaviors in the top 5, while People and Skills occupy the majority of the bottom 5

Top 5 - Top Rated Behaviors		Average	Bottom 5 - Worst Rated Behaviors		Average
Chair Role	The relationship between the CEO and Chairperson is characterized by trust, respect and cooperation.	87	People and Skills	The Board has a clear plan for Board/CEO Succession to ensure alignment of its competencies with the organization's strategy.	57
Board Dynamics	All Board members are available on an as-needed basis.	84	People and Skills	The Board reviews its composition on a regular basis to ensure that it reflects the current and future requirements of the organization.	62
Purpose and Mandate	The Board has a clear vision of its purpose and values.	83	People and Skills	How do you assess the Board's effectiveness in recruiting the best Non-Executive Directors in the market?	63
Structure and Processes	The Board has a clear structure and decision model, where members know what is expected of them.	80	Structure and Processes	The Non-Executive Board has a compensation model aligned with the market and with the performance demonstrated by the organization.	63
Chair Role	The Chairperson provides leadership and direction to the team.	79	People and Skills	The Board has the ideal diversity in the demographic profile of its members.	66

KEY DEVELOPMENT PRIORITIES

BOARD'S REVIEW

What are the Board's strengths and development needs?

1

NEW STRATEGIC AGENDA

How can we keep up with the new challenges arising in the future?

2

RIGHT PEOPLE & SUCCESSION

How can we have the right people with the right skills and diversity of profiles?
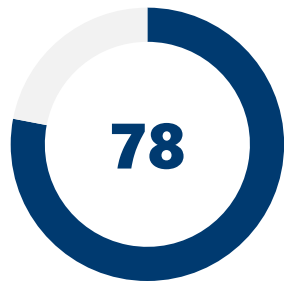
3

PROCESSES

Do we have the right processes to deliver on our mandate?
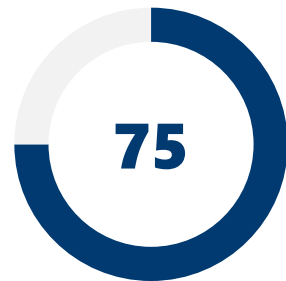
4

Organizations still don't have a way to formally evaluate their Board's strengths and development needs

Despite the Boards' stated ability to adopt the best corporate governance practices…

… and to ensure that risks are managed effectively and anticipated…
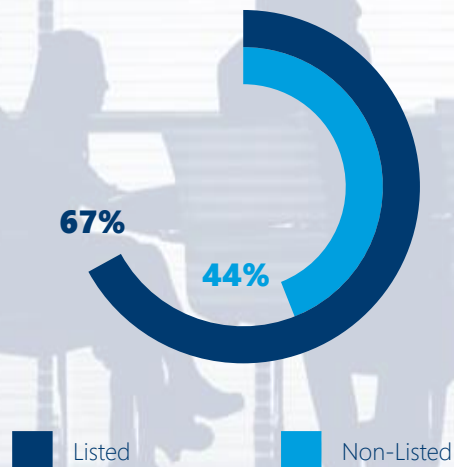
… Only

52%

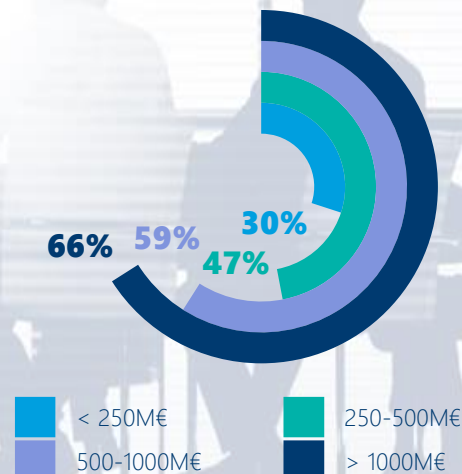**of organizations has a formal evaluation process that allows them to identify its strengths and development needs**

78

75

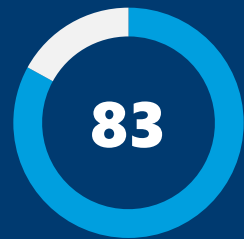# As size and complexity increases, there is higher adoption of formal evaluation processes
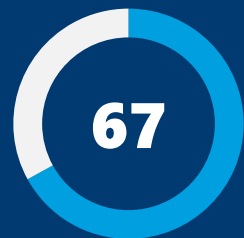
By Capital Status

67%

44%

■ Listed   ■ Non-Listed

By Annual Revenue

66% 59% 30%

47%

■ < 250M€   ■ 250-500M€
■ 500-1000M€   ■ > 1000M€

ODGERS BERNDTSON BOARD SURVEY

Although Boards believe they have a clear vision and continuously promote innovation, multiple issues are arising for the future.

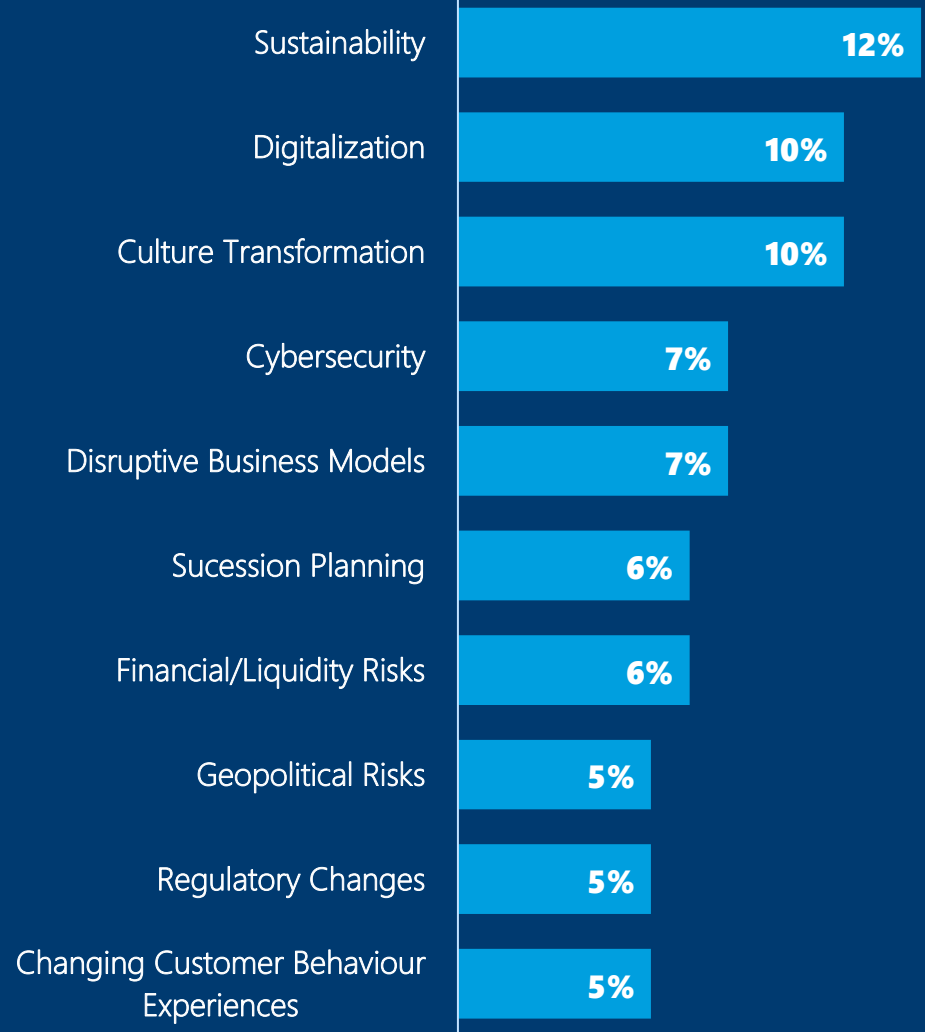**Top 10 most relevant issues in the Board's agenda for the future:**

Issue	%
Sustainability	12%
Digitalization	10%
Culture Transformation	10%
Cybersecurity	7%
Disruptive Business Models	7%
Sucession Planning	6%
Financial/Liquidity Risks	6%
Geopolitical Risks	5%
Regulatory Changes	5%
Changing Customer Behaviour Experiences	5%

83 Boards have a clear vision of its purpose and values

67 and foster innovation and continuous improvement.

16

*No relevant difference identified between Executives and Non-Executives

Even though 67% of the participants believe that the Board has the right size, there is still margin to improve the independence and the diversity in the Board

3%

15%

15%

67%

*
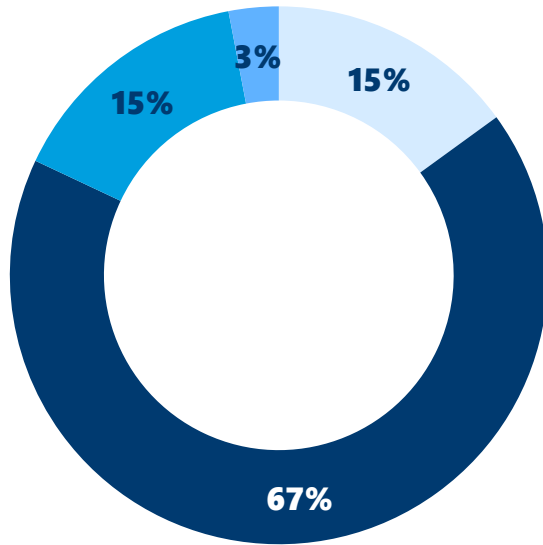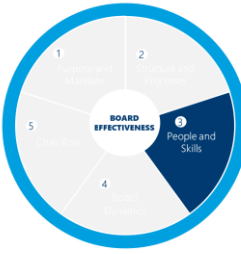
- Smaller than desired
- Right Size
- Larger than desired
- Significantly larger than desired

The Board has the appropriate **level of independence**
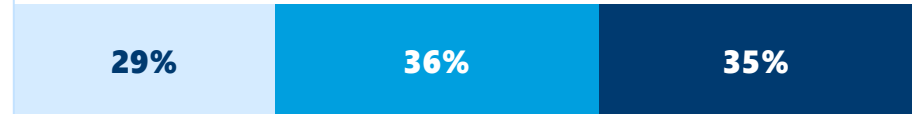
| 29% | 36% | 35% | 72 |

The Board has the ideal **diversity in the demographic profile** of its members

| 44% | 32% | 24% | 66 |

The Board **reviews its composition on a regular basis** to ensure that it reflects the current and future requirements of the organization

| 50% | 32% | 18% | 62 |

- Low Performers
- Solid Performers
- Best in Class
- Average

*How do you rate the suitability of the Board's size for successfully fulfilling its mission and meeting the challenges of the future?

Boards of listed companies - more structured, but wide dispersion

The Board has the appropriate **level of independence**

| | Listed | 29% | 31% | 40% | 75 |
| | Non-Listed | 29% | 39% | 32% | 71 |

The Board has the ideal **diversity in the demographic profile** of its members

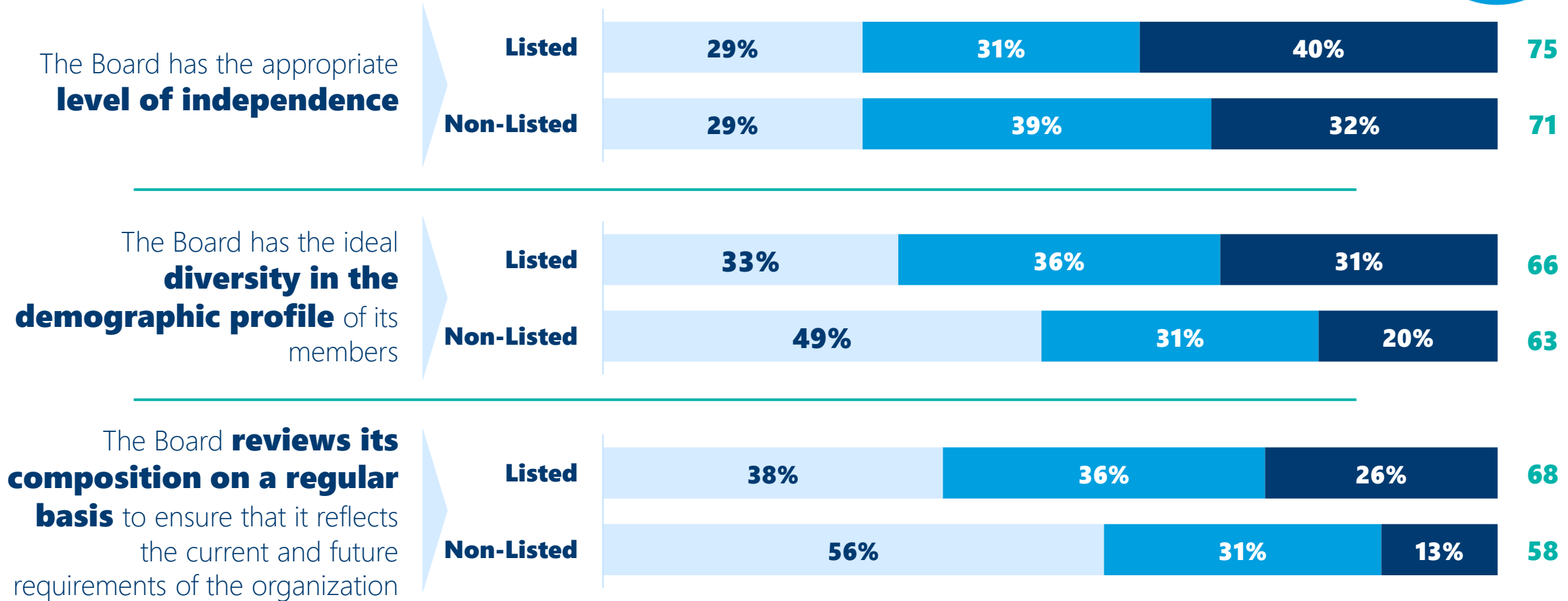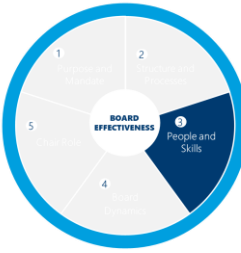| | Listed | 33% | 36% | 31% | 66 |
| | Non-Listed | 49% | 31% | 20% | 63 |

The Board **reviews its composition on a regular basis** to ensure that it reflects the current and future requirements of the organization

| | Listed | 38% | 36% | 26% | 68 |
| | Non-Listed | 56% | 31% | 13% | 58 |

Low Performers   Solid Performers   Best in Class   Average

New competences arise as key priorities for the challenges of the future.

However, only **18%** of the Boards consider themselves excellent in reviewing its composition on a regular basis to ensure that it reflects the current and future requirements of the organization

Top 10 competences that should be strengthened to face the future challenges:

Competence	%
Strategic Thinking	17%
Inspirational Leadership	11%
Digital Savvy	9%
Stakeholder Management	9%
Resilience	8%
Emotional Intelligence	8%
Team Management	8%
Communication	6%
Impact & Influence	6%
Integrity	6%

19

*No relevant difference identified between Executives and Non-Executives
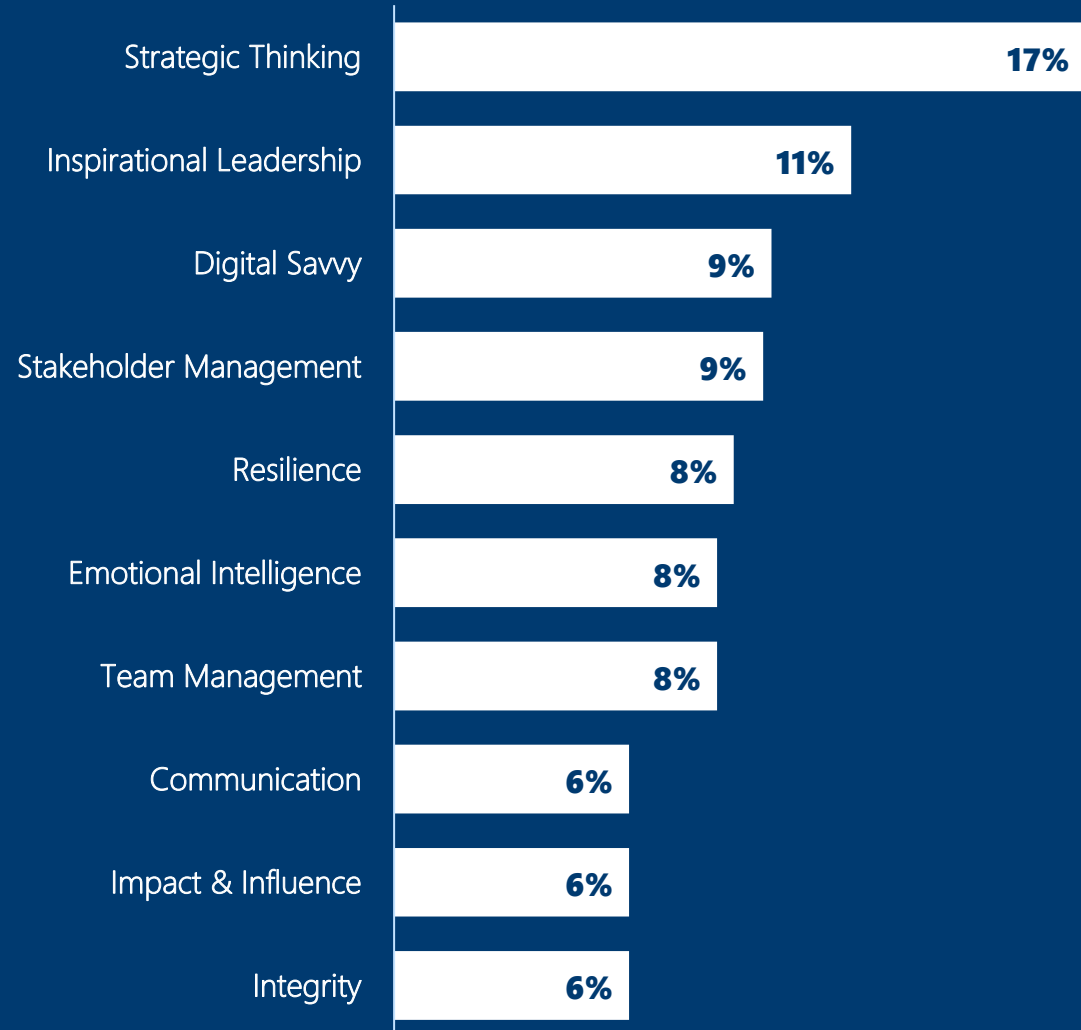
Different industries, and consequently different challenges, require distinctive competences.

Industry	Top 1 Competency	Top 2 Competency	Top 3 Competency
Retail	Digital Savvy	Strategic Thinking	Courage
Public and Not For Profit	Communication	Decisiveness	Digital Savvy
Professional Services	Strategic Thinking	Team Management	Inspirational Leadership
Media/ Telecommunications	Strategic Thinking	Emotional Intelligence	Impact & Influence
Life Sciences	Emotional Intelligence	Impact & Influence	Inspirational Leadership
Insurance	Communication	Digital Savvy	Emotional Intelligence
Industrial	Strategic Thinking	Team Management	Inspirational Leadership
Healthcare	Inspirational Leadership	Strategic Thinking	Digital Savvy
Financial Services	Strategic Thinking	Digital Savvy	Inspirational Leadership
Energy	Strategic Thinking	Stakeholder Management	Integrity
Education	Strategic Thinking	Courage	Decisiveness
Consumer, Entertainment and Sport	Strategic Thinking	Emotional Intelligence	Team Management

# There are opportunities for improvement in the Boards' people attraction and management processes
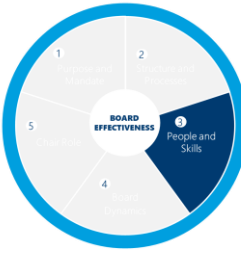
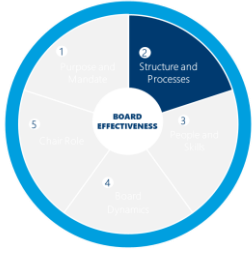The **onboarding process** for new Board members is effective.
67

How do you assess the Board's effectiveness **in recruiting the best Non-Executive Directors** in the market?
63

The Board has a clear plan for **Board/ CEO Succession** to ensure alignment of its competencies with the organization's strategy.
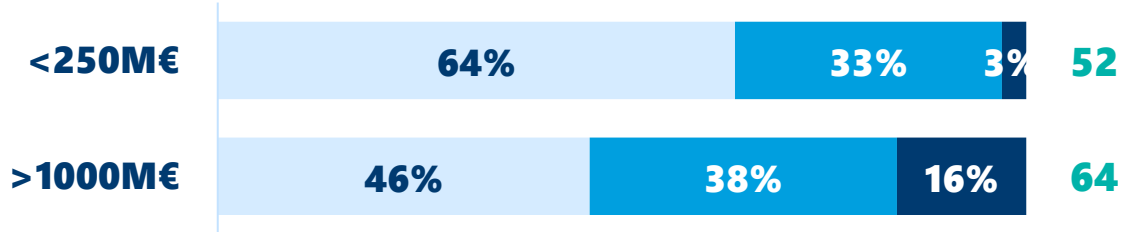**57**

Only

15%
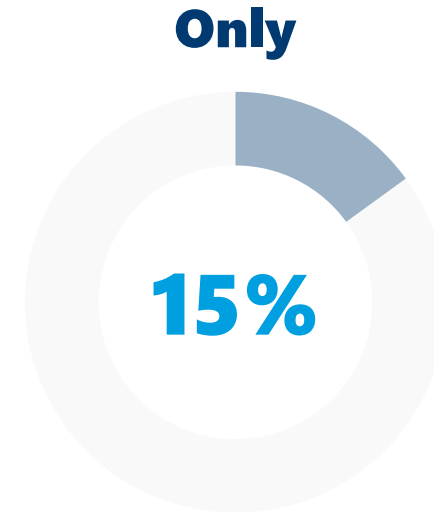
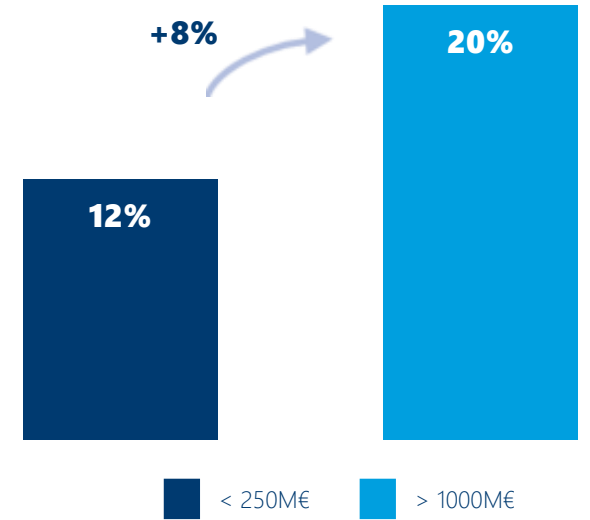**of the organizations has a formal budget for the Non-Executive Directors' search, assessment and training**

Larger organizations implement more formally defined processes for attracting and managing people
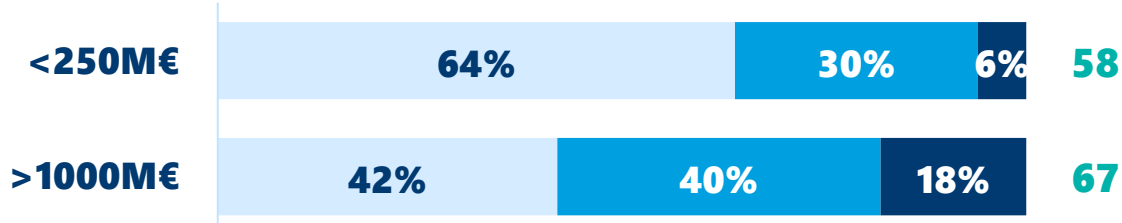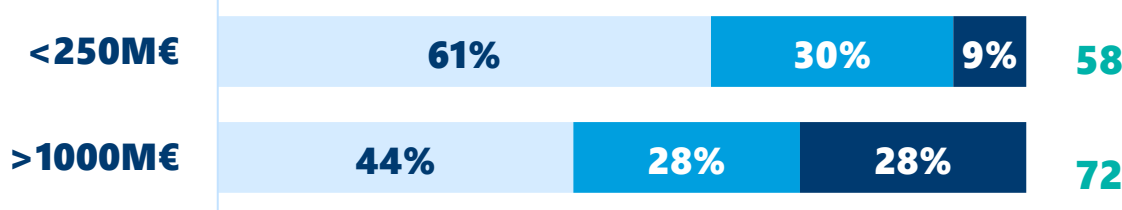
Plan for Board/CEO Succession

|		Low Performers	Solid Performers	Best in Class	
Plan for **Board/CEO Succession**	<250M€	64%	33%	3%	52
	>1000M€	46%	38%	16%	64
Effectiveness in **recruiting the best Non-Executive Directors**	<250M€	64%	30%	6%	58
	>1000M€	42%	40%	18%	67
Effectiveness in the **onboarding process**	<250M€	61%	30%	9%	58
	>1000M€	44%	28%	28%	72

Low Performers   Solid Performers   Best in Class

Formal budget for NED's **search, assessment and training**

+8%

12%   20%

< 250M€   > 1000M€

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The Board's compensation model: the majority still has room for improvement
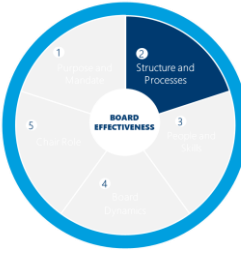
The **Executive Board** has a compensation model aligned with the market and with the performance demonstrated by the organization.

The **Non-Executive Board** has a compensation model aligned with the market and with the performance demonstrated by the organization.

74

37%

38%

25%

20%

33%

47%

63
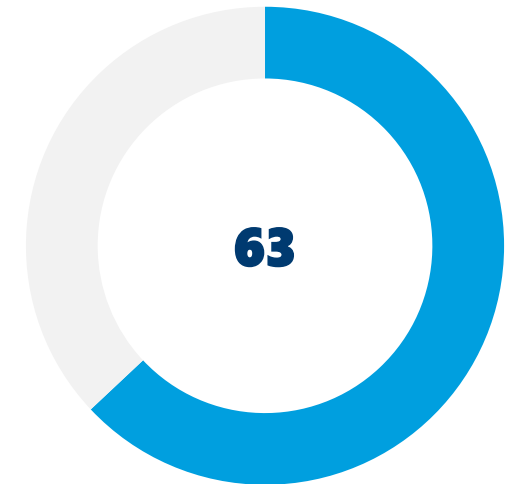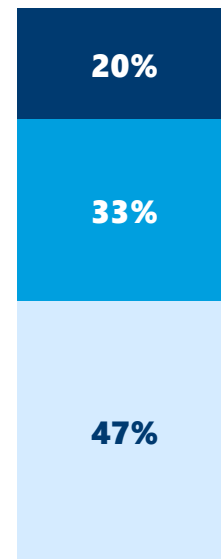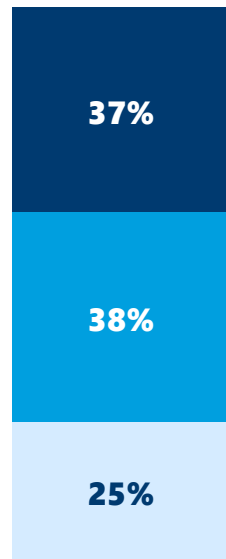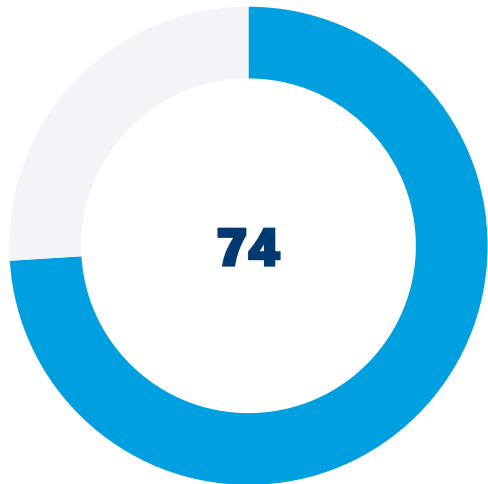
■ Low Performers ■ Solid Performers ■ Best in Class

THE IMPORTANCE OF THE BOARDS FOR THE FUTURE

How do you rate the Board's relevance to the organization's strategic challenges in the future?

82%

More relevant than today

By Function

84% 81%

By Annual Revenue

86% 81%
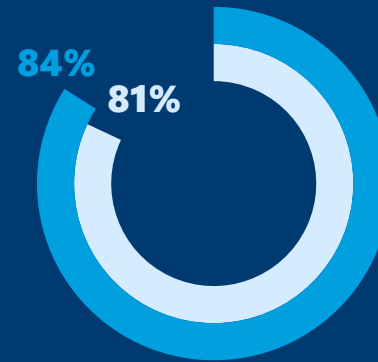
■ Non-Executives   ■ Executives
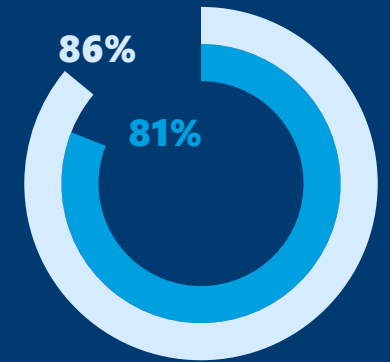
■ < 250M€   ■ > 1000M€

CALL TO ACTION

7 KEY MESSAGES

01 **82%** of participants believe **Boards will be more relevant than today for organizational success**. Investors are increasingly vigilant too

02 Board Effectiveness is an important topic and is getting even more relevant given the future challenges arising. However, only **19%** of Boards are working at their best

03 Board effectiveness is **linked with organizational performance and future readiness.** High-performance organizations report **41%** higher Board Effectiveness

CALL TO ACTION

7 KEY MESSAGES

04 Wide agreement on board's role and purpose. But many organizations **do not have the formal processes** to support those aspirations. The most critical issues that come out are people related: professional processes and search, diversity, succession planning, and compensation

05 The top issues for the future vary by industry. But most agree on a need for **new competencies to address future challenges**
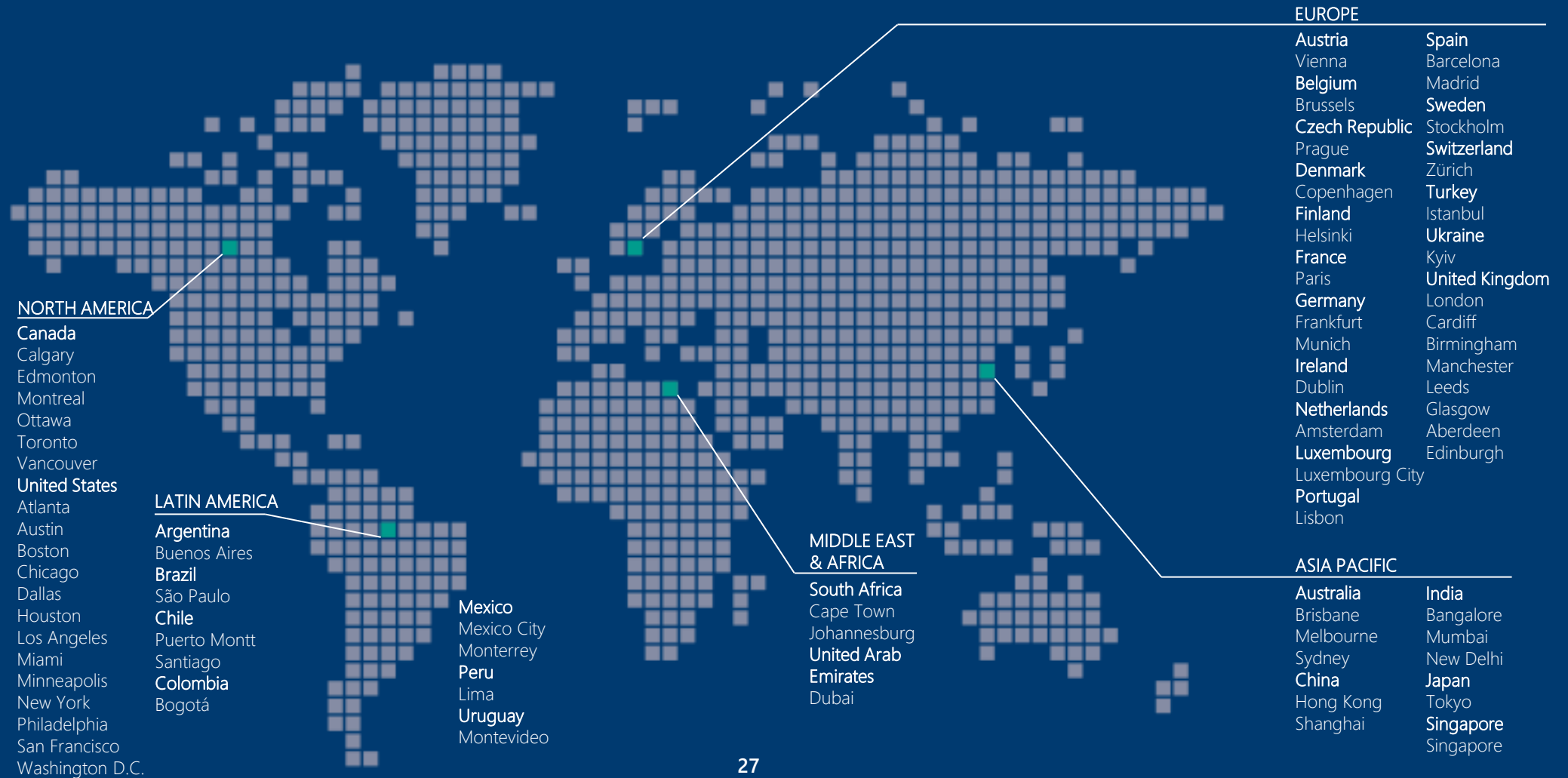
06 As size and complexity increases, so **does the need for an effective board**

07 There is **not a one-size-fits-all solution** to Board Effectiveness: examples of good practices exist across multiple sectors

66 OFFICES, 32 COUNTRIES

EUROPE

Austria
Vienna
Belgium
Brussels
Czech Republic
Prague
Denmark
Copenhagen
Finland
Helsinki
France
Paris
Germany
Frankfurt
Munich
Ireland
Dublin
Netherlands
Amsterdam
Luxembourg
Luxembourg City
Portugal
Lisbon

Spain
Barcelona
Madrid
Sweden
Stockholm
Switzerland
Zürich
Turkey
Istanbul
Ukraine
Kyiv
United Kingdom
London
Cardiff
Birmingham
Manchester
Leeds
Glasgow
Aberdeen
Edinburgh

NORTH AMERICA

Canada
Calgary
Edmonton
Montreal
Ottawa
Toronto
Vancouver
United States
Atlanta
Austin
Boston
Chicago
Dallas
Houston
Los Angeles
Miami
Minneapolis
New York
Philadelphia
San Francisco
Washington D.C.

LATIN AMERICA

Argentina
Buenos Aires
Brazil
São Paulo
Chile
Puerto Montt
Santiago
Colombia
Bogotá

Mexico
Mexico City
Monterrey
Peru
Lima
Uruguay
Montevideo

MIDDLE EAST & AFRICA

South Africa
Cape Town
Johannesburg
United Arab Emirates
Dubai

ASIA PACIFIC

Australia
Brisbane
Melbourne
Sydney
China
Hong Kong
Shanghai

India
Bangalore
Mumbai
New Delhi
Japan
Tokyo
Singapore
Singapore

27

ODGERS BERNDTSON

Since **1993**
in Portugal

N°2
in Europe

N°6
worldwide

Partnership with over **50%** of
Portuguese Stock Index companies

Over **90%**
success rate

EXECUTIVE
SEARCH

- *CEO Search*
- *Executive Search*
- *Talent Mapping*

LEADERSHIP
DEVELOPMENT

- *Leadership Assessment*
- *Leadership Programs*
- *Team Effectiveness*
- *Executive Coaching*

ORGANIZATIONAL &
TALENT CONSULTING

- *Organizational Excellence*
- *Talent Strategy*
- *Culture Transformation*

BOARD
SOLUTIONS

- *Board Search*
- *Board Assessment*
- *Board Consulting*
- *Advisory Boards*

TALENT
ACQUISITION

- *Talent Acquisition*
- *Talent Assessment*
- *Young Talent*

For further Information:

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THE IMPORTANCE OF EFFECTIVE BOARDS

ODGERS BERNDTSON