

Board Monitor Brazil 2021

B3 boards focused on adding active executives with industry-specific experience in a tumultuous year.



About Board Monitor

This report is part of Heidrick & Struggles' long-standing study of trends in board composition in countries around the world. Produced by our CEO & Board Practice, these reports track and analyze trends in non-executive director appointments to the boards of the largest companies in Australia, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Mexico, the Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, the United Arab Emirates, the United Kingdom, and the United States. Information about executives is gathered from publicly available sources, BoardEx, and a Heidrick & Struggles proprietary database.

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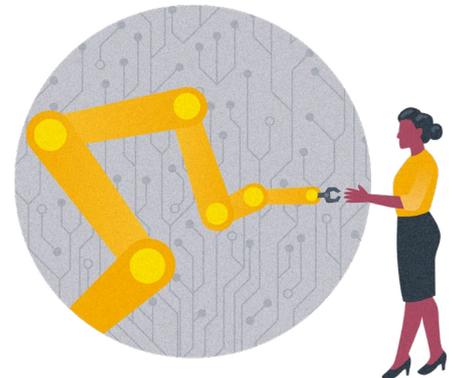
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Seeking current experience in a tumultuous year



Board fundamentals—financial oversight and good governance—were crucial in 2020 for boards around the world as companies navigated through a global pandemic, geopolitical uncertainties, and economic recovery. In Brazil, COVID-19 broke out in the midst of a political crisis and made the political crisis all the more visible and difficult. While the Brazilian government had made progress advancing an economic agenda that includes reform of the pension and social security system, the economic crisis that resulted from the pandemic has put much of these reform efforts at risk, creating a more complex and challenging business environment.

Many directors found themselves working more closely than ever with executive teams to keep their companies afloat, and working at a faster pace than ever before. Boards were increasingly expected to not only address topics as wide-ranging as community responsibility, sustainability, and diversity in their own composition but to do so publicly. Furthermore, remote working and crisis management forced boards to

operate differently—often outside their traditional schedule and agenda.

All of this, of course, affected how boards thought about the new members they added in 2020. In Brazil, where we are tracking incoming directors on B3 company boards for the second year, companies filled 73 seats, a drop from the prior year. Fifty-three percent of the seats went to people with CEO or CFO experience, just about the same as the United States' 51%.¹ Fifty-five percent went to people with prior public company board experience, somewhat lower than the share in the United States (62%). Sixty-two percent of Brazil's seats went to active rather than retired executives, a higher share than the 57% in the United States.

The share of seats that went to Brazilian nationals was 85%, one of the highest shares of seats going to nationals around the world; only Italy had the same share of seats that went to Italian nationals.² Eighty-five percent, however, is a drop of six percentage points from the prior year. In terms of gender diversity, 22% of

new seats went to women, a rise of two percentage points but far below the shares in the United States (41%) or Europe (48%).

Finally, it's notable that Brazil's boards more often than those in most countries we study filled seats with people who have experience in the same industry as the board's company. Most notably, all of the seats in the technology industry went to people with technology experience. In the United States, we saw an uptick in the shares of seats going to people in the same industry, likely to draw on their expertise through the events of 2020. However, the highest share of seats in any industry going to people with that expertise in the United States was only 43%.

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¹ Board Monitor US 2021, Heidrick & Struggles, on heidrick.com.

² Board Monitor Europe 2021, Heidrick & Struggles, on heidrick.com

Snapshot of 2020 findings

New director seats filled



73

Average age



57

Current and former CEOs



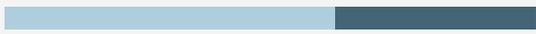
Current and former CFOs



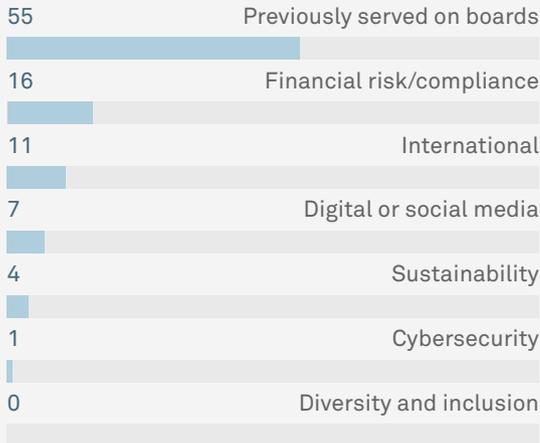
Active/retired executives (%)

Active: 62

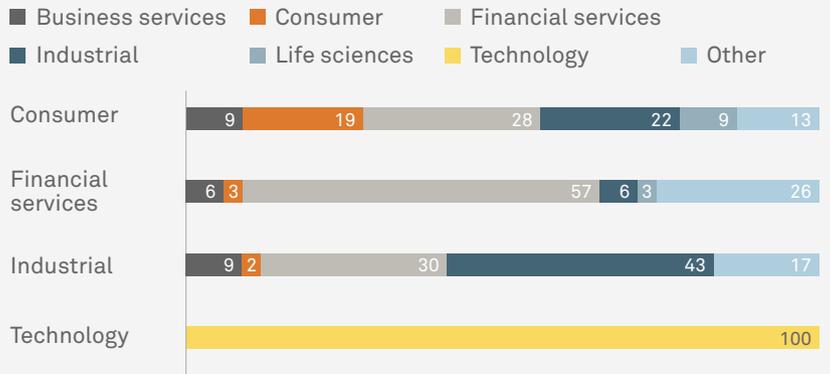
Retired: 38



Experience (%)

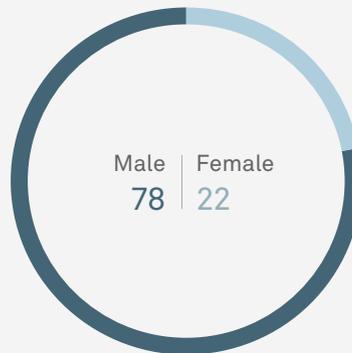


Distribution of previous industry experience, by industry (%)

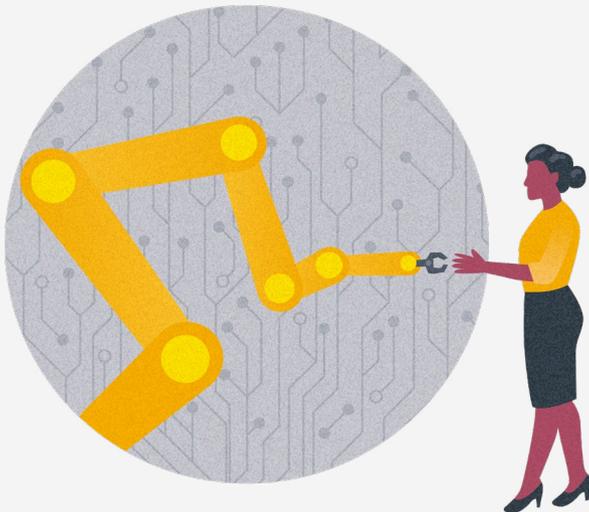


Note: Numbers may not sum to 100%, because of rounding.

Gender (%)



Nationality (%)



Looking ahead



Brazilian boards are becoming ever more committed to their own effectiveness. In the coming year, new issuers are expected to come to market in sectors including retail, technology, and healthcare and life sciences, mainly due to the need to raise capital as a result of pandemic-driven economic challenges, as well as a low interest rate environment. Boards will need to be prepared with a fast and effective response to new corporate governance guidelines.

We expect boards to intensify their focus on their role in supporting their organization's purpose and to continue their commitment to having the right mix of directors to ensure board effectiveness. We see boards innovating their refreshment processes,³ placing an even stronger focus on expanding gender and racial and ethnic representation. We also expect boards to expand their lens on diversity to include nontraditional industry, functional, or regional experience in order to bring in new perspectives that will help companies maintain agility.

We expect the directors added this year, all in all, to be part of boards that are more diverse, more committed, and more agile than ever and considerate of the new, trending mix of virtual and in-person annual board of directors and shareholder meetings.

³ For more on new approaches to board refreshment, see Alice Breeden, Theodore L. Dysart, and David Hui, "Building the foundation for better board refreshment," Heidrick & Struggles, on heidrick.com.

CEO & Board Practice

Heidrick & Struggles' CEO & Board Practice has been built on our ability to execute top-level assignments and counsel CEOs and board members on the complex issues directly affecting their businesses.

We pride ourselves on being our clients' most trusted advisor and offer an integrated suite of services to help manage these challenges and their leadership assets. This ranges from the acquisition of talent through executive search to providing counsel in areas that include succession planning, executive and board assessment, and board effectiveness reviews.

Our CEO & Board Practice leverages our most accomplished search and leadership consulting professionals globally who understand the ever-transforming nature of leadership. This expertise, combined with in-depth industry, sector, and regional knowledge; differentiated research capabilities; and intellectual capital, enables us to provide sound global coverage for our clients.

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