

White Paper about

Danish Non-Executive Boards in Numbers and Facts

With special focus on current and potential female board members -
their board experience and their career background

Volume 1: Non-Executive Boards in Denmark



Published by

Tau Steffensen

Senior Partner & Headhunter

AIMS International Danmark

What to expect

I have prepared 6 reports in total, that deal with different aspects in the description Danish non-executive boards and their diversity. These reports will all be published under the following titles:

- Volume 1 – Non-executive Boards in Denmark
- Volume 2 – Non-executive Board Positions
- Volume 3 – Non-executive Board Recruitment
- Volume 4 – Non-executive Board Members
- Volume 5 – Female non-executive Board Members
- Volume 6 – Motivation to join a non-executive board

These reports are the preliminary highlight of many years of work in - and interest for Danish non-executive boards - their creation, their development, their renewal, and their composition, especially considering diversity.

The main findings of this report which will be elaborated in detail are:

- The number of non-executive boards we have in Denmark, but also the potential for the creation of more
- The size of the Danish non-executive boards - and especially how many small and large non-executive boards we have
- The number of non-executive boards in Denmark without female members
- The internationalization of Danish non-executive Boards

It was prejudice and a missing overview that initiated this work

What initially started this piece of research was especially two circumstances:

- Firstly, I was irritated that whenever I read an article about Danish non-executive boards and their composition or heard a lecture on the subject, the conclusions were always based on very limited samples that never provided the complete picture of the Danish non-executive boards:
 - It could be the Danish C20 companies
 - It could be all Danish listed companies - we have less than 200 in Denmark
 - It could be the 1000 largest Danish companies
 - Or another random sample
- Secondly, I was provoked by the following 3 statements that I repeatedly encountered in various media:
 - There are not many potential female Danish non-executive board candidates available
 - Those who are available – do not want to join a non-executive board
 - Those who want to – do not have the necessary skills

In particular, the last point I had difficulty relating to, as I through my career have met many exciting and highly competent female executives, and I decided that I would strive to reject or confirm these prejudices or at least nuance the statement by considering what characterizes female Danish non-executive board members.

I hope that the reports - individually and especially collected - will give readers the same insight into new facts about Danish non-executive boards as they have given me.

In addition, I hope that the reflections highlighted will help illuminate new dimensions in the debate about non-executive board diversity and how we select our non-executive board members and put together our non-executive boards.

Last but not least, I hope the reports will help create a common reference point when we talk about Danish non-executive boards, their composition, as well as the Danish non-executive board members.

I hope you enjoy the reading.

The purpose of the report” Volume 1 – The Non-executive Board”

This report is made with the aim to take a snapshot of all Danish non-executive boards registered with the Danish Business Authority, in order to create a common reference point in the debate about the composition of Danish non-executive boards.

At the same time, it is an important starting point when I look into the composition of the non-executive board positions and members of the non-executive board in the subsequent reports.

The purpose of this report has not been to question whether we have too many or too few non-executive boards in Denmark, but only help to refine the debate around the non-executive boards in Denmark.

My professional benchmark, however, is that the non-executive board and its composition must serve a strategic purpose for the company in question and not merely be a pro forma matter due to formal legal requirements or due to wishes/requirements from key external stakeholders.

The first outlining of all Danish non-executive boards

This analysis is conducted based on data extract from the Danish Business Authority’s CVR register concerning all Danish non-executive boards based on the following criteria:

- Data is valid per. 31.12.2017
- All types of companies are included and not only A/S - i.e. that the survey also includes the types of companies ApS, P/S, K/S, IVS, Funds etc.
- Affiliated companies are all included as individual legal entities
- For the composition of the non-executive boards, deputies and employee-elected members are not included

The analysis is based on a number of different parameters, but since it is very limited what is currently required of information in connection with the registration of a non-executive board and individual non-executive board members, it is limited how many different dimensions can be used for description of the Danish non-executive boards - in the absence of better, I have had to go with the dimensions: Company type, number of non-executive board positions, the gender of the non-executive board members and their place of residence.

In addition, there are data recorded in the CVR Register, which is not possible to access via the source I have used.

In particular, I would like to have had available data on the age of the individual members of the non-executive board as well as their mutual family relationships, but this is unfortunately unavailable information.

We have a lot of non-executive boards in Denmark

As mentioned, my analysis of Danish non-executive boards is based on an extract from the CVR Register of how many registered non-executive boards we had in Denmark per. 31.12.2017.

As table 1 below shows, there was per. 31.12.2017 registered just over 60,000 non-executive boards in Denmark.

As the starting point for my analysis is the non-executive board, and not the corporate legal entity that it represents - I have not studied closely how many of these non-executive boards belong to the same group-owned companies and how many belong to individual companies, but the Center for Private Owned Companies in Copenhagen has in their reports of Family Businesses in Denmark calculated that 25% of all companies in Denmark have a group-based structure.

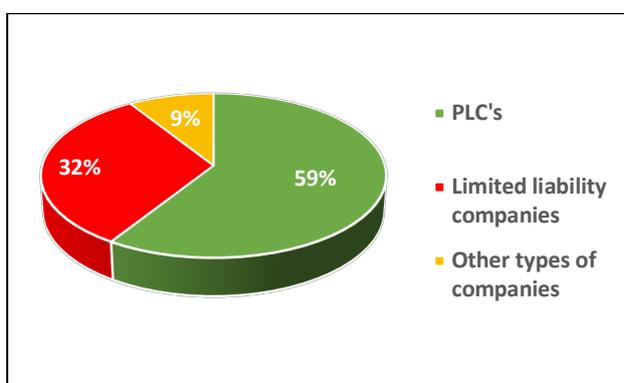
Assuming that the same relationship applies at non-executive board level, it means that there are approximately 43,500 corporate independent non-executive boards in Denmark.

The reason that I in my analysis have based the data on the approximately 60,000 registered non-executive boards are:

- The legal requirements that exist for the non-executive boards, and the potential accountability that a member of the non-executive Board is held to, is the same whether it is a single non-executive board or a group-based non-executive board
- Therefore, a membership of a non-executive board has the same risk profile for the board member regardless of which tasks are resolved in the non-executive Board and whatever the structure of the non-executive board may have.
- I have met a lot of board members who do not consider non-executive boards in affiliated companies as "real" boards despite the responsibility and the risk that a member of the these board has, but this is a prejudice that I would like to help eliminate.

Table 1 Number of non-executive Boards in Denmark per 31.12.2017

Company type	Number	Share
PLC's	35.153	59 %
Limited liability companies	19.384	32 %
Other types of companies	5.474	9 %
Total number of boards	60.011	100 %



Of the approximately 60,000 non-executive boards we have in Denmark, table 1 above shows that just over 35,000 are statutory boards in accordance with the Companies Act, while approximately 25,000 non-executive boards in Denmark are voluntarily established boards.

But many more boards are needed

The number of non-executive boards in ApS's is just under 20,000 and this means that approximately every fifth or about 20% of the approximately 95,000 limited liability companies we have in Denmark today have established a voluntary non-executive board.

The same pattern appears when we look at other business types. Here, approximately 5,500 voluntary non-executive boards have been established, meaning that approximately 16% of the approximately 35,000 other business types we have in Denmark have chosen to establish a non-executive board.

The underlying reasons for the establishment of a non-executive board by such companies can not only be explained by requirements/requests from external sources, but it has not been within the scope of this report to look at the root causes of these board establishments.

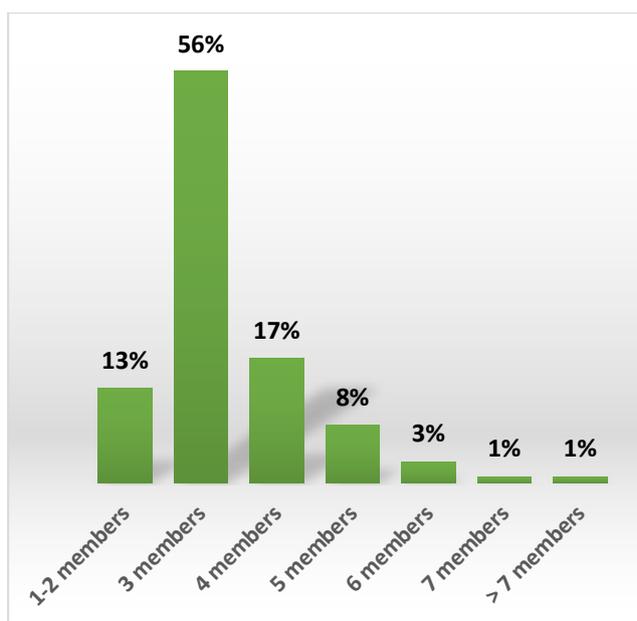
Is it possible to have a too small or too big non-executive board?

If we have a closer look at these approximately 60,000 non-executive boards in Denmark and how they are composed, it becomes evident that the number of members in these - according to the data I received from the CVR Register - varies between 1 and 20 members.

According to my studies, a non-executive board of 1 and 2 members is allowed in the voluntary non-executive boards and as it can be seen from Table 2 below, over 10% of all Danish non-executive boards only have one or two board members.

Table 2 Number of members per board

Number of boards with:	Number	Share
1 or 2 members	8.126	13 %
3 members	33.829	56 %
4 members	10.176	17 %
5 members	5.009	8 %
6 members	1.560	3 %
7 members	826	1 %
More than 7 members	485	1 %
Total number of boards	60.011	100 %



Unfortunately, the data that I have had available does not provide an answer as to whether it is in the ApS businesses or other business types where you see this board constellation most frequently.

Why some choose to have only 1-2 board members is also not discussed in this report, and you can only speculate about the underlying reasoning, but whether there is one board member or 20 (which is the

largest non-executive board in Denmark in 2017), I will allow myself to question the ability of these non-executive boards, to strategically help the companies they are a part of, the board of directors for which they are the governing body or the owner(s) who has appointed them.

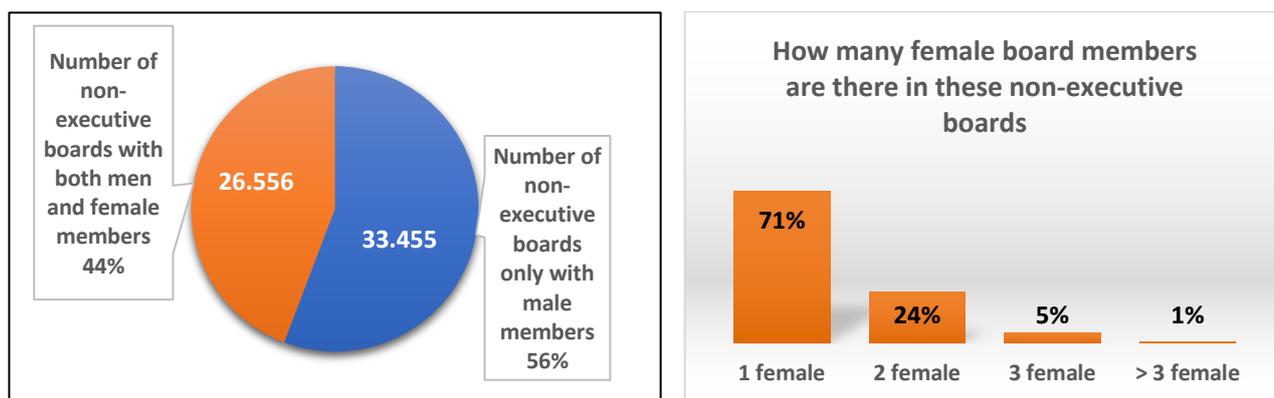
The most common, however, is that there are 3 board members. This applies to approx. 55% of all non-executive boards and 3 members are also the legal minimum requirement in Denmark for statutory boards.

Over half of the Danish non-executive boards only have male members

One dimension I wanted to describe when we examine the 60,000 non-executive boards is the question of diversity in these boards.

Here, my studies show that 56% or slightly more than 33,000 non-executive boards only have male members and as a consequence female board member are only represented in approximately 26,500 non-executive boards or in 44% of all non-executive boards.

Table 3 Number of non-executive boards with female members and their females representation



Of these approximately 26,500 Danish non-executive boards with female members, more than 70% only have 1 female member, while only a few non-executive boards in Denmark have more than 3 female board members - in fact, only 314 non-executive boards have more than 3 female members as of 31.12.2017.

Danish non-executive boards are surprisingly international

I realize that gender is not the only diversity parameter and that it might also be interesting to look at cultural diversity.

Unfortunately, for this analysis, I have no access to data that can illustrate the nationality of Danish non-executive board members - as it is only their place of residence that is registered with the CVR Register. But if we look on this parameter, the picture below (table 4) is what we see.

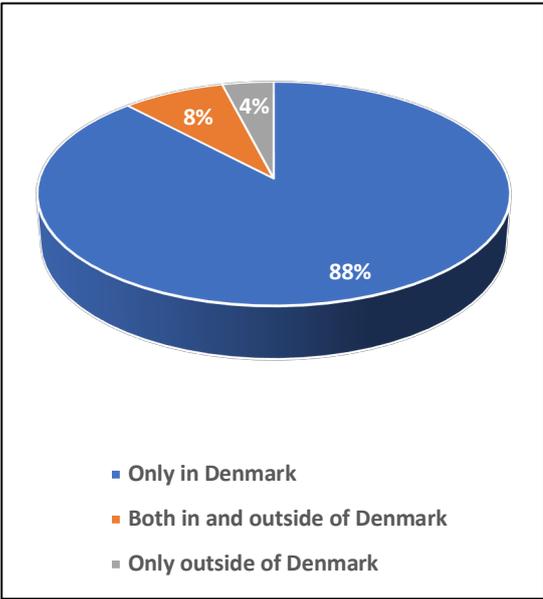
As shown, by far the majority of Danish non-executive boards are not surprisingly occupied by members residing in Denmark.

On the other hand, it is only 88% of all Danish non-executive boards that only consists of Danish residents and there are 12% or almost 7,500 Danish non-executive boards that have members residing outside of Denmark - this is surprising to me.

Even more surprisingly, 4% - or more than 2,200 Danish non-executive boards - are only occupied by persons living outside of Denmark. As mentioned above, how many of these are expatriate Danes and how many are foreigners is one of the details that unfortunately is not available data.

Table 4 Number of non-executive boards in Denmark divided on the members' place of residence.

	Number	Share
Number of non-executive boards with board members only residing in Denmark	52.630	88 %
Number of non-executive boards with board members residing both in and outside of Denmark	5.114	8 %
Number of non-executive boards with board members only residing outside of Denmark	2.277	4 %
Total number of non-executive boards	60.011	100 %



My reflections and new questions that arise

My analysis of the Danish non-executive boards has given me a lot of new knowledge and an overview that I did not previously possess, especially regarding the extent of diversity in Danish non-executive boards.

In particular, it was new to me that we have more than 60,000 non-executive boards in Denmark, but there are still a lot of companies - especially ApS - which do not have a board.

In addition, it came as a big surprise to me that we have so many non-executive boards with only 1 or 2 members - a circumstance that I hope to understand the reasoning behind, but which I professionally as the chairman of a board have difficulty relating to.

Finally, and unfortunately not surprisingly - I have been confirmed in the gender diversity of Danish non-executive boards, but on the other hand I have been surprised by the extent of internationalization in the same boards.

However, the analysis has also raised a number of new questions, especially about a more detailed understanding of the composition of these non-executive boards, how many board positions there are, what diversity looks like in the non-executive boards, what we know about their seniority etc.

All this and much more can be read in "Volume 2 – Board Positions", which will be published in late September 2018.

About the author

Tau Steffensen has in the last approximately 10 years worked as a Headhunter in Denmark, where he has worked with a extensive number of large and medium-sized Danish companies.

Before that time, Tau had a large number of CXO positions and, from 2002 to 2008, has been the owner of a smaller production and trading company.

His career within non-executive boards began in 1998 when Tau was elected to the non-executive board for both FDIH and DK-Hostmaster. Since that time he has been in a number of non-executive boards and Advisory Boards and is currently Chairman of HP Electronics Montage ApS, a position he has had since 2014.

Tau Steffensen has been working actively for many years in various non-executive board networks and is currently a member of ASNET Board, where he is the leader of their Pipeline Group in Region East.

Tau Steffensen has both academically and professionally worked with non-executive boards and board recruitment for many years and knows the dynamics of non-executive boards both inside and outside as a member of the board.

Tau Steffensen has worked with both professional international non-executive boards and semi-professional Danish boards, so his experience in this area is long-term and covers many types of non-executive boards.

His passion for board diversity began in 2011/12, where he began to analyse this area more systematically, and since then Tau has performed at a wide range of conferences and events as well as been quoted in articles and interviews about the preliminary results he has revealed.