

2023 Germany Spencer Stuart Board Index Highlights

Now in its ninth bi-annual edition, the *2023 Germany Spencer Stuart Board Index* analyses for the first time the board governance practices of the DAX 40 companies. This reflects the September 2021 expansion of the Dax from 30 to 40 members.

The two-tier governance model is common among the Dax 40 companies. The supervisory board (“Aufsichtsrat”) supervises the management, working through the executive committee (“Vorstand”), which is responsible for the day-to-day management of the company. Both boards are strictly separate.

Most private and public limited companies in The Netherlands also operate a two-tier board system. In the UK the single-tier or unitary board governance model is more common, comprising both executive and non-executive directors. In Germany, only a non-executive director may chair the board.

German companies are subject to the Co-Determination Act, which governs employee participation in the board management of the companies for which they work. Usually, 50% of the supervisory board members represent the shareholders, and 50% represent employees. Co-determination applies to 38 of the DAX 40 companies; Airbus and Linde are exempt because they are based abroad.

This Board Index again identifies and reviews essential changes and trends in board governance as they have emerged. This year, we have expanded our review to incorporate important areas of modern governance, such as ESG, diversity, and international focus of boards in general. We also therefore include some comparisons with governance in selected other European countries.



15

average board size

56%

of companies have five or more committees

37.5%

of boards have an ESG/sustainability-related committee

Board size/number of meetings

- » The average total board size is 15 in 2022, including employee representatives as provided for under Germany's codetermination rules. This marks a small increase from 14.1 in 2021.
- » The average number of meetings reflects the legal minimum requirement of four meetings each year (one per quarter), plus the annual general assembly and a strategy meeting. The average total number of board meetings increased very slightly to 7.6 (from 7.2 in 2021).
- » German boards hold the fewest meetings in Europe. Switzerland, Italy, the Nordics, and Spain hold the most, each with an average of 11-12, followed by France (9.5) and the UK (nine).

Committees

- » The DAX 40 companies under review maintain an average of five supervisory board committees. More than half (56%) of the companies maintain five or more committees. 33% of companies (13) have more than five committees.
- » Almost all companies maintain the three standard committees — audit, nomination, and remuneration. At several companies the remuneration and nomination committee is combined into one.
- » Further examples of committees include: risk; strategy; people and HR; ESG and sustainability; technology and science; financial. Examples of these committees are seen at companies such as Vonovia, Siemens Healthineers, SAP, Mercedes-Benz, Deutsche Post, and Beiersdorf, among others.
- » A clear trend towards setting up specific committees is emerging (e.g., innovation, mediation, technology, transformation, etc.) as required.
- » Overall, increased attention is being paid to strategy, usually managed in a strategy committee.
- » On average, the audit committee is composed of 5.3 members (up from 4.9 in 2021); this is in line with the European average. The nomination committee (including the RemCo) averages 3.5 members (3.4 in 2021) and is the smallest among the European countries; the largest average nomination committee is seen in the UK, at 11 members.
- » Risk committees are rare; only three (7.5%) of the companies under review maintain one. Where they are established, they meet on average four times a year, unchanged from the 2020 survey.
- » ESG is an ongoing topic that is receiving increasing attention in the boardroom. It is often associated with risk and encompasses both purpose and social responsibility, often having an impact on business operations beyond the supervisory board. 15 of the 40 DAX companies had established an ESG/sustainability committee in 2022 (compared to nine in 2021), and the trend continues to rise.

Remuneration¹

- » The average base fee for the chairperson of the supervisory board in Germany has increased by about 12%, reaching €288,091 in 2022 (compared to €255,937 in 2021). Average total remuneration for the chair of the supervisory board rose to €386,928 (compared to €347,916 in 2021), marking an 11% increase.
- » The average base fee of a regular supervisory board director fell very slightly, to €118,534 in 2022 (from €119,675 in 2021).
- » The most highly paid committee chairmanship is that of the audit committee, in recognition of the existing liability risk.
- » Average remuneration of the audit committee chair in Germany is €113,388 (€98,870 in 2021), an increase of 15%. Among other European countries, Switzerland follows with €93,049 and the UK with €23,151. Belgium records the least, at €11,578.
- » The nomination committee chair is paid less than half that of their audit counterpart. Average remuneration of the nomination committee chair is €44,897 (€38,407 in 2021), marking a 13% rise.
- » The average compensation of audit committee members rose by 13% to €59,820 (up from €52,875 in 2021). Average remuneration for a nomination committee member rose by 12%, to €28,348 (up from €25,255 in 2021).

Diversity

- » 90% (36 companies) reached the established 30% minimum quota for women on their boards, slightly up from 35 in 2021.
- » 37% of supervisory board directors are women, exceeding the legal requirement of 30%.
- » The overwhelming majority (92%/37) of supervisory boards are chaired by men. Only three (8%) supervisory boards — at Brenntag, Henkel, and Zalando — are led by female chairs, one fewer than in 2021.
- » 17% of new female supervisory board directors are first-timers, compared to 80% of new male supervisory board directors.
- » 24% of senior/lead independent directors are women.
- » Across industries, the consumer industry is most the advanced, with 42% female board representation, compared to 33% in the industrial sector.
- » Among all new directors in Germany, 40% are female.

¹ reflected are shareholder representatives and independent non-executive directors w/o employee representatives

12%

increase in chair remuneration, to €386,928

90%

of companies have reached the 30% minimum quota for women on their boards

40%

of new directors in Germany are female

55.7

average age of female
supervisory board directors,
vs. 60.2 for men

68%

of companies conducted a
board evaluation in 2022

Age

- » The average age varies between male and female supervisory board directors: The average age by female supervisory board directors is 55.7 years. For male supervisory board directors, the average age is 60.2 years, a difference of almost five years.
- » Age distribution also varies: 35% of female board directors have an average age of 52.1 years; 26% an average age of 56.9 years; only 19% have an average age of 61.7 years.
- » In contrast, male supervisory board directors are older, with 25% on average 57.1 years old; 27% on average are 62.1 years old ; 18% of the male supervisory board directors are aged 66.6, on average.

Board evaluation

- » 47% (or 18 companies) conducted an internal board evaluation (compared to 32 companies in 2021).
- » 32% (or 12 companies) did not conduct any board evaluation in 2022 (four companies in 2021).
- » 21% (or eight companies) conducted an externally guided board evaluation (three companies in 2021).
- » One company did not disclose whether they have conducted a board evaluation (two companies in 2021).



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