Heidrick & Struggles

Corporate Governance Report **2009**

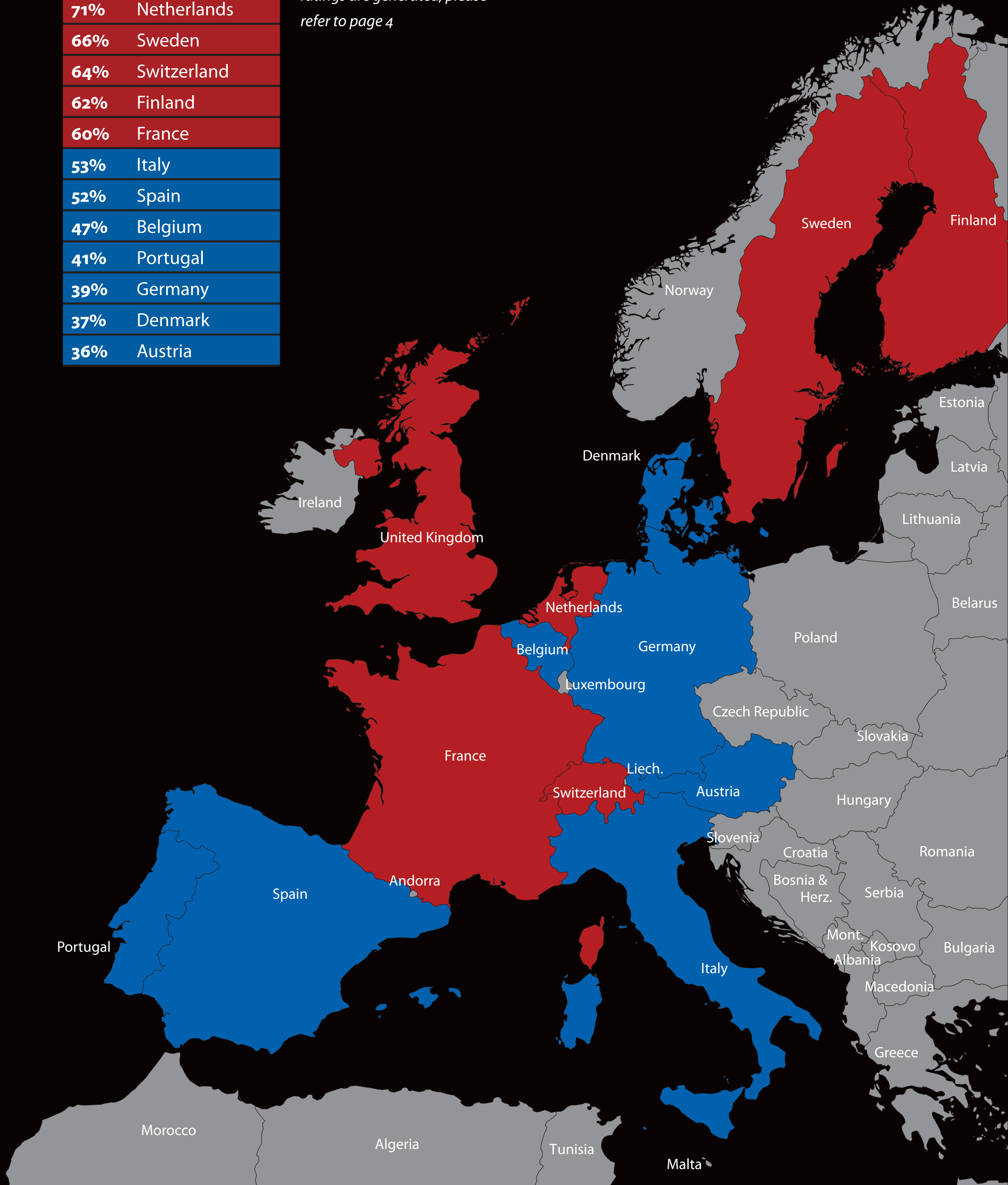
Boards in turbulent times

Austria
Belgium
Denmark
Finland
France
Germany
Italy
Netherlands
Portugal
Spain
Sweden
Switzerland
United Kingdom

Corporate Governance Ratings 2009

77%	United Kingdom
71%	Netherlands
66%	Sweden
64%	Switzerland
62%	Finland
60%	France
53%	Italy
52%	Spain
47%	Belgium
41%	Portugal
39%	Germany
37%	Denmark
36%	Austria

For a breakdown of how these ratings are generated, please refer to page 4



Foreword

The global financial crisis has heralded a new international order that has yet to be understood fully or accepted widely. The economic changes happening now are structural, not cyclical, and therefore truly transformative. These changes will affect every company in every sector across the world.

There has been a chronic loss of trust in the world's systems and institutions: company boards must be the vanguard of the effort to win back the confidence of customers and investors alike. A well-balanced board is critical to the effective strategic direction and running of any company. Good governance and leadership will help rebuild confidence in our business systems, providing a stable framework for sustainable growth.

The tenth anniversary report by Heidrick & Struggles (and their sixth comprehensive survey of Europe's progress in Corporate Governance) is particularly timely. The 2007 report was entitled ***Raising the bar*** and the findings of the 2009 report reveal the vast majority of companies have continued to raise the bar in terms of the calibre of their board, enabling them to better address the shifting economic landscape.

At the same time, the report does quietly flag countries who have not addressed improvements in corporate governance with the urgency they should have – we can expect to see still more convergence to best practice here and across the world in the coming year.

In these turbulent times emotions run high and perspectives can become skewed. I commend this report and the objective scrutiny it provides.

Professor Klaus Schwab
Founder and Executive Chairman,
World Economic Forum

contents

Boards in turbulent times, 1

Section one: European trends, 2

European overview, 2

Methodology – introducing a new rating, 4

European boards – how do they work? 6

Board committees in Europe, 9

Composition of boards in Europe
– managing independence and diversity, 11

European boards – remuneration, 16

Board evaluation, 18

Section two: local perspectives, 20

Austria, 20

Belgium, 22

Denmark, 24

Finland, 26

France, 28

Germany, 30

Italy, 32

Netherlands, 34

Portugal, 36

Spain, 38

Sweden, 40

Switzerland, 42

United Kingdom, 44

Company index, 46

"…the greatest divergence between European companies is on board composition which is troubling, as optimal board membership is one of the ultimate goals for all boards…"

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To order further copies of the Corporate Governance Report 2009, and supplements exploring corporate governance standards in South Africa and Turkey, please email **cg2009@heidrick.com**

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Boards in turbulent times

Ten years ago when Heidrick & Struggles launched the first biennial report into the governance practices of European boards, it would have been hard to imagine the severe economic climate that would prevail for the publication of this, its sixth edition.

The state of the global economy, the unprecedented collapse of so many large organisations and the criticism of many boards and leadership teams makes the current turbulence a particularly relevant theme for this report.

When we launched the first study in 1999 we did so to enable boards striving for excellence to benchmark their own practices against those of the largest companies in Europe. Back then, before the Higgs Combined Code came into practice in the UK and Sarbanes Oxley was introduced in the US, it was arguably only the most enlightened boards that focused on better governance. Now, with effective leadership no longer taken for granted, boards are being forced into greater transparency to rebuild trust. We are certain that this report, which this year covers thirteen countries with supplements for Turkey and South Africa, will continue to be a practical tool in this endeavour.

This year also sees the introduction of a new, more exhaustive ratings system. This 'second generation' rating is based on an extended set of criteria to offer a more in-depth and refined observation of individual boards.

We hope that its ten year track record of rigorous data collection and analysis along with this new greater scope will ensure that this report continues to earn its reputation as Heidrick & Struggles' signature study across Europe. The fact that it is consistently among the top three most viewed documents on our website is testament to its popularity.

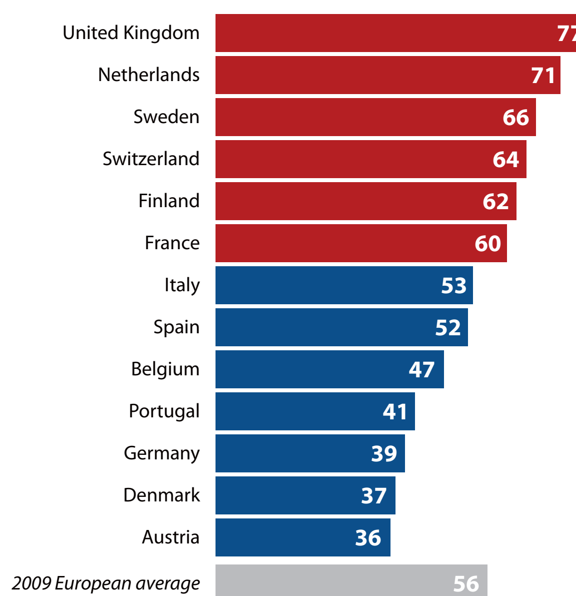
We are also proud to have been a founding content partner, in partnership with other leading advisory companies, of the new GCC Board Directors Institute, backed by major Middle East corporations, aiming to advise on and develop governance strategies that leapfrog mere compliance to ensure superior board effectiveness. A similar initiative in Asia Pacific is in the planning phase.

European overview

Turbulent times demand a greater focus on board effectiveness. While adherence to strong rules on corporate governance remain essential – as this report was in its final production stages, the Indian Satyam scandal highlighted the dangers of non-compliance in a part of the world not known for governance standards – the world economic crisis has introduced a need for discipline rarely seen in Europe over the last decade.

figure 1

CG09 **2009 Corporate governance ratings**
(conformity with stated governance criteria)



Variously impressed or shocked by the financial performance of private equity owned companies over the last few years, boards are increasingly adopting working methods with a single-minded focus on far-sighted strategies and hard-nosed delivery; driving shareholder value in a way not seen before. Privately owned or governed companies are also seeing the value of improved governance, evidenced by the growth of advisory boards. These are very often a precursor to the introduction of a fully balanced main board with strong independent representation playing as important a role as in publicly listed corporations.

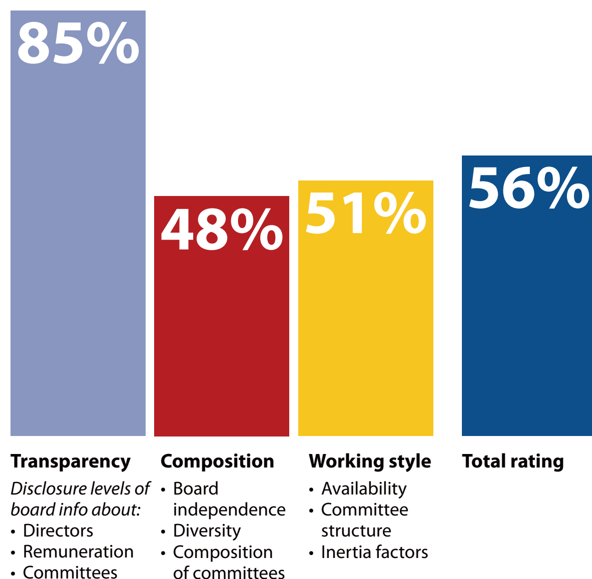
Distilling the trends which we have tracked since launching this report in 1999 we can highlight the following as the features which best equip European boards for maximum effectiveness:

- Improving board composition and balance – ensuring diverse and rich perspectives from each board member.
- Allowing sufficient time for non-executive board members and chairmen to attend to their duties and responsibilities.
- Increasing international expertise, because very few companies these days are reliant purely on national revenues or ownership.
- Emphasising the value of properly independent directors, the global consensus is that independent directors should exceed 50% of board membership.
- Increasing use of specialised committees which meet separately from the main board meetings, reflecting the increased workload for boards these days.
- Improving board meeting dynamics and undertaking regular – certainly annual – formalised evaluations of the board and its performance.

The ten year history of our report shows a relative stabilisation in the implementation of best practices, following the rapid progress of corporate governance practices in virtually all European top listed companies in the first years of the new century. Disappointingly, there has been no improvement since 2007 among many of the lowest performers after a period of strong progress between 2005 and 2007.

figure 2

CG09 Europe at a glance



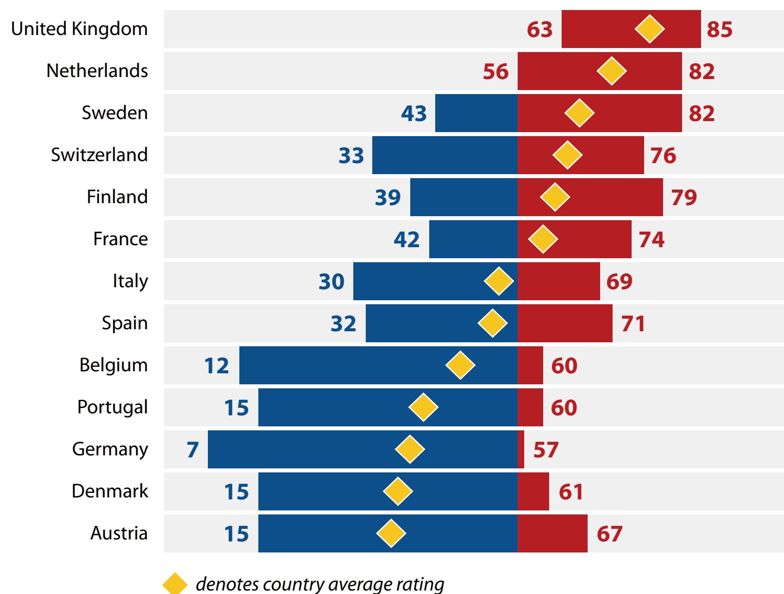
Using our new rating methodology the top 371 European companies achieve an average rating of 56%. The UK, Netherlands and Sweden hold their position as the 'top countries' and adhere to best practices more than their other European counterparts *(figure 1)*.

If we look at the three components of this rating – transparency, board composition and working style *(figure 2)* – European companies perform best on transparency. The greatest divergence between European companies is on board composition which is troubling, as optimal board membership is one of the ultimate goals for all boards.

If we look at individual country results *(figure 3)* and compare the spread between the lowest and highest rated companies in each country, we find the highest convergence between company ratings in the top countries (the UK and Netherlands). At the opposite end of the spectrum, we observe the greatest spread between company ratings in Austria, Denmark, Germany, Portugal, and Belgium.

figure 3

CG09 Spread of company ratings
(minimum, maximum and country average)



Methodology
introducing a new rating

An upgraded company rating

Ten years after the successful launch of our company rating, we are pleased to introduce a more exhaustive rating, though broadly consistent with the structure of our original approach. We have upgraded our rating methodology to adapt to the new best practices that have emerged over the last decade. Company boards want to be benchmarked against the best of their peers and the most demanding practices. Our 'second generation' rating is based on 41 criteria to offer a more in-depth and refined observation of individual boards. It is based on more stringent definitions and higher expectations so that companies can continue to raise the bar.

The process

Our data collection process remains unchanged: the report is based on published information – mainly annual reports and data provided by the company's investor-relations department. Desk research is intense, as we collected over 270 items of data on every board, i.e. as many as 100,000 in total. The growing success of our report shows the demand for fact-based research on a full country sample, which cannot be achieved by other methods, such as questionnaires or interviews.

Data collection is conducted locally, for a better understanding of national specificities, though coordinated and controlled centrally, to ensure quality and consistency.

The rating of each of the 371 companies studied is based on this quantitative research. Thus, this report does not attempt to make a qualitative assessment on board performance. *Insights from the Chair* and *Building High-Performance Boards* are publications by Heidrick & Struggles that focus on the 'soft factors'. These can be downloaded and read as a complement to this report.

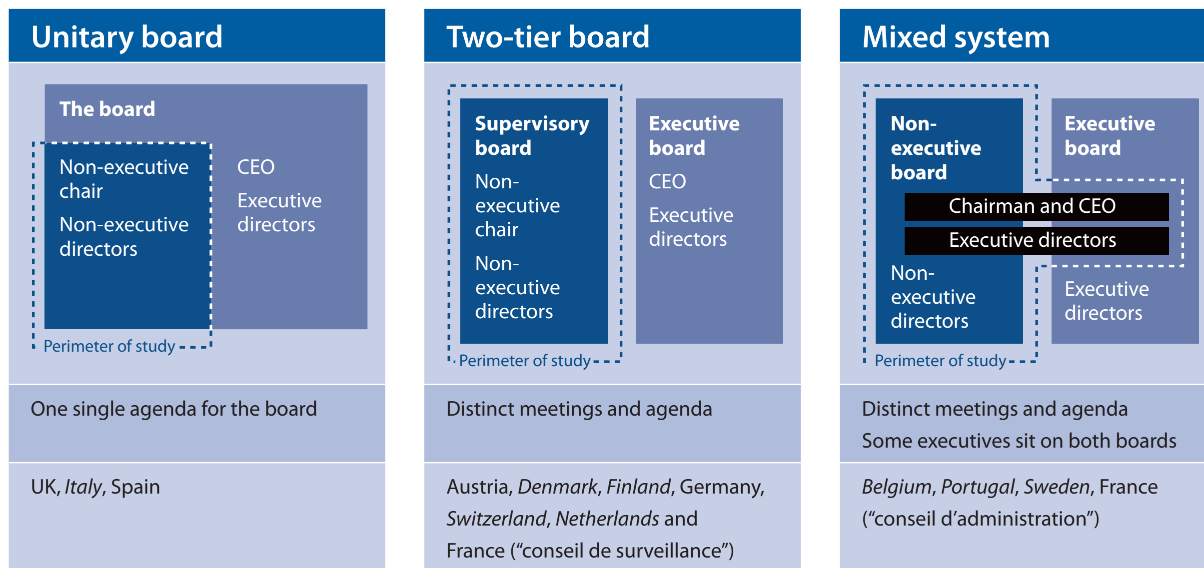
figure 4

CG09 **The three dimensions of our rating**
(based on 41 criteria to offer a more in-depth and refined observation of individual boards)

Transparency	Composition of the board	Working style of the board
Disclosure levels of board information about: • **Directors** • **Remuneration** • **Committees**	• **Board independence** • **Diversity** *(e.g. internationalisation, diversity of expertise, gender)* • **Composition of committees** *(e.g. independent chairmanship and membership)*	• **Availability** *(e.g. frequency of meetings, attendance, availability of the directors)* • **Committee structure** • **Board evaluation** *(e.g. frequency, leadership, process)* • **Inertia factors** *(e.g. length of tenure, time on board, turnover)*

figure 5

CG09 **Three types of non-executive and supervisory board structures**
(countries in italics denote those where the majority use the specific board structure)



Company and country samples

As in the past, we selected the top companies based on the reference stock exchange, as follows: Austria (ATX), Belgium (BEL20), Denmark (C20), Finland (OMX Helsinki), France (CAC40), Germany (DAX30), Italy (S&PMIB), Netherlands (AEX), Portugal (PSI20), Spain (IBEX35), Sweden (OMX Stockholm), Switzerland (SMI) and the United Kingdom (top 50 of the FTSE).

As corporate boards rediscover the value of best practices in turbulent times, we have enlarged the scope of our research to include Denmark and Finland (as in our 2001 Report). We have also published two supplements to this report on Turkey and South Africa. In the Middle East, we are a founding content partner, along with McKinsey, Allen & Overy and PricewaterhouseCoopers, of the Gulf Co-operation Council Board of Directors' Institute, focusing on best corporate governance practice and standards – initially of the Gulf, but targeted to roll out progressively across the region.

The three dimensions of best practice

As before, our rating takes into account three main dimensions of best practice. Each company in the report was rated individually on 41 weighted criteria *(figure 4)*, on a scale of 100 points.

Board structure

Board structures in Europe can be grouped into three main types *(figure 5)*:

- The fully **unitary system**, as in the UK, Italy, Spain and some Portuguese companies. This is where there is a single board made up of executive management and non-executive directors. In the UK, in particular, the chairman of the board is usually non-executive.
- The **two-tier system**, compulsory in Germany and Austria, is found in various proportions in every country except the UK and Spain; a majority of boards adhere to this system in Denmark, Finland, Netherlands and Switzerland. This consists of a supervisory board of outside directors and a separate management board of executive directors, each meeting separately. In Europe, 38% of companies adhere to this system.
- A **mixed system** of two boards (an executive and a non-executive) meeting separately, but where some executive directors sit on the non-executive board, in particular the chairman and the chief executive, as in the majority of companies in France (conseil d'administration), Sweden, Belgium and Portugal.

European boards
how do they work?

Frequency of board meetings

The average number of board meetings has increased by 9% in two years to 9.6 full board meetings per year *(figure 6)*, reflecting the growing involvement of boards. Just as in previous reports, two-tier boards meet less frequently than unitary structures (10.1 meetings for unitary boards versus 8.6 meetings for two-tier boards). Yet the growth in the frequency of meetings is spectacular in two-tier boards (+29%).

The number of committee meetings has now stabilised to about 14 meetings following strong growth after 2000. This is largely due to the pressure on, and desire of, board members to stay more regularly in tune with company dynamics.

Attendance at board meetings

There is a 7% increase in average attendance in two years *(figure 7)*, but very little disclosure of attendance in Germany, Austria and Denmark. Attendance remains low in France and Belgium, despite the high proportion of variable fee, based on attendance (in turn suggesting that variable fees are less appropriate these days).

Some suggest the presence of foreign nationals on boards, especially from other continents, undermines attendance rates. This is not supported by the evidence: we found that highly international boards in Switzerland, UK and the Netherlands achieve high attendance ratios. However, international board appointments require a deep assessment of the candidate's motivations and commitment.

figure 6

CG09 **Frequency of board meetings**
(average number of meetings per year)

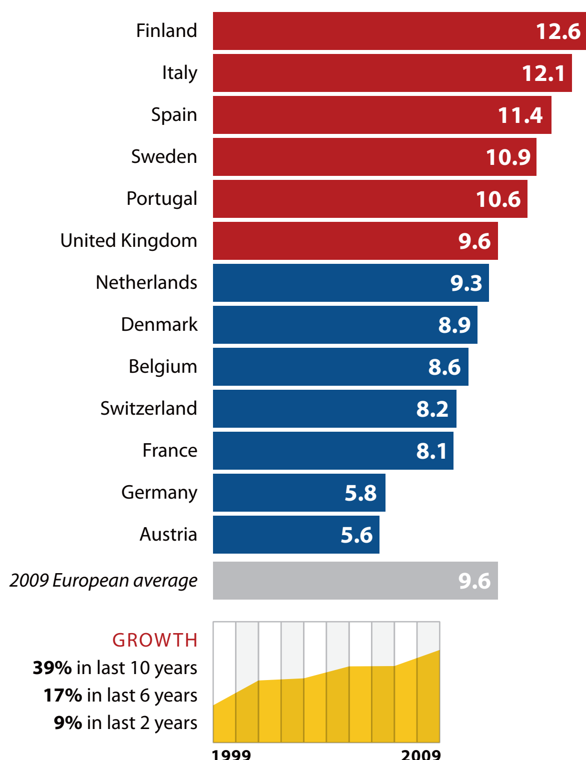
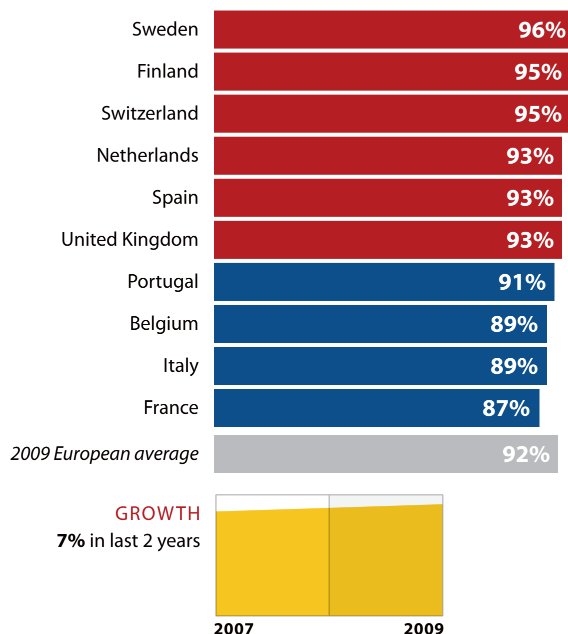


figure 7

CG09 **Attendance ratio**
(average attendance at board meetings, data sample for Austria, Denmark and Germany is not representative and therefore not published)



Availability of the chairman and the directors

As a new item in the 2009 report, we have examined the number of positions that directors and chairmen hold, taking into account current executive positions and non-executive positions in public companies.

While we cannot yet pinpoint the causal link, we can observe that countries with the least available directors *(figure 8)* and chairmen *(figure 9)* achieve a low corporate governance rating; whereas the top countries in our rating have the most available directors and chairmen.

Finding directors who are really available is probably one of the key requests of company boards, alongside expertise. In turbulent times, chairmen and CEOs need the full attention and commitment of their board colleagues. This is why most governance codes in Europe formally flag the importance of restricting the number of boards on which non-executives serve.

Length of tenure

The length of tenure of board directors continues to decrease *(figure 10)*, now standing at 3.1 years, with less than 15% of companies with a mandate of 5 years or over (compared to 24% four years ago). Spain, Germany, Austria and France have the longest terms. Long terms contribute to board ineffectiveness, allowing fewer opportunities to adjust board composition to reflect changing priorities – particularly in turbulent times.

Time on board

Short terms alone do not prevent inertia *(figure 11)*. Sweden, Denmark and Switzerland have a low turnover in the boardroom, with directors staying a long time on their boards despite a short initial length of tenure. In these cases, boards are failing to be as flexible in their composition as they could be. It is likely that the nomination process in these companies favours the re-appointment of current directors rather than the search for new talent.

figure 8

CG09 **Availability of directors on boards**
(CG ratings, red are above average, blue below)

rank	country	CG rating
1	United Kingdom	77
2	Spain	52
3	Switzerland	64
4	Netherlands	71
5	Portugal	41
6	Finland	62
7	Belgium	47
8	France	60
9	Sweden	66
10	Italy	53
11	Denmark	37
12	Germany	39
13	Austria	36

more available
less available

figure 9

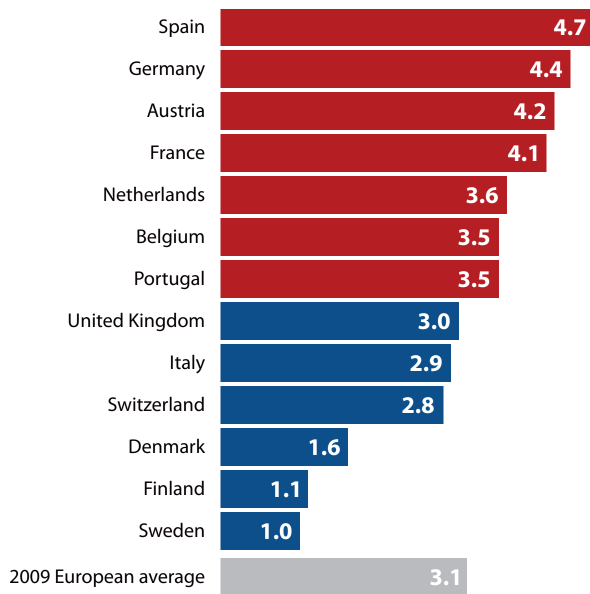
CG09 **Availability of chairmen on boards**
(CG ratings, red are above average, blue below)

rank	country	CG rating
1	Netherlands	71
2	United Kingdom	77
3	Sweden	66
4	Finland	62
5	Germany	39
6	Switzerland	64
7	Belgium	47
8	Portugal	41
9	Denmark	37
10	Austria	36
11	Spain	52
12	France	60
13	Italy	53

more available
less available

figure 10

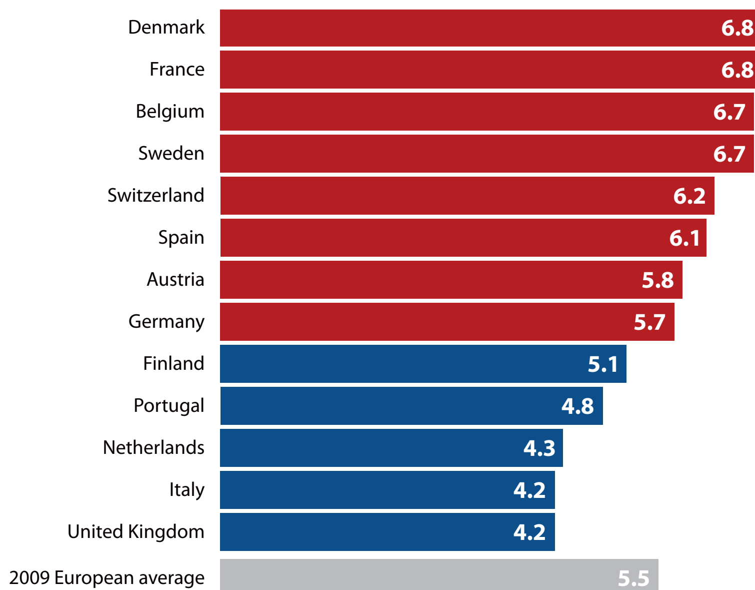
CG09 Average length of tenure of board directors
(length of appointment)



"finding directors who are really available is probably one of the key requests of company boards, alongside expertise"

figure 11

CG09 Average time on the board
(length of actual time on the board)



Board committees in Europe

The average number of committees has stabilised to 3 per company *(figure 12)*. We have noted a 25% growth in this number in 6 years and a doubling in 10 years. We expect more progress in Denmark, Spain, Italy and Finland, particularly in the splitting up of combined remuneration and nomination committees.

The **audit committee** can now be found in 94% of companies *(figure 13)* – from 56% ten years ago. Audit committees meet 6 times per year on average as in our previous report. One-third of companies have a 100% independent audit committee. Full independent representation has become a standard in Belgium, France, Italy, Netherlands, Spain, Switzerland and the UK. We still find many non-independent audit committees: independent directors represent 25% of members in Austria, 31% of members in Germany and 46% of members in Denmark.

The **remuneration committee** is the second most common committee, found in 89% of companies. There has been little change in this over the years. Audit committees still continue to be more independent than remuneration committees.

figure 12

CG09 **Average number of board committees**
(for example: audit, remuneration, nomination, etc)

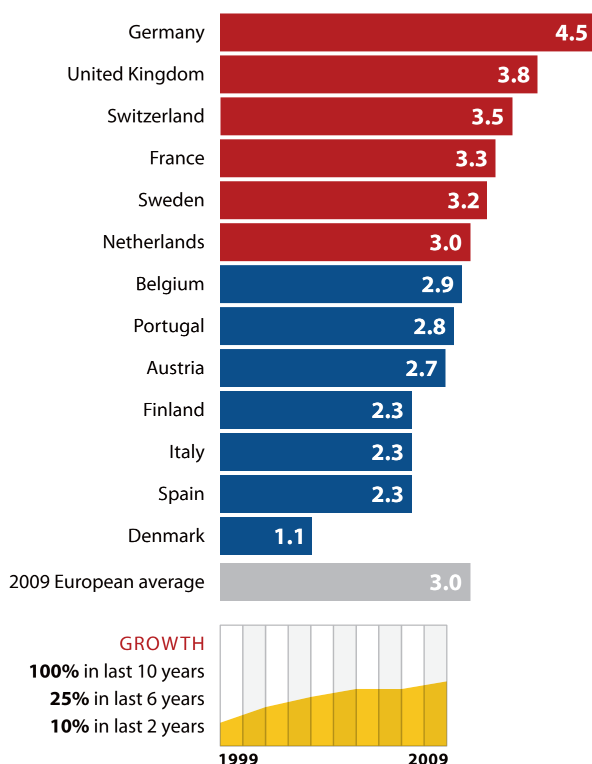


figure 13

CG09 **Presence of board committees in Europe**
(key findings across study)

Audit committee	Remuneration committee	Nomination committee	Strategy committee
100% presence Belgium, France, Germany, Netherlands, Spain, Sweden, United Kingdom	**Separate remuneration committees** Italy, Portugal, Sweden, United Kingdom	**Separate nomination committees** Germany, Sweden, United Kingdom	**Higher than European average** Austria, France, Germany
Less than 75% presence Denmark, Italy	**Below European average** Denmark, Germany	**Below European average** Denmark, Italy, Portugal	**No presence** Sweden, United Kingdom, Portugal, Denmark

Of the 270 **nomination committees** in our sample, 40% are combined remuneration and nomination committees (from 47% two years ago). In France, Italy and Germany, boards are starting to split these committees into two. There is a growing awareness that remuneration and nomination are major talent challenges, requiring the commitment of a dedicated and expert group of directors. Combined committees are not found in the UK, Sweden, Germany, Italy and Denmark.

Strategy committees are not a European norm, as they do not exist in Sweden, UK, Portugal and Denmark. Primarily present in French companies, their number grew by 50% and we have found them in the majority of companies in France and Germany.

One third of **ethics, corporate governance and corporate social responsibility committees** are still found in the UK, but in lower numbers and in lower proportion than in Germany for the first time. One in five French companies also has an ethics committee.

Composition of committees

Compliance standards can quickly improve if the composition of committees is addressed: one-third of audit, remuneration and nomination committees currently have a non-independent chairman. In Austria, Sweden, Portugal and Germany, over two-thirds of committee chairmen are not independent.

In 20% of companies some committees do not include a single independent member. That situation does not exist in the UK but is found in Portugal, Austria, Denmark and in one-third of German companies. Given that these committees are very important extensions of the board, their representation should be similarly balanced if they are to discharge their roles effectively.

"There is a growing awareness that remuneration and nomination are major talent challenges, requiring the commitment of a dedicated and expert group of directors"

Composition of boards in Europe managing independence and diversity

Chairmen and CEOs

84% of European companies split the function of chairman and CEO. In Austria, Finland, Germany, Netherlands, Sweden and the UK, the role is always split. 60% of companies in Spain and 42% of French companies combine the roles of chairman and CEO.

A disturbingly high proportion of former CEOs are still moving to the chairman role *(figure 14)*: 19% of non-executive chairmen are the former company CEO. This is, with a minority of exceptions, contrary to best practice – potentially tying the hands of a new CEO with the presence of his predecessor and inhibiting change.

Number of directors

We record an average of 11.8 members per board *(figure 15)*, compared with 13.5 in 1999. There is very little variance, country by country, on the 2003, 2005 and 2007 figures.

Opinions are still sharply divided regarding the advantages and disadvantages of large or small boards. Many who favour large boards do so, on the basis that they allow considerable scope for the representation of diverse interests. Advocates of smaller boards cite the ease of debate among a smaller number of people suggesting that the effectiveness of any group of people is in inverse proportion to its size.

figure 14

CG09 **Board chairmen in Europe: proportion of executive chairmen and former CEOs**
(background of chairmen)

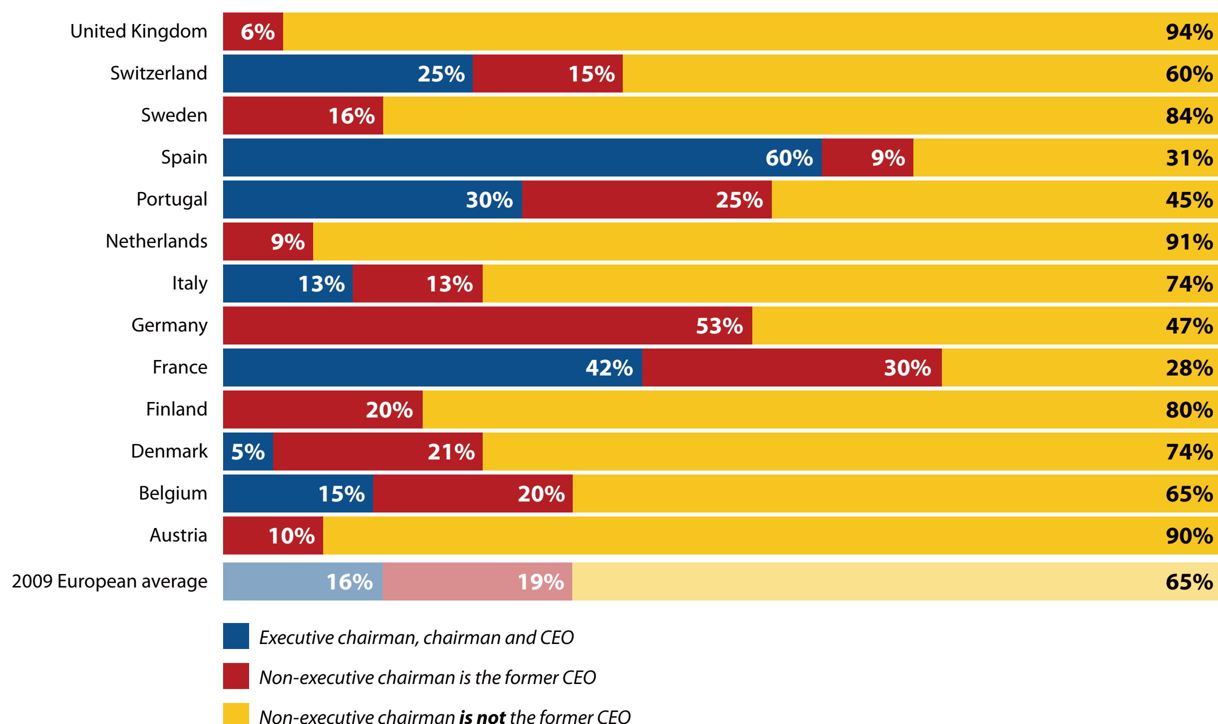


figure 15

CG09 **Number of directors per board**
(total membership of the non-executive board)

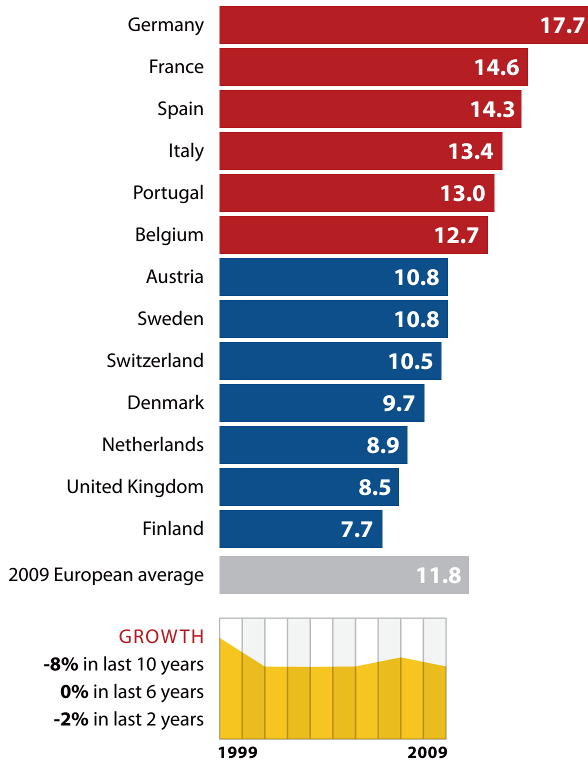
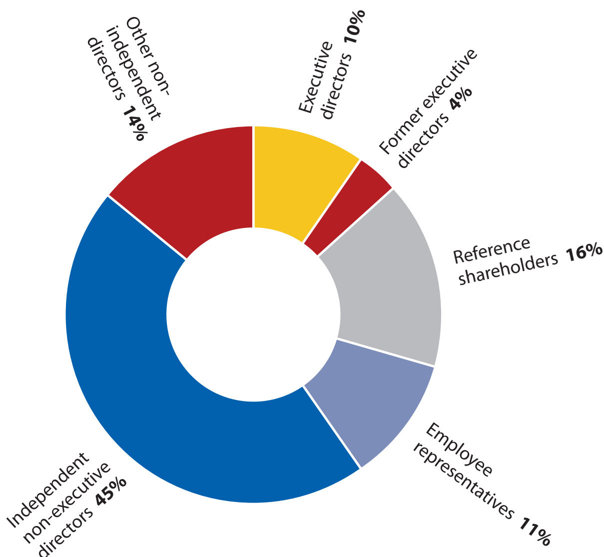


figure 16

CG09 **Board composition by category of director**



Independence

In contrast to the situation in 1999, the proportion of independent directors outweighs the proportion of non-independent directors – those who represent particular interests, for example, shareholder representatives, employees and executive directors *(figure 16)*. At 45%, independent non-executive directors remain the largest, though no longer a growing, category. In corollary we notice an increase in the proportion of non-executive directors who do not qualify as independent according to the most stringent definitions (e.g. directors on boards for over 9 years or with commercial links with the company). Some of these directors may be considered as independent according to national codes – which could usefully be reconsidered.

Board diversity

We use a broad definition of diversity with the following indicators: international diversity, diversity of functional expertise as well as gender diversity.

Complex global markets and particularly the current economic situation provide a compelling business argument for more diverse boards. The assumption is that the more diverse boards are in terms of experience the more likely they are to generate innovative and creative thinking in the boardroom, allowing for better business solutions. Diversity creates a better stakeholder representation and ensures sustainable performance.

figure 17

CG09 **The profile of the boardroom in Europe**
(a summary of the average European board)

Average size of board: **11.8**

Average age: **59 years**

Average age of new directors: **55 years**

9.6 meetings of the full board

1 committee meeting every **4 weeks**

Attendance: **92%**

Average length of tenure: **3.1 years**

Average time on board: **5.5 years**

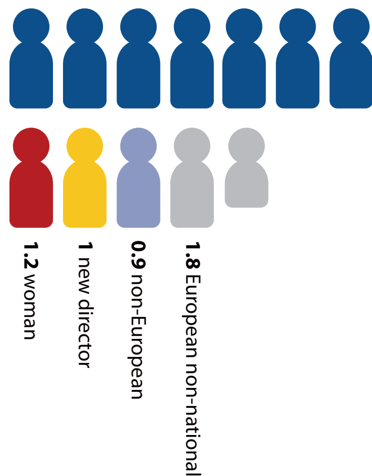
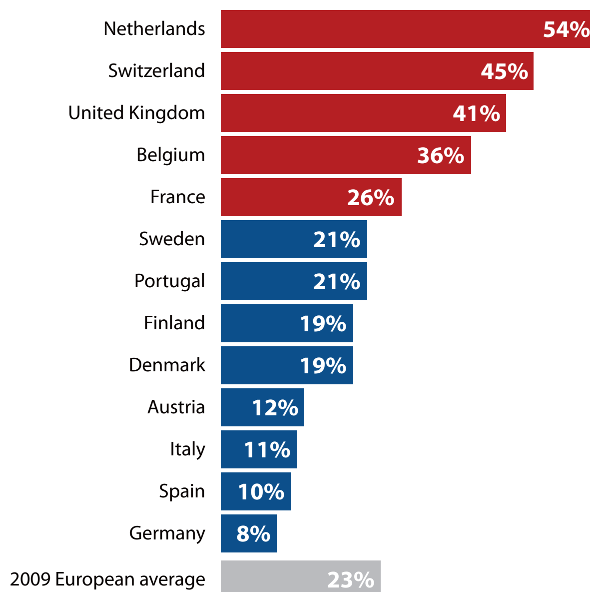


figure 18

CG09 **Proportion of non-national directors**



Board internationalisation

We record an encouraging 11% increase in the proportion of non-national directors to 23% *(figure 18)*. However, this growth hides wide discrepancies among European countries which we can broadly classify in three groups:

- The pan-European boards (Netherlands, Switzerland, UK) where non-nationals represent more than 40% of board members
- Boards comprising a small group of three to five non-national board members (Belgium, France, Sweden, Portugal, Denmark and Finland)
- Countries with small international representation (Germany, Spain, Italy and Austria) – less than 12% non-nationals, i.e. one or two members per board

The absence of non-national directors remains a challenge for many companies: one in four European boards include no foreign directors at present and this proportion has remained stable over two years – despite the majority of these companies having significant non-national revenues and operating locations.

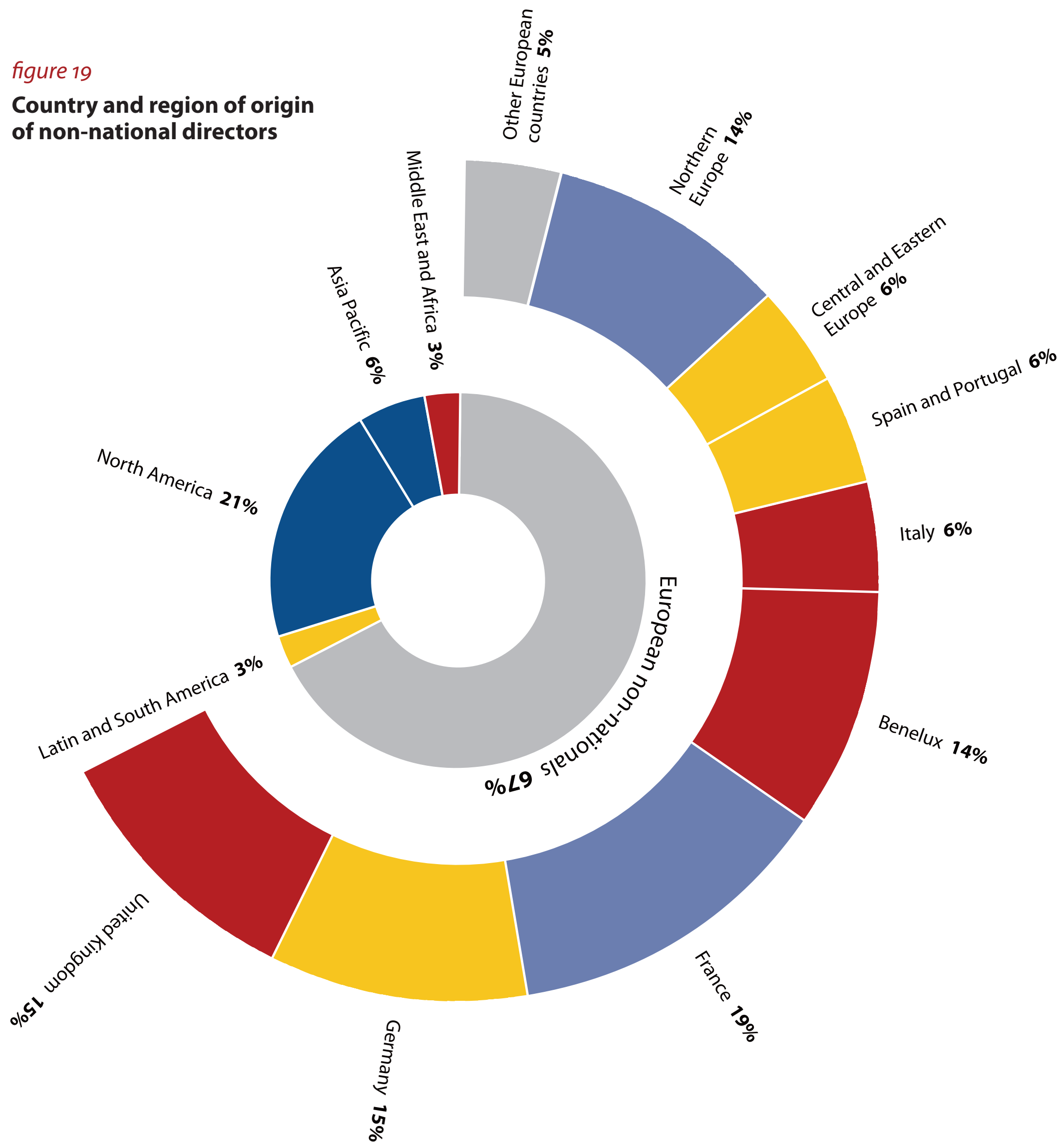
Matching regional business priorities and competence

We analysed the correlation between international revenues by region and the international capabilities of each board by region, represented by its non-national directors. Hence the rating values not only the international make-up of European boardrooms, but the match between regional business priorities and competence.

Two out of three international directors are still Europeans *(figure 19)*. One in four is North American. The Asia Pacific (APAC) region is still under-represented in European boardrooms compared with the aspirations of European companies in this region and we confidently predict that this will change – despite the logistical challenges.

figure 19

CG09 **Country and region of origin of non-national directors**



Diversity of functional expertise

When analysing functional diversity on European boardrooms, we found that 48% of European boards have no director with a sales and marketing profile. No director has this type of expertise in 90% of German boards, in 83% of Spanish boards and 70% of Dutch boards.

Also, we noticed that 37% of audit committees do not comprise a CFO or former CFO. Countries where CFO expertise is lacking in over 50% of the audit committees are Portugal, Denmark, Finland and Switzerland.

Gender diversity

While our statistics have been showing a 12% to 22% increase *(figure 20)* in the number of women on boards, since 2005; the proportion of women reaches 9.9% of board members this year. One European company out of three has no women board members (against 46% in 2005 and 54% in 2003). Sweden and Finland are leading the way with over 20% female directors, while Portugal and Italy come last, with about 3% *(figure 21)*.

Age of directors

The issue of age versus experience has edged its way into the boardroom. While companies are introducing younger executives to their top teams to gain fresh ideas and insights, the markets have been spooked by governance issues and are now calling for a greater depth of experience *(figure 22)*.

figure 20

CG09 Proportion of women on the board

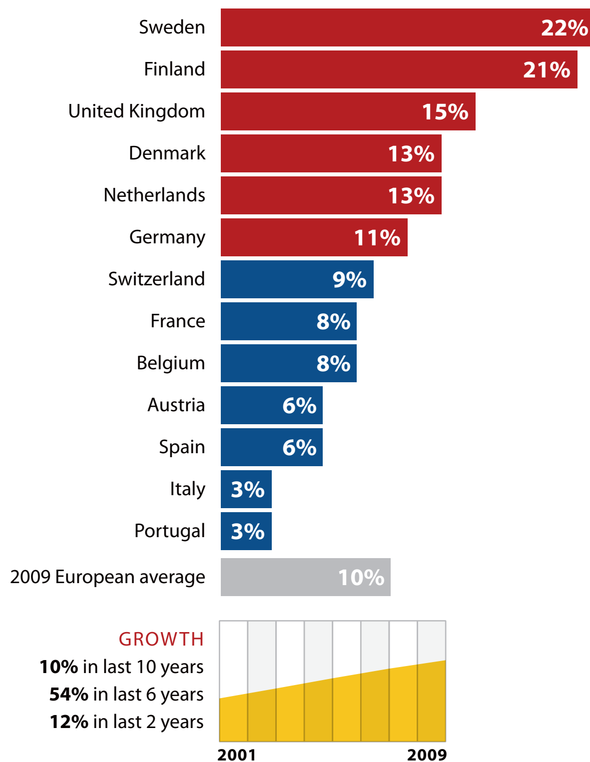


figure 22

CG09 Average age of directors

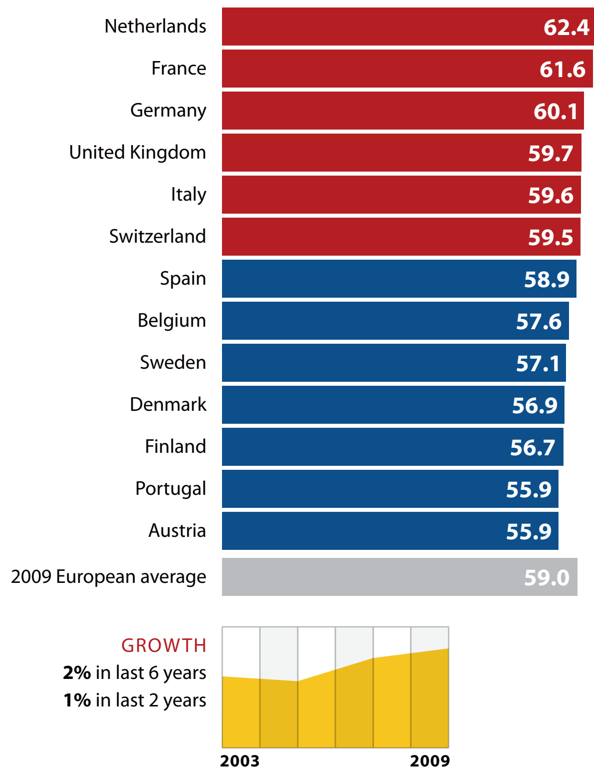
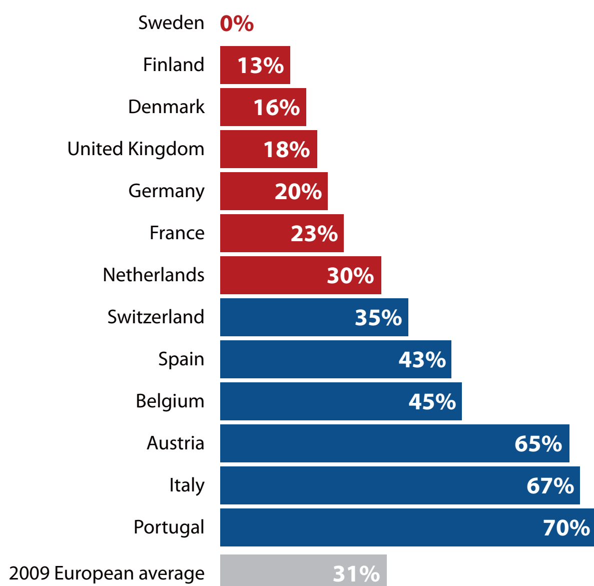


figure 21

CG09 Proportion of companies with no women on the board



"Sweden and Finland are leading the way with over 20% female directors, while Portugal and Italy come last, with about 3%"

European boards remuneration

Total non-executive board fees

We found a significant disparity among European companies when analysing the total spent on non-executive fees *(figure 23)*. Switzerland has the highest non-executive board budget, three times higher than the UK and 50% more than the budget of German boards.

Directors' remuneration

During the last ten years, the average remuneration of directors has gone up by 164% to 83,500 Euros *(figure 24)*. The growth is steady at 23% in the last two years. The highest remuneration – at above 100,000 Euros per year – are found in Switzerland, Germany, Spain and the UK. Companies in Austria, France, Finland and Sweden still offer the lowest directors fees (less than 55,000 Euros).

Turbulent times should put pressure for less disparity in directors' remuneration among European top public companies. The highest fees will drop as the variable fee component shrinks. At the other end of the scale there will be calls to increase fees to attract international, high-profile candidates and reflect the greater responsibilities of directors in hard times.

Remuneration structure

Remuneration structures vary in complexity. In Finland, Sweden, Austria and the UK the fixed basic fee represents over 75% of the total fee *(figure 26)*. Companies in other countries added other layers of fees: the most common

figure 23

CG09 **Average board budget**
(non-executive board fees in 1000 €)

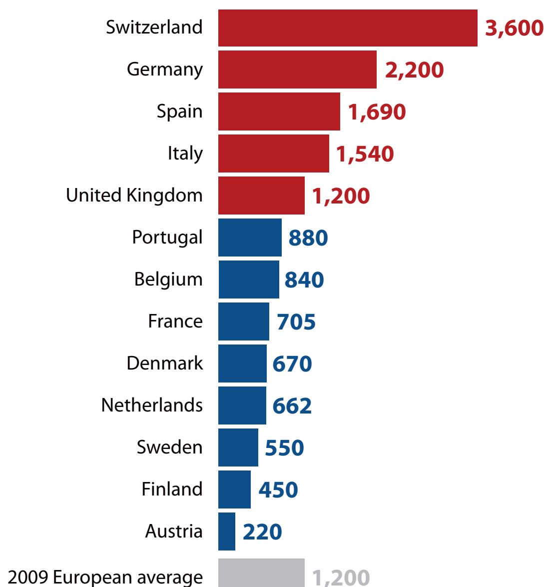
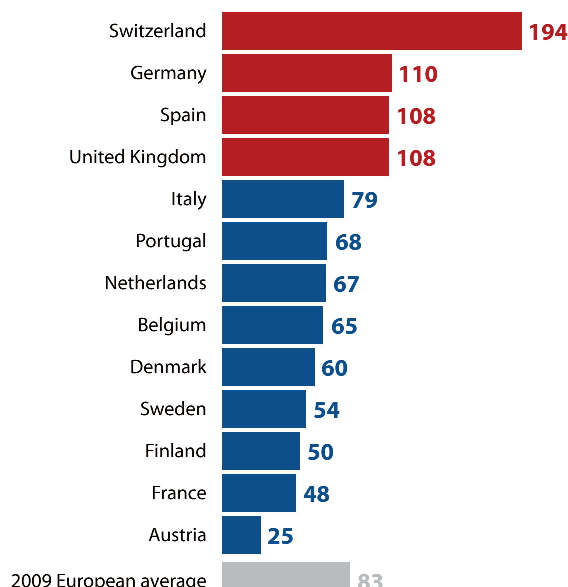


figure 24

CG09 **Average remuneration of directors**
(values shown in 1000 €)



GROWTH
164% in last 10 years
61% in last 6 years
23% in last 2 years

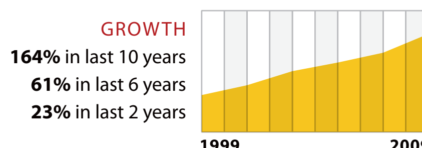


figure 25

CG09 **Average basic fixed fee of directors**
(values in 1000 €, data sample for Portugal is not representative and therefore not published)

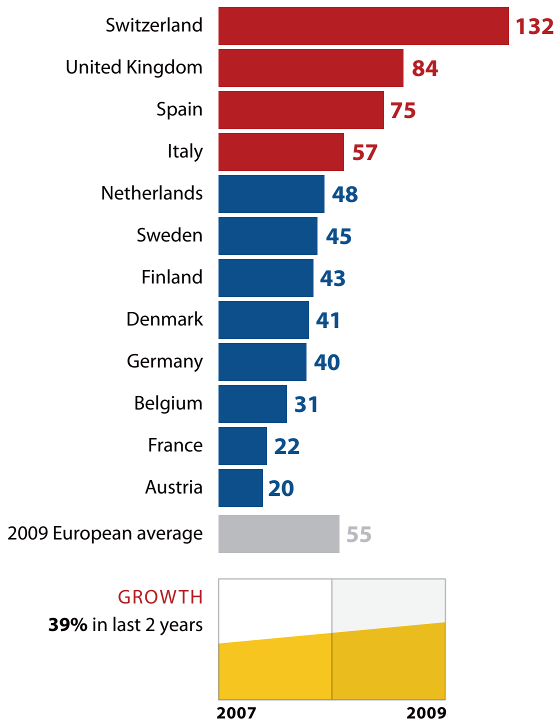


figure 26

CG09 **Proportion of the fixed fees in the total remuneration of board directors**
(data sample for Portugal is not representative and therefore not published)

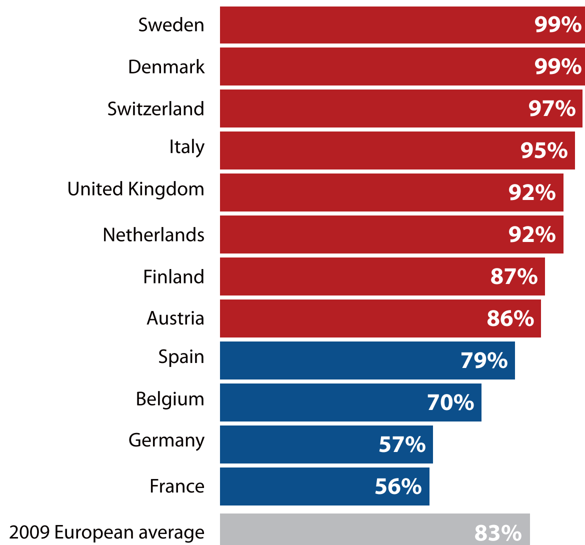
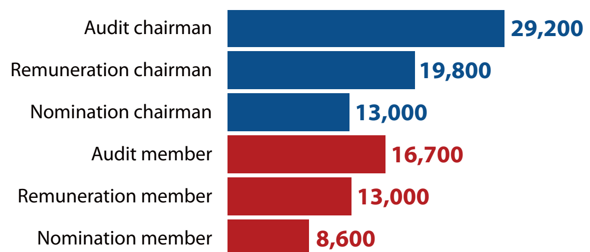


figure 27

CG09 **Average remuneration of committee chairmen and members**
(shown in Euros)



are attendance fees, variable fees based on company performance, basic fees for committee membership and chairmanship, and committee attendance fees.

The proportion of the fixed remuneration (fixed basic and fixed committee fees) is on average 83% of the total remuneration *(figure 26)*. In Denmark, Sweden, Switzerland, Italy, Netherlands and the UK, fixed remuneration represents over 90% of the total. At the other end of the spectrum, remuneration is over 40% variable in France (based on attendance fees) and Germany (mainly based on company performance).

It comes as no surprise that countries offering the lowest basic fixed fees *(figure 25)* are precisely those where variable fees represent a greater proportion of the total *(figure 26)*. High basic fixed fees in Switzerland make it difficult for directors' fees to be adjusted in response to turbulent times.

Remuneration of committee chairmen and members

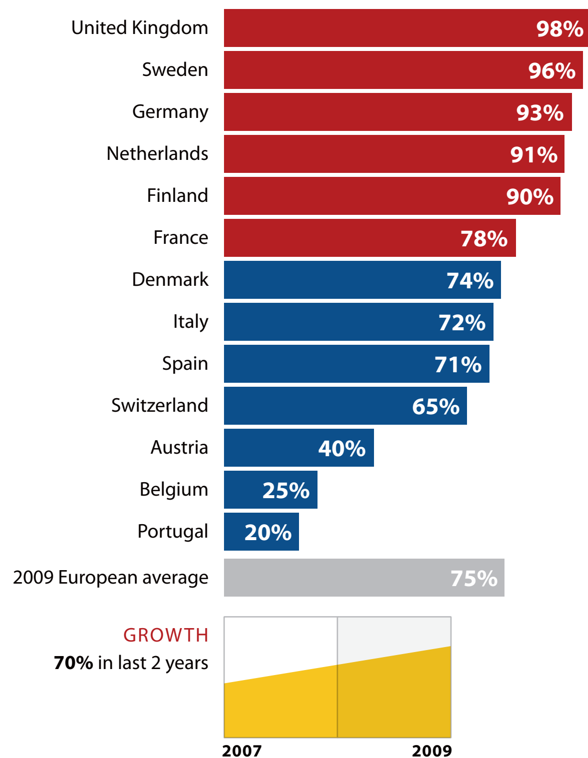
The remuneration of the chairmen and members of the audit, remuneration and nomination committees *(figure 27)* has remained stable since 2007.

Board evaluation

Our report confirms the standardisation of board evaluation: 75% of European companies have done a board evaluation in the last two years *(figure 28)*, from 44% in our last report. Evaluation has become a standard in the UK, Sweden, Germany, Netherlands and Finland – over 90% of companies in these countries conducted an evaluation of their board in 2006 or 2007 – but is still uncommon in Portugal, Belgium and Austria. Half of European companies intended to evaluate their board in 2008.

figure 28

CG09 **Board evaluation**
(percentage of boards undertaking evaluation)



Board evaluation leadership

Our research found that one company out of four did not disclose who led the board evaluation *(figure 29)*.

Out of the companies who do disclose this information, we found the following:

- Executive chairmen lead 9% of the evaluations but when involved in France and Spain, they are regularly acting alone, which contradicts best practices. In Italy, the executive chairman conducts the evaluation, but is always accompanied by another party, usually an independent director. However, when an executive chairman leads the evaluation, an independent party is involved in only 27% of the cases.
- The non-executive chairman leads the evaluation in another 23% of the cases, sometimes supported by the corporate board secretary or external consultants.
- Committees (nomination, governance) do not often lead the process (9%), but more frequently in France, Italy and Spain than in the rest of Europe.
- It is likely that the involvement of the corporate board secretary (2%) will increase over the years with this role becoming better defined as boards grow in complexity.
- External consultants conduct 22% of board evaluations, especially in the UK, France and Austria. Consultants work on their own in 89% of the cases.

We found that in 42% of companies that evaluated their board in the past two years, at least one of the persons responsible for leading the evaluation was independent.

Board evaluation process

In a majority of companies, we have no information on how the evaluation took place. Where we do have information, board evaluations are based on a questionnaire in 16% of the cases; individual interviews with members of the board in 11%; and a combination of the two in 17% *(figure 30)*.

We see a growing trend to rely less on the questionnaire alone. In Sweden, where an annual evaluation is the norm, the use of a questionnaire is more frequent than in the UK, where 55% of companies use a mix of a questionnaire and interviews. Non-executive chairmen rely more on a combination of interviews and questionnaires (42%) than executive chairmen do.

In a new item in our report, we found that 42% of the companies that evaluated their board in the last two years also included an individual evaluation of each director.

> *"…42% of the companies that evaluated their board in the last two years also included an individual evaluation of each director"*

Low transparency on board evaluation

Transparency about the board evaluation process and leadership is very low. Only one-third of companies undertaking board evaluation publish the subjects discussed during the evaluation and the measures being taken to remedy any issues, whereas we have detailed information in 90% of British companies.

figure 29

CG09 **Board evaluation leadership**
(breakdown of who leads the evaluation)

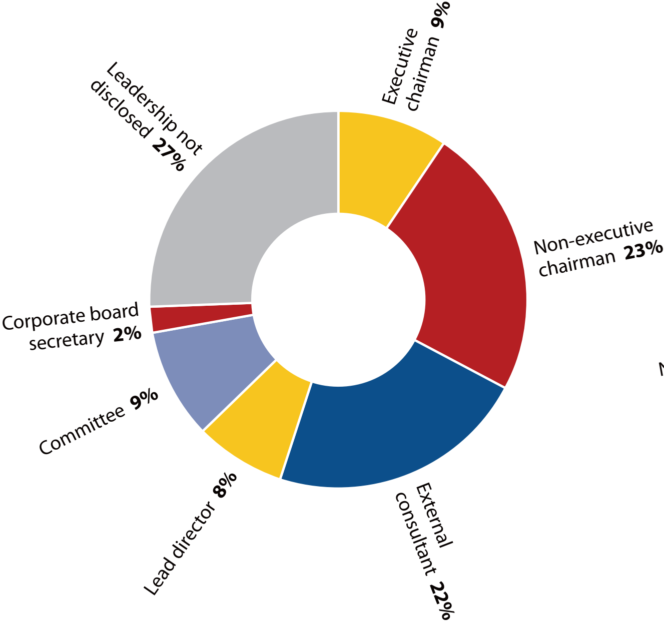
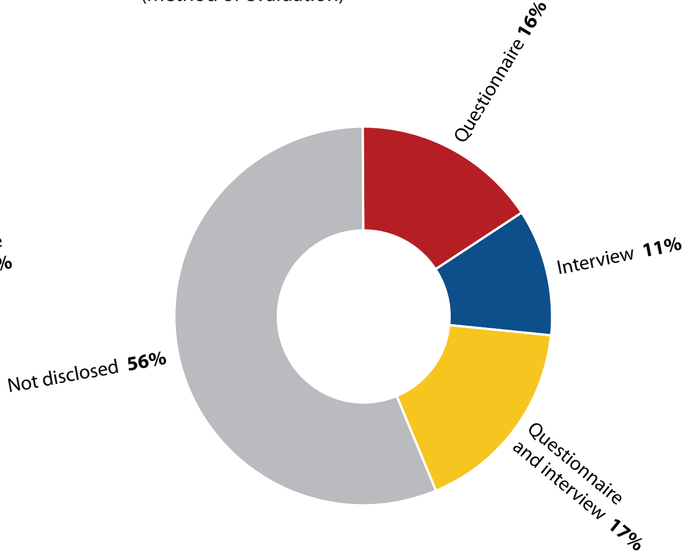


figure 30

CG09 **Board evaluation process**
(method of evaluation)



Austria

Austrian boards are not as well prepared for the economic turbulence as they could be. The 52 point spread between best and worst performing boards is the second greatest in Europe but the disparity is a positive sign.

Top companies are moving ahead to become corporate governance champions while the mass of small under-performing businesses have remained the same.

Austrian business strategy has been focused on the growth opportunities in European Union accession states, notably Bulgaria, Romania and the Czech Republic. But the banking crisis that has fanned outwards from the United States has temporarily halted investment in transitioning economies. It is fair to say that the scale of the present crisis took Austrian boards by surprise.

The crisis in banking in particular has left the strong impression that Austrian boards are exercising insufficient governance. Chairmen have a clear responsibility to ensure that they bring the necessary expertise onto their boards. This will present the two-tier Austrian boards with a problem. Many non-executives have been appointed to represent shareholders and other external interest groups. Therefore, boards sometimes lack true independence, a situation that will be exacerbated by a trend for greater shareholder activism and a call for tougher regulation.

Austrian boards are very stable. Directors serve for a long time (the third highest tenure in Europe). The formality of accounting procedures and the legalistic structure of two-tier boards springs from a command and control mindset. This deters excessive risk-taking but equally it prevents directors delving deep into management practices and gaining a thorough understanding of the businesses they supervise.

Fundamental issues like the composition of the board, the lack of independent committee chairmanship, the infrequency of board meetings and the fact that both chairmen and directors hold too many simultaneous positions have eroded trust. Austrian boards meet on average 5.6 times a year which is the lowest number in Europe (the European average is 9.6).

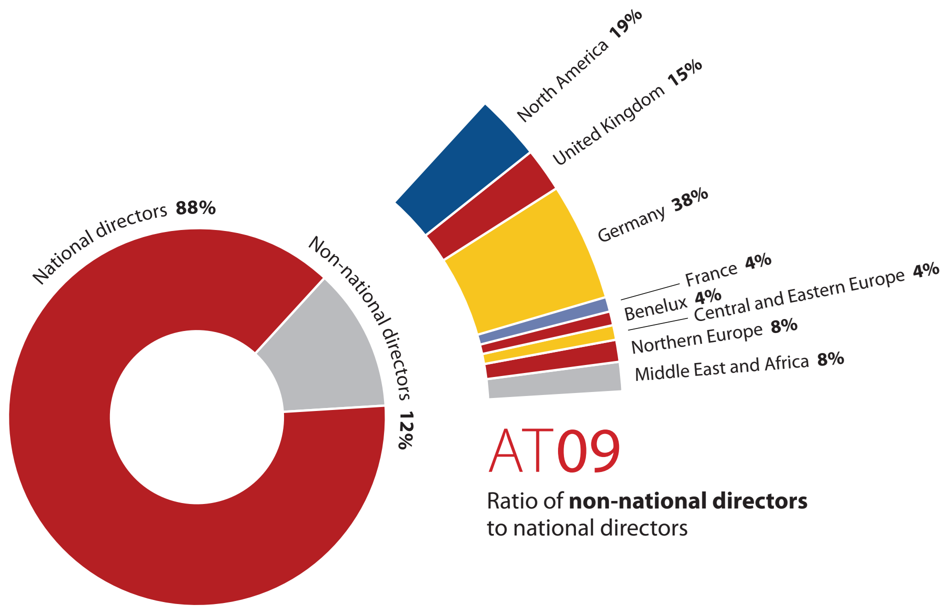
Audit committees are now found in 95% of Austrian companies, while 85% of companies have a remuneration committee, half of which hold a combined remuneration and nomination brief. The average number of committees per company has stabilised at 2.7 – slightly under the European average.

It is encouraging to note that 40% of Austrian boards now carry out an evaluation, a figure that has increased significantly from a very low base. Most board evaluations are based on a self-evaluation model that is an essential first step towards the more sophisticated evaluative methodology carried out by independent organisation.

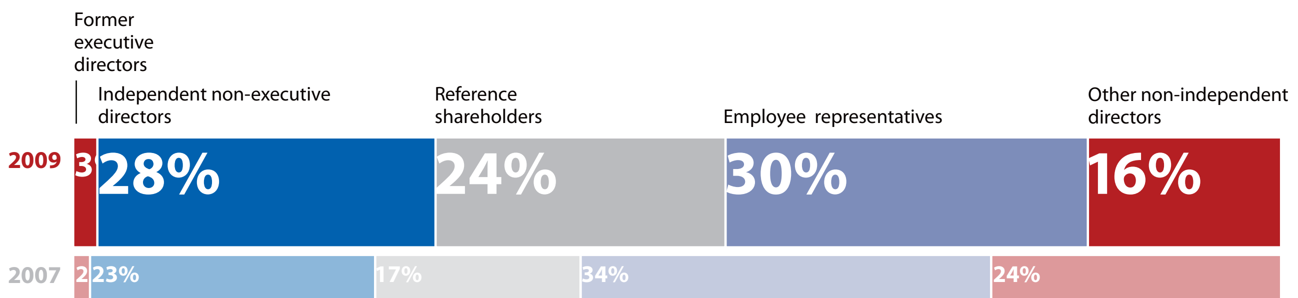
Following the traditional Austrian model, there is a systematic split between the role of chairman and CEO and 10% of chairmen are the former CEOs of their company. The percentage of non-national directors on Austrian boards (12%) is low by European standards and there is an over representation of German nationals. It is interesting that given the stated strategy of Austrian companies to expand into Central and Eastern Europe how few directors there are from Eastern Europe. This is an obvious opportunity that needs to be grasped in the near future, notably by the 40% of boards with no international representation.

With an average age of 55.9 years Austria has the youngest boards in Europe. But remuneration is extremely low at an average of 25,000 Euros and needs to be raised if Austrian boards are to attract more diverse and talented non-executives.

Austria still has to achieve a massive mindset change to achieve better corporate governance. Overall corporate governance does not enjoy the dedicated attention it ought to.



AT09 Ratio of **non-national directors** to national directors



AT09 **Board composition** by category of director

	2009	2007
Identification of independent directors	95%	100%
Frequency of meetings	85%	89%
Age of directors	30%	0%
Start and end of tenure	45%	32%
Directors' main executive position	55%	53%

	2009	2007
Directors' other board positions	60%	42%
Directors' company shares held	45%	11%
Remuneration of directors	50%	32%
Remuneration structure	50%	n/a
List of committee members	85%	53%
Report of activity of each committee	55%	n/a

AT09 **Transparency of directors' information**
(% of companies providing information)

Belgium

Recession has come as a setback for Belgian boards. In 2007 we found Belgian companies raising the bar through two corporate governance codes, Lippens for public companies and Buysse for small family-owned businesses.

These improvements have, at least for the short-term, been overshadowed by concerns for the health of the economy and a focus on operational survival.

In the wake of the Lippens scandal, three trends are forming: large companies are strengthening corporate governance and transparency in line with international best practice, and smaller companies that floated in the past decade are starting to think about going private again. While major shareholders of companies that sold out to large conglomerates in boom times now want to buy them back.

The 48 points between the best and worst performing boards shows Belgian companies are heterogeneous. A divide persists between big international companies and small long established family businesses which are more conservative in outlook. A few companies totally ignore corporate governance standards.

There is very low turnover of directors on Belgian boards as directors stay on boards for an average of 6.7 years (the third highest average in Europe).

The number of meetings Belgian boards hold each year is stable at 8.6. But this should not hide the fact that 15% of companies hold 5 meetings or less per year and 25% hold 6 meetings or less. At 89%, attendance is the second lowest in Europe.

The number of committees has increased by 7% to an average of 2.9 per company and for the first time, all companies in the BEL20 have at least one committee. Audit committees are found in all Belgian companies; 75% operate a combined remuneration and nomination committee. In terms of nomination, the appointment of non-executive directors is too often influenced by a powerful chairman selecting via a closed network rather than by objective criteria. Remuneration needs to be more open and there is a role for independent review if Belgium is to improve standards of corporate governance.

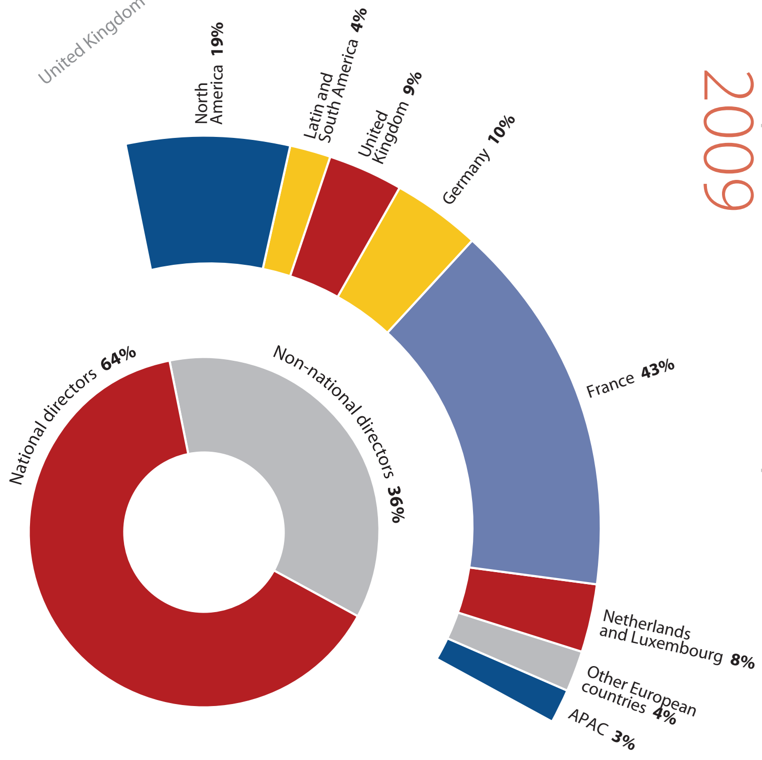
Independent board evaluation is at the heart of good governance but only one in four Belgian companies has carried out an evaluation in the last two years, while only 40% of these evaluations were led by an independent board member. 60% of companies carrying out the process included an evaluation of individual directors. Reporting is infrequent and transparency is consequently low.

A majority of Belgian boards (85%) split the role of chairman and chief executive but 20% of non-executive chairmen are the company's former CEO. Consensus plays a very strong role; decisions must be unanimous and when there is a strong chairman, non-executive directors often feel constrained from raising concerns.

Belgian boards have reported a 9% increase in non-nationals to 36% which means they are evolving rapidly. However, averages can be misleading and the 19% of North-Americans on boards is confined to a relatively small number of global companies while the French account for 43% of the total. 45% of Belgian boards have no individuals with a sales and marketing background and women are under represented at 7.5%.

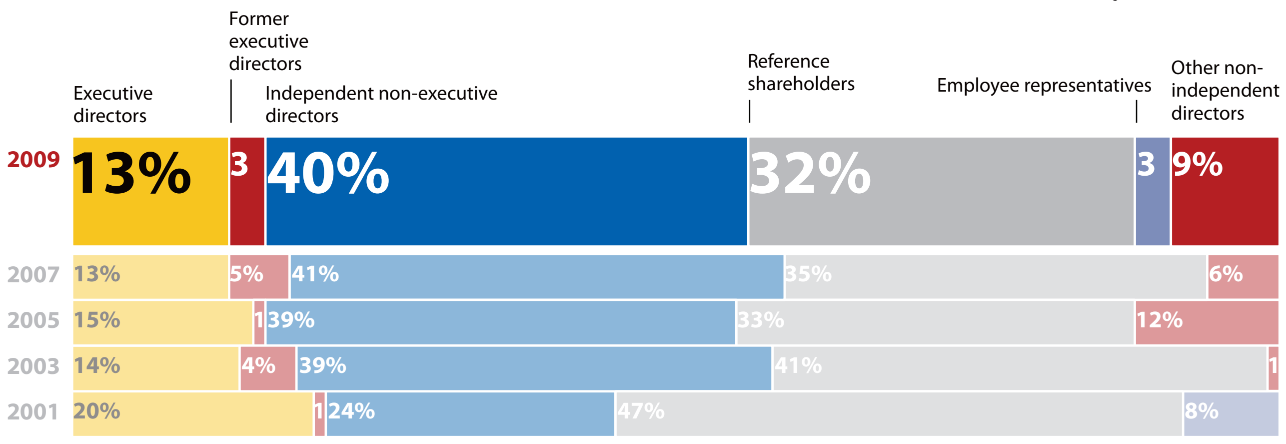
Directors' remuneration needs to be more open and transparent judging by shareholder activism and the low esteem the public hold towards corporate governance. Historic growth in profits means that in the period of this report, director remuneration increased by 12% to 65,000 Euros. The basic fee remained stable at 31,000 Euros suggesting that total remuneration will fall back as profits decline.

This is the time for Belgian boards to do away with the ghosts of the past and seize the opportunity to become more transparent, professional and effective.



BE09

Ratio of **non-national directors** to national directors



BE09 **Board composition** by category of director

	2009	2007	2005
Identification of independent directors	100%	100%	95%
Frequency of meetings	70%	100%	80%
Age of directors	70%	58%	50%
Start and end of tenure	60%	63%	70%
Directors' main executive position	60%	79%	95%

	2009	2007	2005
Directors' other board positions	55%	68%	55%
Directors' company shares held	30%	32%	15%
Remuneration of directors	75%	89%	55%
Remuneration structure	45%	n/a	n/a
List of committee members	100%	95%	100%
Report of activity of each committee	60%	n/a	n/a

BE09 **Transparency of directors' information**

(% of companies providing information)

Denmark

As the economy worsens, Denmark is tightening corporate regulation in an attempt to avoid company failure and boost best practice.

The corporate governance committee of the Danish Companies' Register has introduced guidelines, first introduced by the Norby Commission, to support the voluntary code that applies to boards. In future, minimum standards including the number of board meetings a year, board composition and risk management procedures will all be strengthened.

One of the big issues is control. Danish boards will be expected to report on their risk management processes. Accurate management information is critical and the present two-tier board system distances non-executive directors from what is happening at company level. Greater levels of dialogue and accountability are needed.

The need for diversity on boards will become increasingly important. At 19%, the proportion of non-nationals on Danish boards is below the European average and those they do have tend to be Nordic in origin. On the positive side, at 13%, women are relatively well represented.

The perception lingers that Danish directors are drawn from a restricted talent pool that is overly reliant on personal connections. Internationalisation of boards will only begin to increase when a younger generation starts to take over.

Danish boards are better prepared for turbulent times than they were five years ago. Boards are evaluating their contribution in an increasingly structured fashion. There is a strong consensus that non-executive boards need to challenge and be a 'critical friend' to executive management.

The 46 point spread between the highest and lowest company rating shows that Denmark is heterogeneous. Some of Denmark's biggest companies are strong, family-run businesses with limited board independence and accountability. Elsewhere smaller businesses are modestly raising standards.

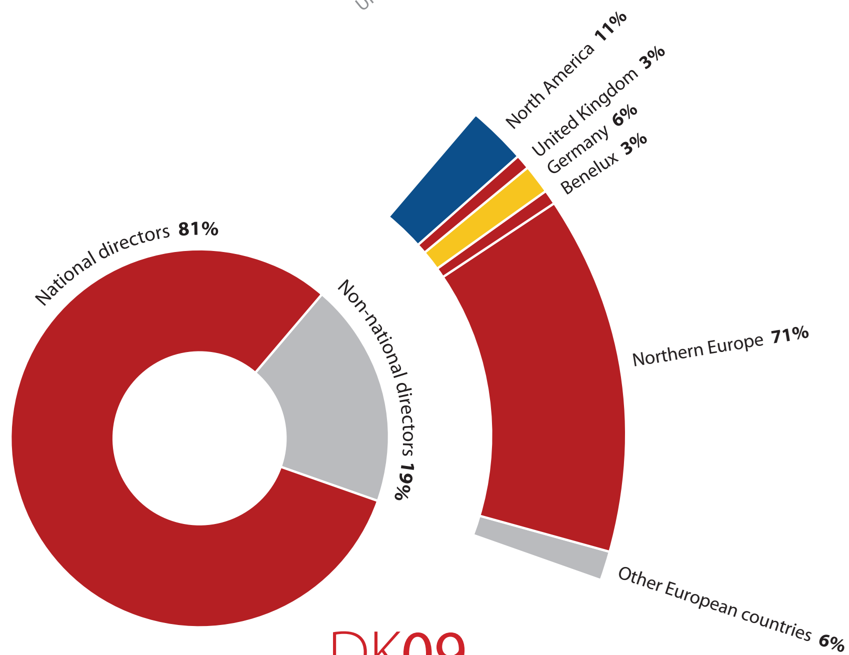
With about 9 full board meetings a year, Danish boards do not meet as frequently as the rest of Europe but they do meet more often than other countries with the two-tier board system. Danish board directors have many more simultaneous positions than their European peers, a handicap that also applies to chairmen.

The average number of committees per company is 1.1, which is the lowest proportion in Europe by far. Only 42% of Danish companies now have an audit committee and only one-third of audit committees include an individual with a CFO profile. The lack of committees reflects not only the preponderance of family-run enterprises but also the deeply ingrained philosophy that the board is a collective body that must act together. Groups that meet to conduct business outside of the main board meetings are suspected of undermining collective debate.

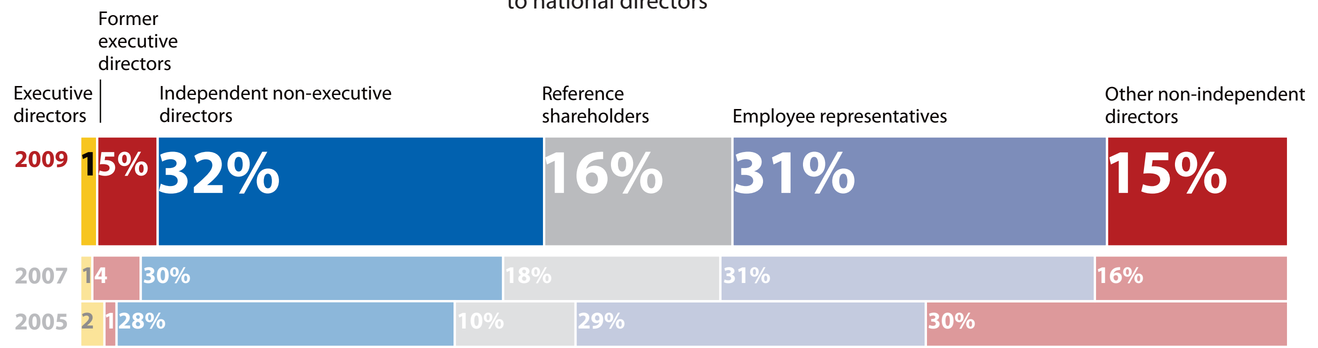
Danish companies have made good progress in board evaluation. 74% of Danish companies conducted an evaluation in the last two years; progress has been largely due to shareholder pressure. On the other hand, the evaluation process is opaque. In most cases the evaluation is internal and led by the non-executive chairman in 79% of cases. In only 14% of cases are external consultants called in to assist in the process. Companies do not publish the results of evaluation.

As in most countries which have two-tier boards, the role of the chairman and CEO is split although in 21% of cases the chairman is the former CEO. Directors have the third shortest tenure in Europe at 1.6 years due to a system of annual board elections but usually the entire board is voted back in; Danish directors are among the longest serving in Europe at an average of 6.8 years.

Despite 13% growth in the last two years, remuneration is a small budget for Danish boardrooms. At 60,000 Euros the remuneration of the average Danish director is well below their counterparts in Spain, UK, Germany and Switzerland.



DK09
Ratio of **non-national directors** to national directors

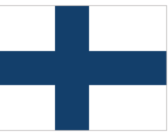


DK09 **Board composition** by category of director

	2009	2007	2005
Identification of independent directors	89%	70%	100%
Frequency of meetings	74%	70%	55%
Age of directors	95%	90%	75%
Start and end of tenure	79%	75%	65%
Directors' main executive position	84%	35%	75%

	2009	2007	2005
Directors' other board positions	95%	95%	95%
Directors' company shares held	53%	40%	30%
Remuneration of directors	63%	50%	55%
Remuneration structure	32%	n/a	n/a
List of committee members	37%	0%	0%
Report of activity of each committee	5%	n/a	n/a

DK09 **Transparency of directors' information**
(% of companies providing information)



Finland

With the experience of a steep recession in the early 1990s still fresh in the minds of directors, Finnish boards are better prepared for these turbulent times than many countries in Europe.

Finnish boards tend to engage with the executives of their companies and actively challenge business decisions; we have found that non-executives feel highly valued. The greater convergence between best and worst performing boards and the absence of any Finnish company at the lower end of the scale shows that the need for higher standards is taken seriously.

Boards meet frequently in Finland – on average 12.6 times a year – and the 95% attendance rate is evidence of active involvement and a strong work ethic. Finnish non-executives and chairmen hold less simultaneous board positions than their European counterparts giving them more time to focus on critical business decisions.

The 18% increase in the number of board committees over the last two years illustrates a greater reliance on committee work although the number of committees per company (2.3) is still low by European standards. The most important committees in Finland are audit and remuneration, both of which are found in 93% of companies. However, in 57% of cases the audit committee does not include an acting or former CFO. Remuneration and nomination are still discussed in a single committee in the majority of companies.

At 1.1 years, a board director's average length of tenure is the shortest in Europe but this reflects the tradition in Finland of electing a board to serve for one year. The length of time directors have served on their boards (5.1 years) counterbalances this. A small but significant cadre of young professional board directors is emerging, many of whom have been to international business schools.

The vast majority of Finnish boards are under regular evaluation; 90% of Finnish companies have undertaken an assessment in the last two years. However despite Finland's high disclosure scores the board evaluations are not transparent. There is no legal obligation on Finnish companies to disclose information about board evaluation and this lack of transparency makes it much harder to benchmark Finnish boards against international best practice.

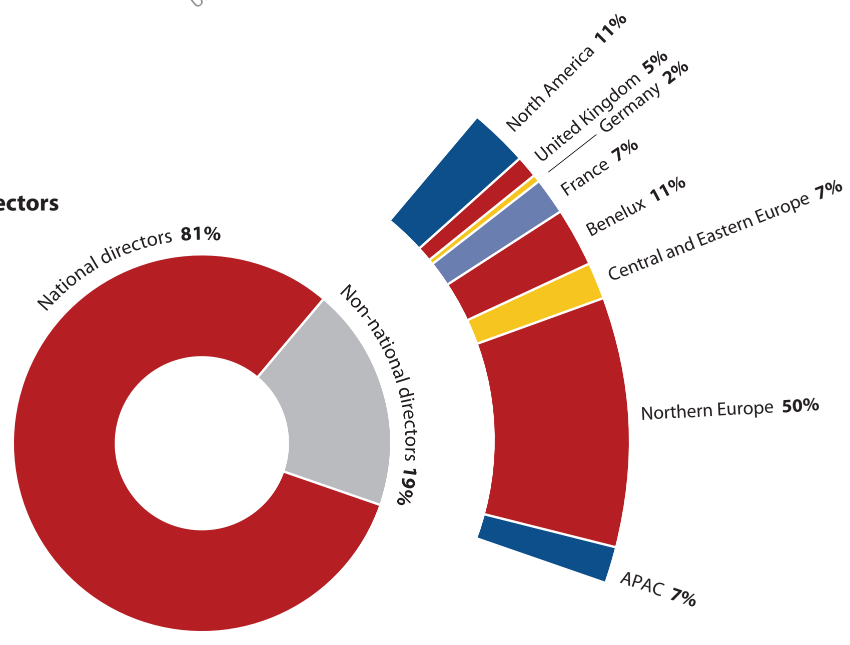
The lack of international diversity on Finnish boards is a negative factor that is preventing Finnish companies from competing more strongly in international markets. The lack of foreign influence also introduces a certain amount of inertia and conservatism into boardroom decision-making. At 19% non-national board membership is mainly drawn from other Nordic countries. One in two boards of global Finnish companies have no non-national director, which is exceptionally high in Europe. Finnish boards are not doing enough to attract talent from the USA, Western Europe or emerging markets.

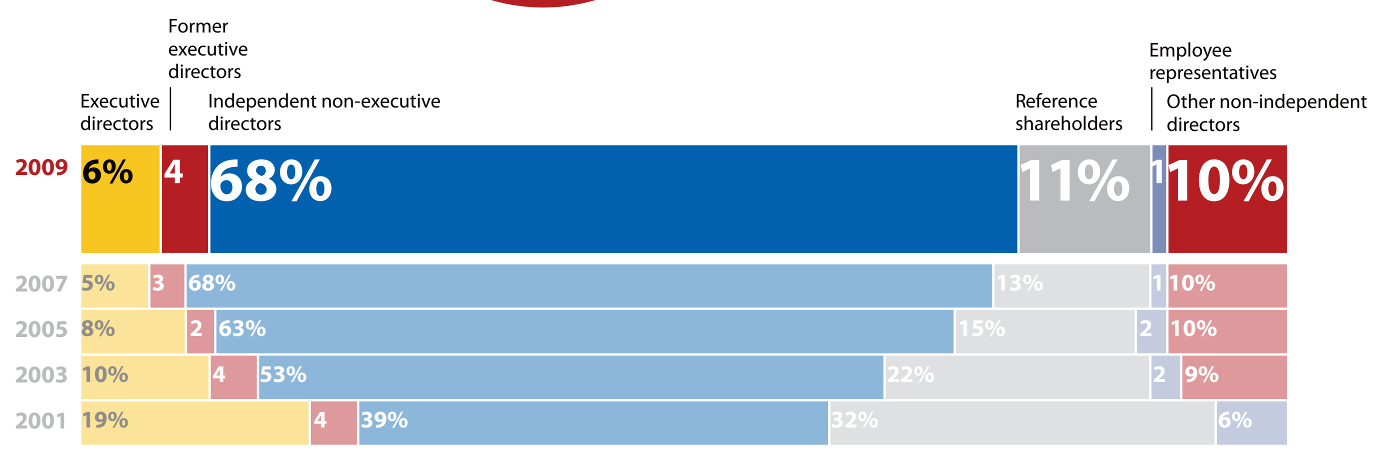
This can be explained by the low spending by the board, which at an average of 450,000 Euros, is the second lowest in Europe. Since 2007 directors' remuneration has increased by about 50,000 Euros but it still remains low. We expect these rates to rise significantly in the future as Finland's strongest companies attempt to gain competitive advantage on the world stage.

Finland has good reason to be proud of its corporate governance record, particularly as it possesses the second highest proportion of women in the boardroom at 21%. However, given the Finnish culture of transparency, it is quite surprising that the results of board evaluations are not published as widely as they could, and indeed, should be. Only through open, transparent and professional board evaluations – including international benchmarking – can Finnish boards significantly differentiate themselves from other European countries.

FI09

Ratio of **non-national directors** to national directors





FI09

Board composition by category of director

	2009	2007	2005
Identification of independent directors	97%	87%	50%
Frequency of meetings	100%	100%	97%
Age of directors	100%	100%	93%
Start and end of tenure	97%	100%	97%
Directors' main executive position	100%	100%	100%

	2009	2007	2005
Directors' other board positions	100%	97%	93%
Directors' company shares held	97%	100%	97%
Remuneration of directors	93%	97%	73%
Remuneration structure	100%	97%	93%
List of committee members	100%	87%	63%
Report of activity of each committee	90%	87%	50%

FI09

Transparency of directors' information

(% of companies providing information)

France

In the face of a deepening credit crisis, French boards must ask whether they are sufficiently prepared for the challenges ahead. The answer is not entirely reassuring.

French directors are the second oldest in Europe (average age: 61.6), they have the fourth longest length of tenure and at over six years, the time they serve on boards is greater than every other country. All of these are inertia factors that could hinder boards looking to renew their expertise with fresh talent. Effectiveness is also limited by the multiple directorships many board members hold. This dilutes the talent pool and limits the ability of board members to become active participants in business improvement by challenging or supporting senior management.

On a positive note, companies are well aware of the gravity of the economic situation and are taking steps to improve corporate governance. French companies are homogeneous with only a narrow gap (32 points) between the best and worst performing boards.

So what is changing in these turbulent times? Companies are making more demands of directors by increasing the number of committee meetings. There has been a 12% rise since 2007, to 13 meetings a year. The average number of committees per company has risen to 3.3 per company. 98% of companies have a remuneration committee but 43% of those are combined remuneration and nomination committees; a feature that will have to change if French boards are to improve their overall ranking.

All companies have an audit committee and, at 55%, France has the second highest proportion of strategy committees in Europe. One in five French companies also has an ethics and a corporate governance committee. This proliferation of committees probably has less to do with the turbulent economic environment and more to do with the French culture of bureaucracy. Strategy committees encourage debate particularly around mergers and acquisitions, and diversification, but the fact that many non-executive directors sit on other boards means they probably lack sufficient knowledge of their company's core business to challenge the CEO.

Over the last two years there has been a significant rise in board evaluation up from 50% to 78%. In 61% of the companies that evaluated their board, at least one person responsible for leading the evaluation was independent. French companies perform well on transparency of reporting but when it comes to board evaluation, 42% of companies provide no information on how the evaluation took place. Boards carrying out an independent evaluation are generally the same boards (45%) that publish full details.

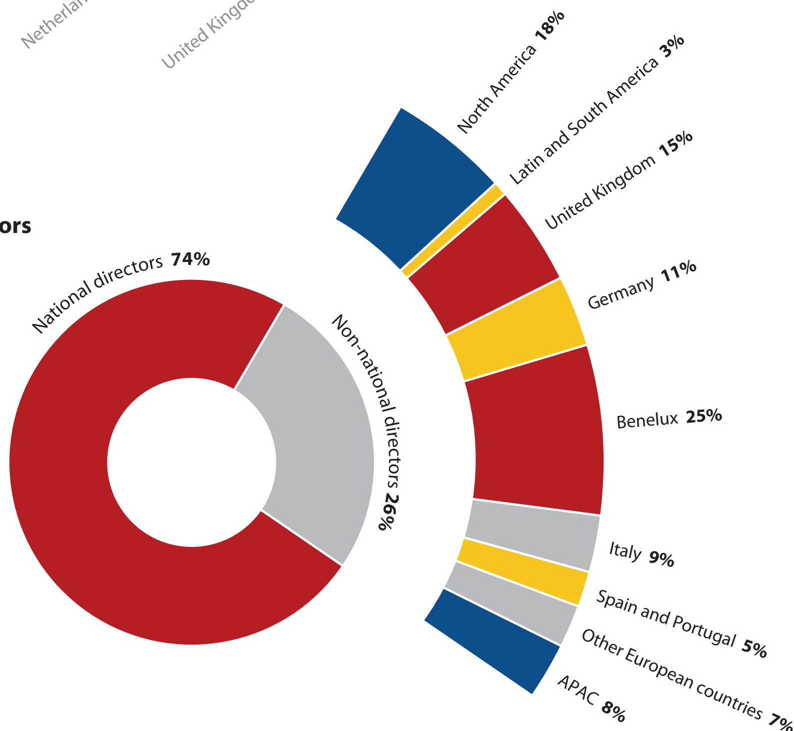
Independence is an issue. 58% of companies split the functions of CEO and chairman. But when the roles are split, the chairman is often the former CEO of the company. 30% of France's chairmen are former CEOs and 42% are current CEOs. The split role here is not a sign of improved corporate governance as it is in the UK and Germany, but rather a sign of continuity. We believe that, over time, the combined roles will significantly decline and more independent chairmen will be demanded by shareholders.

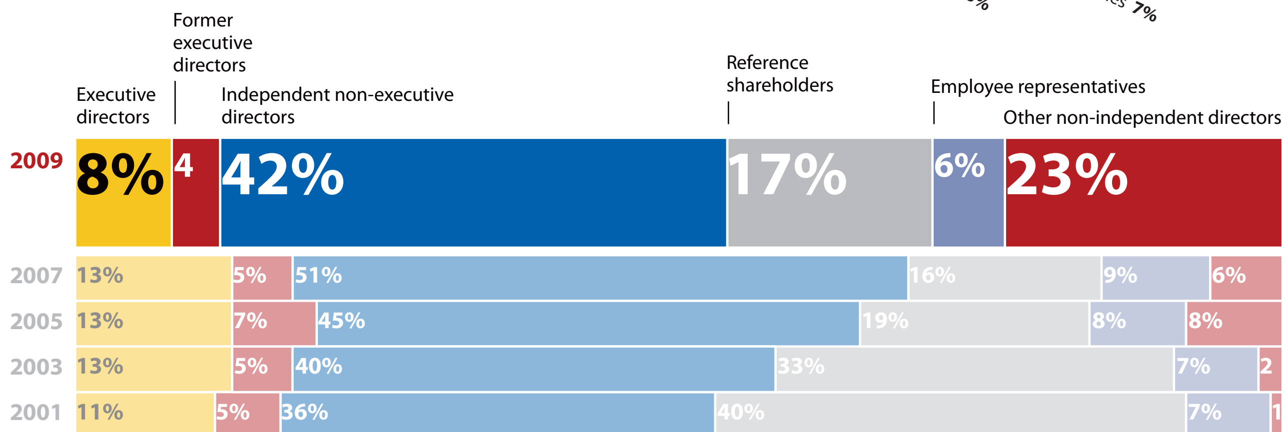
At 26% French boards are slightly above the average in terms of internationalisation; of the non-nationals, 71% are European. French boards are very receptive to non-executive directors with international experience and there is a younger cadre of board members emerging. The low percentage of women (8.1%) reflects the fact that it is extremely hard to find individuals with the requisite experience.

Despite a 10% increase over the last two years, the average directors' remuneration of 48,000 Euros remains one of the lowest in Europe; this explains why directors sit on several boards. If remuneration levels were to change perhaps fewer directors would be tempted to sit on multiple boards.

FR09

Ratio of **non-national directors** to national directors





FR09 **Board composition** by category of director

	2009	2007	2005
Identification of independent directors	90%	95%	90%
Frequency of meetings	98%	95%	100%
Age of directors	98%	90%	93%
Start and end of tenure	95%	93%	95%
Directors' main executive position	100%	98%	100%

	2009	2007	2005
Directors' other board positions	100%	98%	100%
Directors' company shares held	93%	78%	68%
Remuneration of directors	95%	95%	88%
Remuneration structure	70%	n/a	n/a
List of committee members	100%	100%	100%
Report of activity of each committee	88%	n/a	n/a

FR09 **Transparency of directors' information**

(% of companies providing information)

Germany

Corporate governance discussions in Germany shifted focus during 2008. In the past, emphasis has primarily been on the Cromme Codex, but anti-trust and bribery discussions have moved issues such as corporate compliance to centre stage.

The bail out of major state banks with German taxpayer money and the government's financial participation in private banking has sparked debate regarding insufficient supervision of the public banking sector. This and the focus on legal compliance have overshadowed other essential governance issues.

Where does Germany currently stand in relation to those corporate governance issues? Our study reveals a mixed picture. The quality of corporate governance is highly uneven. While a number of companies have achieved quite respectable ratings, there are those companies who still ignore corporate governance standards. Overall, Germany is one of the lowest ranking countries in Europe.

The number of meetings held by German boards is among the lowest in Europe, although an increase of approximately one-third has been achieved in absolute terms, bringing the number of meetings up to six a year. That ranking stands when comparing Germany to countries with a similar bicameral system.

In about 50% of cases, a former CEO sits at the head of the board. This limits the freedom of the board of directors and is generally considered to be bad governance. In comparison to the rest of Europe, Germany has the largest supervisory committees due to statutory provisions. The disadvantages of large committees are explained in detail in the Corporate Governance in Europe 2007 report *Raising the Bar*.

The number of independent board members has decreased in the last two years, reaching the worst level in Europe. Moreover, insufficient use is made of the opportunities presented by diverse and interdisciplinary teams. The number of foreign supervisory board members is stagnating and is now at the lowest level in Europe while the average age of German supervisory board members is over 60, making them among the oldest in Europe.

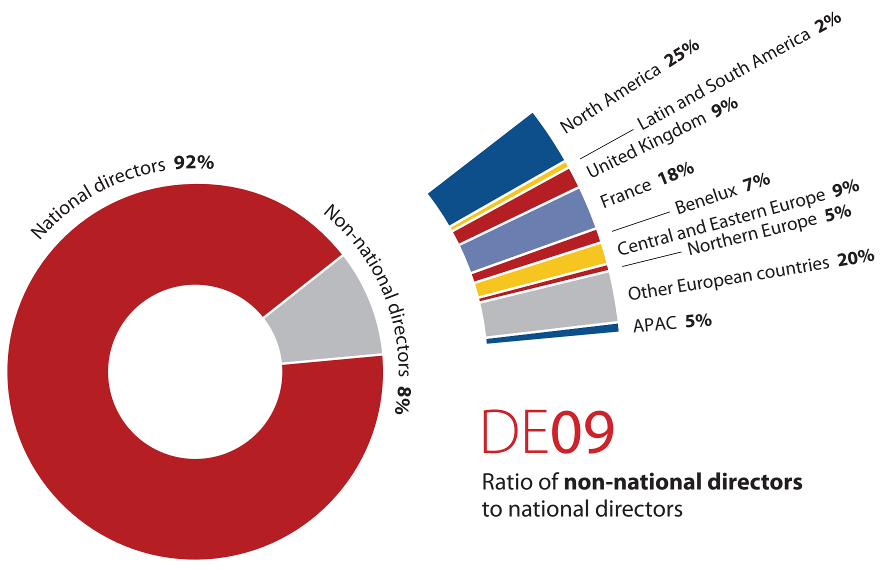
There are also some positive aspects. German companies have an average of more than 4.5 specialised board committees (audit, remuneration, nomination, etc.) – the highest level in Europe. 87% of the German companies have a strategy committee, which is the highest among the countries measured in this report. Germany is also in the lead in terms of setting up ethics, corporate governance and corporate social responsibility committees.

It has now become customary to perform a general evaluation of the work undertaken by German supervisory boards; this is practiced by 93% of companies. However, detailed information, including information about the impartiality of the evaluation, is not disclosed. German boards score highly for transparency.

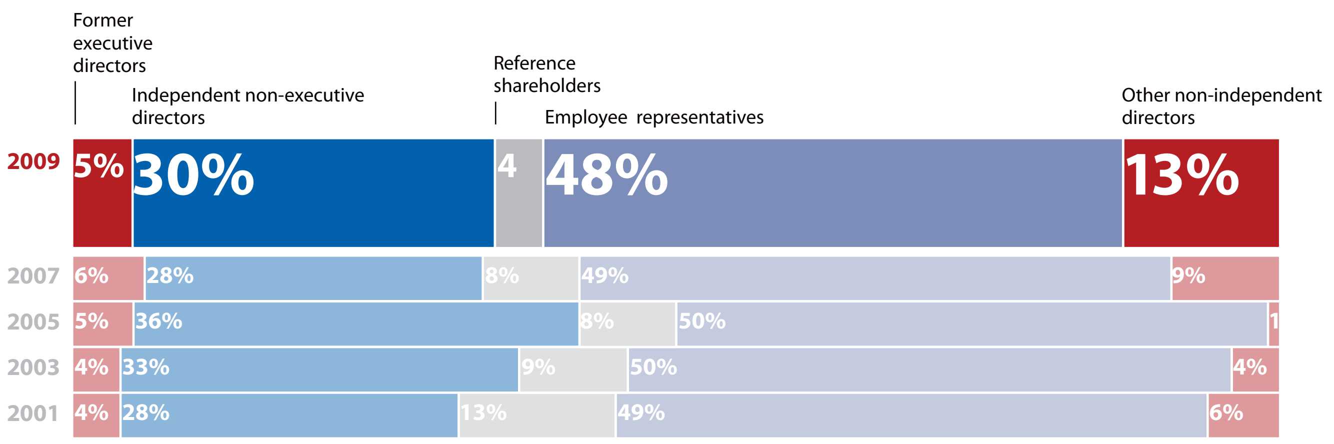
New members appointed to boards in Germany are younger than the European average. This suggests that the average age of German board members may fall in the medium term.

The remuneration of board members is high and includes significant variable components. These factors create proper conditions for the continual improvement of the quality of the board's work and the potential to limit costs in times of crisis.

While the practice of corporate governance in Germany still leaves room for improvement, some key aspects raise hopes that Germany may reach European standards in the medium term. Against the backdrop of the prevailing crisis, it may prove useful to revise the Corporate Governance Code for the financial sector. However, we are concerned by the current tendency to introduce yet more governmental regulation instead of the necessary deregulation.



DE09 Ratio of **non-national directors** to national directors



DE09 **Board composition** by category of director

	2009	2007	2005
Identification of independent directors	0%	7%	0%
Frequency of meetings	100%	97%	100%
Age of directors	30%	27%	27%
Start and end of tenure	20%	47%	40%
Directors' main executive position	97%	97%	97%

	2009	2007	2005
Directors' other board positions	97%	100%	90%
Directors' company shares held	0%	17%	17%
Remuneration of directors	93%	93%	77%
Remuneration structure	97%	n/a	n/a
List of committee members	93%	100%	83%
Report of activity of each committee	97%	n/a	n/a

DE09 **Transparency of directors' information**
(% of companies providing information)

Italy

Italian companies are rising to the challenge of a global downturn. Over the past two years, boards have introduced small but significant changes which will enable them to improve performance.

The Preda Code is tightening the rules on who can become non-executive board members and companies are looking to recruit more directors with practical experience in areas such as marketing, sales and finance. This is of particular relevance to Italy's many state-owned companies whose boards currently recruit from a limited pool of directors who move from one publicly-owned company to the next.

Most boards in Italy are unitary and the role of the chairman and chief executive is increasingly being split in conformance with European best practice. This is now the case in 87% of Italian companies. Many small and medium businesses have an advisory board too.

Transparency and communication is another priority as chairmen now see the importance of informing the stock market and the financial press about trading conditions, as well as establishing more direct conversations between the board and senior management. State-run businesses are becoming more balanced and accountable and better able to respond to change.

Italian boards meet more frequently than European boards with an average of one meeting per month, but the attendance ratio is low. Italy also has the second lowest number of committees in Europe (an average of 2.3 per company); this has not improved significantly since 2007 though there has been an increase in the number of strategy committees.

90% of Italian companies have a remuneration committee which is no change on 2007; only 15% of companies have a nomination committee. In more than half of these cases the nomination and remuneration committee are combined. In Italy it is current practice for the chairman to recruit new non-executive directors, but we see this changing in future to favour the nomination committee.

Board evaluation now takes place in 72% of Italian companies, which is just below the European average. In 82% of cases, at least one of the individuals leading the evaluation is an independent non-executive. Transparency is another matter, with 96% of companies failing to provide information on how the evaluation took place.

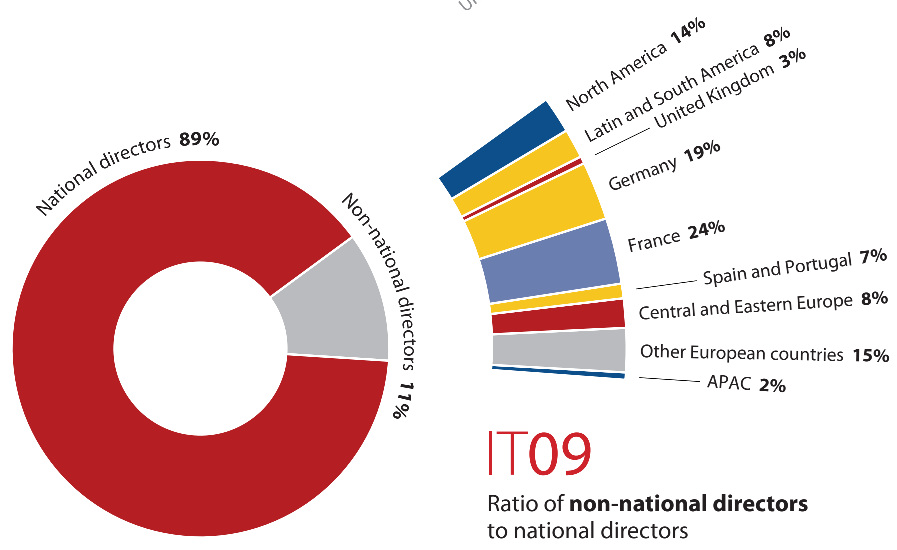
International diversity is still a major issue for Italian boards with only 11% of non-national directors on Italian boards and many boards 100% national. The lack of women on Italian boards is a reflection of Italian corporate culture and is well below the European average with two out of three boards comprising no women.

An equally concerning trend is the tendency of Italian directors and chairmen to hold multiple board positions simultaneously. Remuneration at an average of 79,000 Euros per director is somewhat lower than the European norm.

With relatively slow progress in the adoption of best practice, we see the narrow spread of ratings in Italy as a matter of concern, with few, or no role models for Italian companies to aspire to. At the same time, neither state-owned nor family-owned companies are motivated to change their governance models with the speed we observe in some of the highly rated countries.

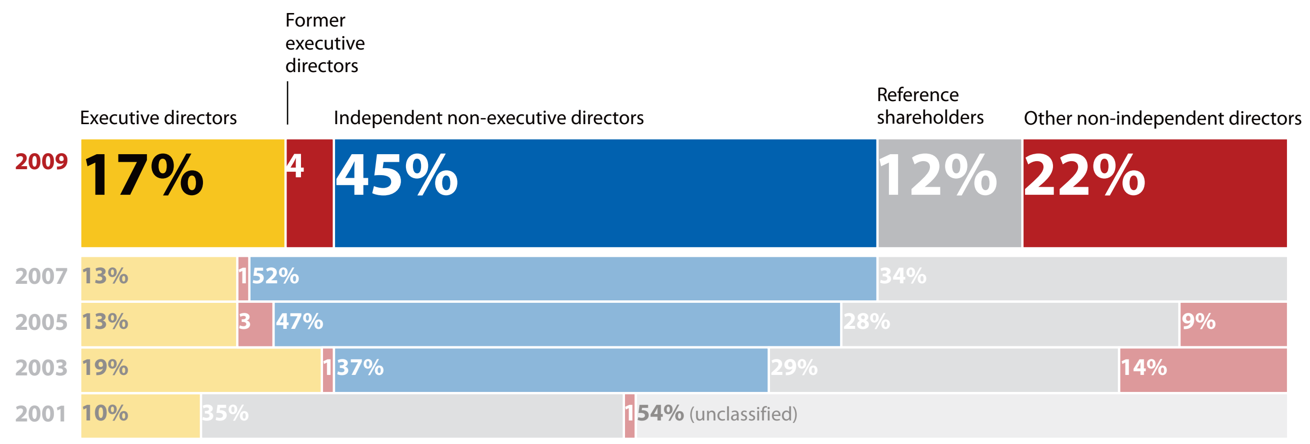
Preparing for this report we discerned a greater sense of responsibility among Italian boards, contributing to clearer governance, with more open communication. This is in the context of a market characterised by a large number of small or mid-sized corporations, which are also improving their standards and governance practices. Board evaluation is a growing trend, but looking at practices in other countries, it is clear that the Italian process could benefit from being conducted more comprehensively, concentrating less on self-evaluation and utilising external third parties. This would help bring Italian companies more in line with practices elsewhere in Europe.

Spain Italy European average France Finland Switzerland Sweden Netherlands United Kingdom



IT09

Ratio of **non-national directors** to national directors



IT09 **Board composition** by category of director

	2009	2007	2005
Identification of independent directors	100%	100%	93%
Frequency of meetings	100%	98%	88%
Age of directors	33%	38%	13%
Start and end of tenure	100%	43%	43%
Directors' main executive position	74%	98%	100%

	2009	2007	2005
Directors' other board positions	95%	98%	100%
Directors' company shares held	62%	13%	23%
Remuneration of directors	97%	33%	13%
Remuneration structure	64%	n/a	n/a
List of committee members	100%	100%	94%
Report of activity of each committee	97%	n/a	n/a

IT09 **Transparency of directors' information**
(% of companies providing information)

Netherlands

Remuneration, transparency and risk management are all major issues in the Netherlands as the government seeks to impose greater accountability on Dutch companies through the Frijns Committee, following the Tabaksblat Code of Corporate Governance. The recommendation is that boards will need to report on what steps they are taking to manage and report risk.

So how prepared are boards for turbulent times? The two-tier structure of Dutch boards is being reinforced in some companies by additional advisory directors. Overall, the high quality of corporate governance in the Netherlands is an indication that boards will do what is necessary to ride out the economic turbulence.

In the Netherlands, boards are highly accountable to shareholders. But excellent standards and strict rules of corporate governance may not be enough on their own to see companies through recession. The composition of the board, its evaluation mechanisms and committees are untested in these uncertain times.

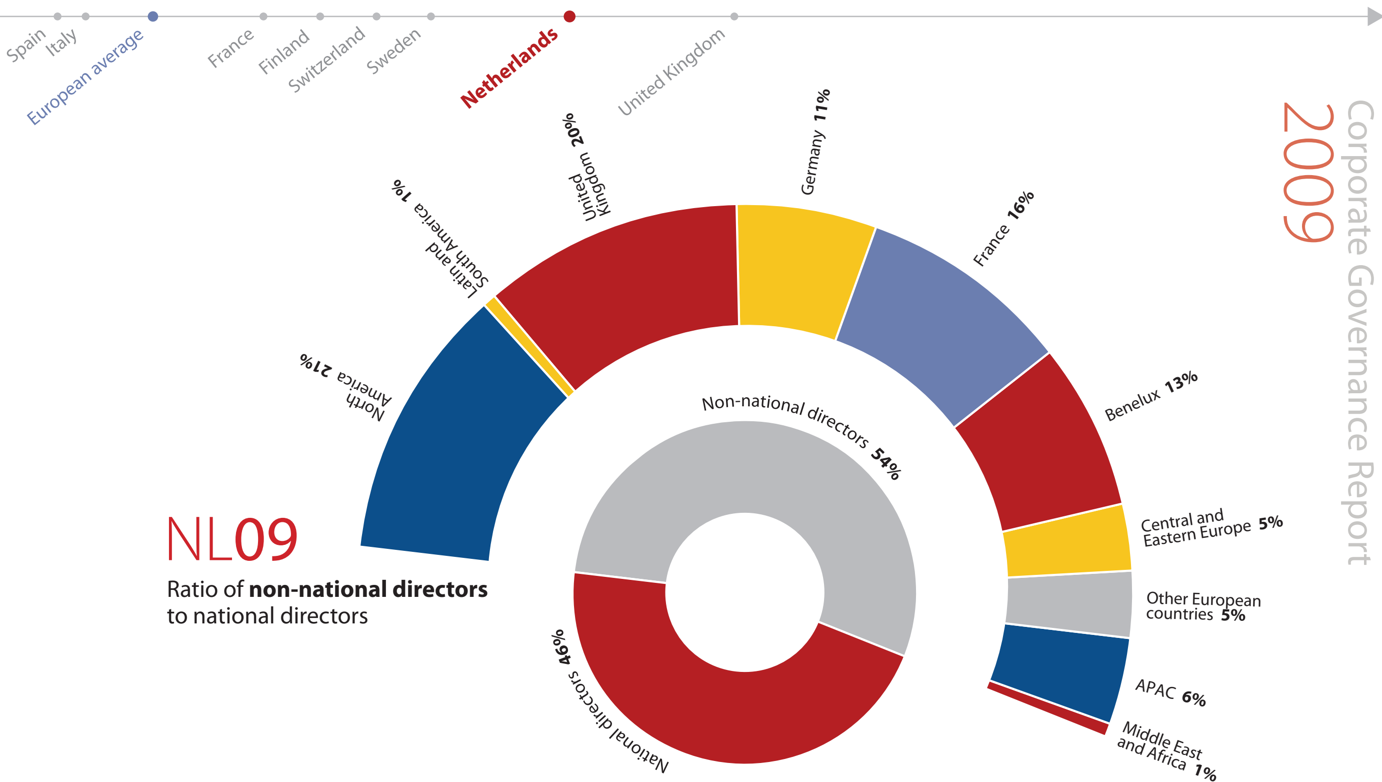
The frequency of board meetings has increased to 9.3 meetings per year and now meets the European average. Attendance is slightly above average at 93%. At the same time, there has been a 13% increase in committee meetings. Regulation plays a part in this as all Dutch companies have by law an audit and a remuneration committee. The practice of combining remuneration and nomination committees is declining but at 39% is still far higher than the European average. Strategy committees are found in 17% of Dutch companies.

Board evaluation has become standard in the Netherlands and 91% of companies have conducted an evaluation in the last two years. Transparency is good and 81% of companies disclose information on who is leading the evaluation. In most cases this is carried out internally by the non-executive chairman and it remains rare for external consultants to become involved. There is little disclosure about the evaluation process, apart from the individual evaluation of directors in half of the cases.

By law the roles of the CEO and chairman are split in the Netherlands, a fact that corresponds with the segregated two-tier executive and non-executive board structure. But just 9% of chairmen are the former CEO of the company, making Dutch non-executive boards more independent and accountable.

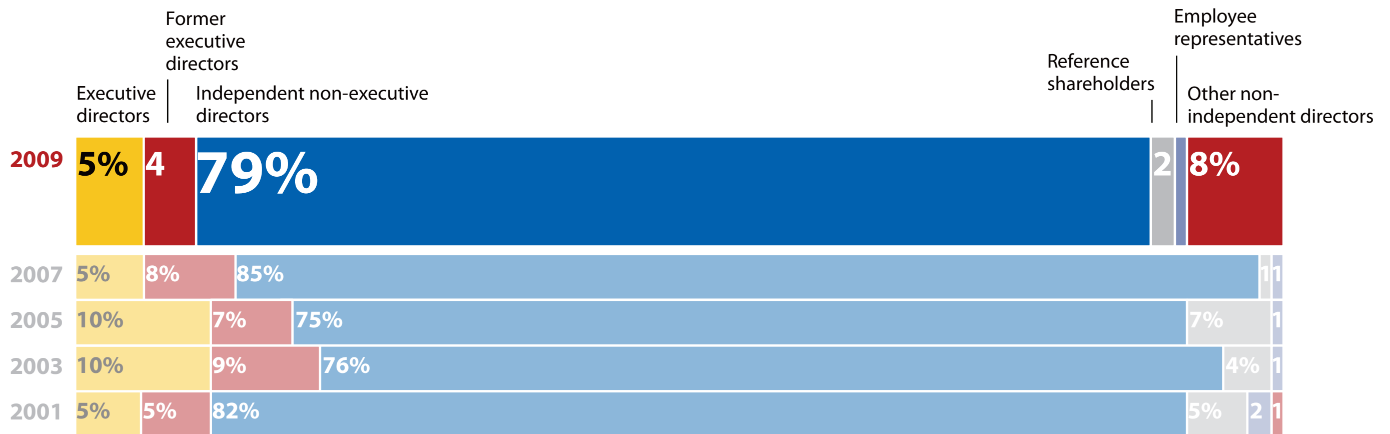
International diversity, however, is excellent and at 54%, the percentage of non-nationals on Dutch boards is the highest in Europe. Functional diversity is not so high: one-third of audit committees do not include an active or former CFO while 70% of boards have no director with a sales and marketing profile. In addition to a lack of financial expertise, Dutch boards are short of directors with strong IT and risk management skills. Gender diversity is low; 13% of board members are female and one-third of AEX boards include no women.

Dutch directors are the oldest in Europe with an average age of 62.4. It could be argued that Dutch directors are bringing a lot of valuable experience to the board, or that Dutch boards are not as open to new ideas as in countries where the boards are younger. The average remuneration for a director (67,000 Euros) is one of the lowest in Europe despite having doubled in ten years and risen significantly in the last two years. The greater responsibilities of Dutch board members, and the extra time spent in board meetings and committees, means non-executive pay will have to keep pace if Dutch companies are to attract new talent and maintain the high quality and commitment of existing directors.



NL09

Ratio of **non-national directors** to national directors



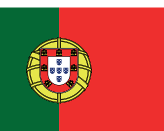
NL09 **Board composition** by category of director

	2009	2007	2005
Identification of independent directors	100%	91%	100%
Frequency of meetings	91%	100%	88%
Age of directors	100%	100%	100%
Start and end of tenure	87%	83%	76%
Directors' main executive position	100%	100%	96%

	2009	2007	2005
Directors' other board positions	100%	100%	96%
Directors' company shares held	87%	78%	88%
Remuneration of directors	100%	100%	100%
Remuneration structure	87%	n/a	n/a
List of committee members	96%	96%	100%
Report of activity of each committee	87%	n/a	n/a

NL09 **Transparency of directors' information**

(% of companies providing information)



Portugal

Major improvements in corporate governance are on the way for Portuguese companies which are beginning to feel the effect of recession.

This is in no small part the result of a new Portuguese code of corporate governance in 2007, aimed at spreading best practice among state-owned and public companies.

Recent history reveals that Portuguese companies have not been well governed and have a long way to go if they are to catch up with their European counterparts. There is a 45 point gap between the best and worst performing boards indicating that the adherence of Portuguese companies to good governance is heterogeneous. The PSI20 top companies in Portugal range widely from international companies complying to European standards of corporate governance to smaller companies with rudimentary board accountability.

The roles of chairman and chief executive are split in 70% of Portuguese companies, but 25% of Portugal's chairmen are former CEOs while 30% are current CEOs. Contrary to best corporate governance practice, the Portuguese tradition of appointing the former CEO as the incoming chairman, to ensure continuity of leadership and direction, is particularly inappropriate in view of the dramatically altered economic environment ahead. Adding to the problem, Portuguese chairmen, and directors, also tend to hold more board positions simultaneously than their European counterparts; this can be seen as compromising their availability and ultimately their efficient and effective contribution to the management of the board.

Portuguese boards are preparing for turbulent times by balancing their composition. A unitary board made up of two-thirds non-executive members can appoint half as independent and half as shareholder representatives. The interaction between the two kinds of non-executive director has been highly beneficial in difficult times; feeding concerns about the company's performance and direction directly to the board.

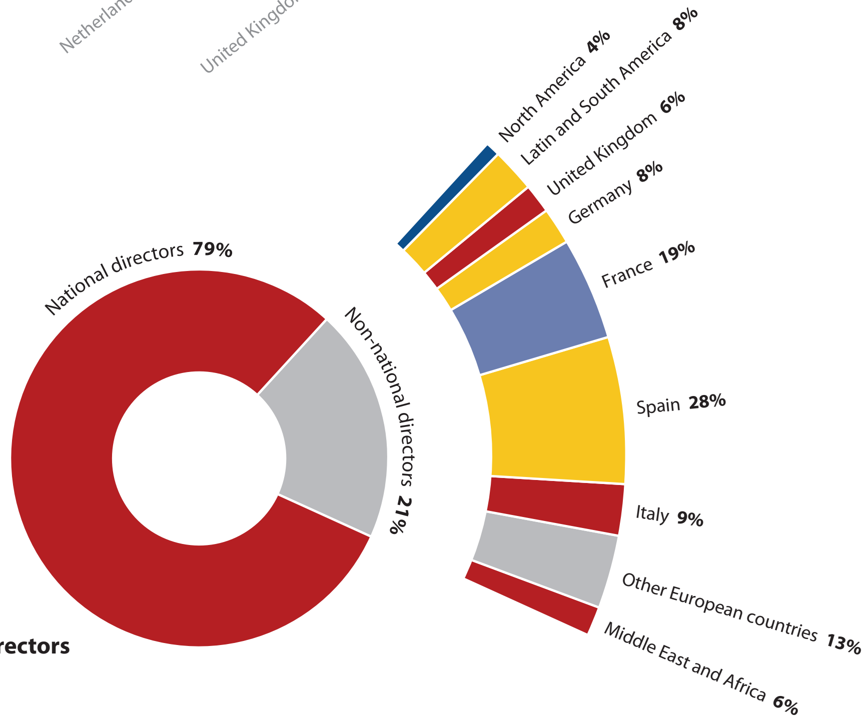
Audit and remuneration committees are now mandatory under corporate governance rules and so will be found in every company. The recent appearance of nomination committees is not associated with the existence of the remuneration committees; members of this committee are directly chosen at the general assembly of shareholders, independent of any board influence. This development is linked to the creation of committees responsible for evaluating the performance of boards. The latter are a new feature among Portuguese boards (with the highest number of separate governance committees in Europe).

Alongside the expected growth in the currently low (2.8) number of committees per company, Portuguese boards will need to improve the composition of these committees. As mentioned there is a relative shortage of independent committee members and a low number of independent committee chairmen.

Only 20% of Portuguese companies in our sample have carried out an evaluation of their boards over the past two years and these tend to be self-evaluations. As the benefits of evaluation are better understood and as the process becomes embedded, Portuguese companies are likely to consider independent evaluation.

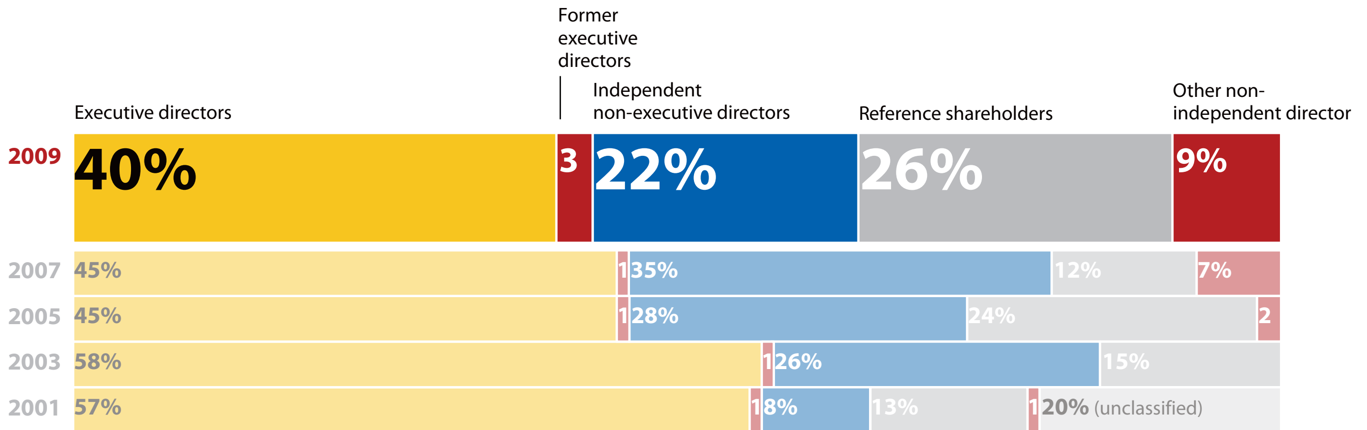
Portuguese boards have a stable 21% of non-national directors, which is around the European average. But boards retain a Continental European bias with 82% of directors drawn from Western Europe, principally France (19%) and Spain (28%). Portugal continues to have the lowest gender diversity in Europe with only 3% of women on the board; functional diversity also remains low, with few CFO profiles on the audit committee.

Finally, at 68,000 Euros, directors' remuneration is 82% of the European average and has no variable component in 80% of companies. In Portugal remuneration committees are elected by shareholders.



PT09

Ratio of **non-national directors** to national directors



PT09 **Board composition** by category of director

	2009	2007	2005
Identification of independent directors	80%	100%	90%
Frequency of meetings	100%	90%	90%
Age of directors	55%	70%	40%
Start and end of tenure	100%	100%	90%
Directors' main executive position	100%	100%	100%

	2009	2007	2005
Directors' other board positions	100%	100%	100%
Directors' company shares held	100%	90%	70%
Remuneration of directors	0%	0%	0%
Remuneration structure	0%	n/a	n/a
List of committee members	95%	90%	90%
Report of activity of each committee	70%	n/a	n/a

PT09 **Transparency of directors' information**
(% of companies providing information)

Spain

Separating the role of the CEO and the chairman is one of the major issues facing Spanish boards. 60% of Spain's companies combine both positions and nearly one in four non-executive chairmen are the former CEO.

Institutional Investment Funds and small investors would appreciate a clear separation between the two positions to ensure appropriate supervision of the management team.

The concentration of company ownership – in either family or dominant shareholder hands – is particularly evident in Spain's IBEX35 companies and is a markedly different model from the businesses listed on other European bourses. This situation can be interpreted as compromising board independence and accountability; damaging the image of large Spanish companies despite their proven effort to commit to transparency and good governance.

Spanish chairmen and non-executive directors hold many more board positions than elsewhere in Europe. However, Spanish companies perform better in terms of transparency. The divergence between the highest and lowest performing companies indicates that best practice is not as widespread as it could be. Spain is home to both some of the highest and the lowest rated companies in Europe.

The frequency of board meetings is on a rising curve – up to 11.4 meetings per year from 10.9 in 2007, placing Spain above the European average, added to which attendance has risen sharply to 93%, which some say justifies the higher remuneration level.

The average number of board committees in Spain is up 10%, but at 2.3 per company this is lower than the European average. The majority of companies (97%) have a remuneration committee but all are combined with the nomination committee. Following government guidelines, audit committees are now found in all Spanish companies (up from 22% in 1999), a positive model which reinforces financial accountability.

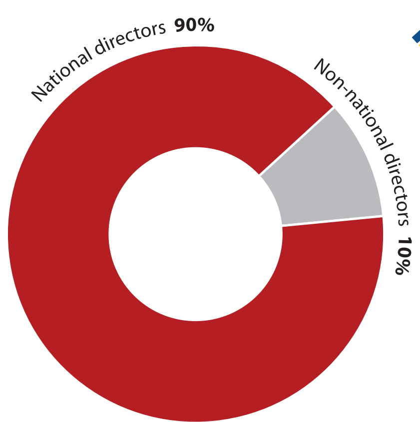
Board evaluation is now widespread though not standardised. 71% of Spanish companies carried out an evaluation in the last two years, but in only 20% of cases was this carried out by an independent board member. This is one of the lowest proportions in Europe. In Spain, 24% of board evaluations considered directors' individual performance, while only 12% of companies publish the results of board evaluation, considerably lower than the European average of 32%.

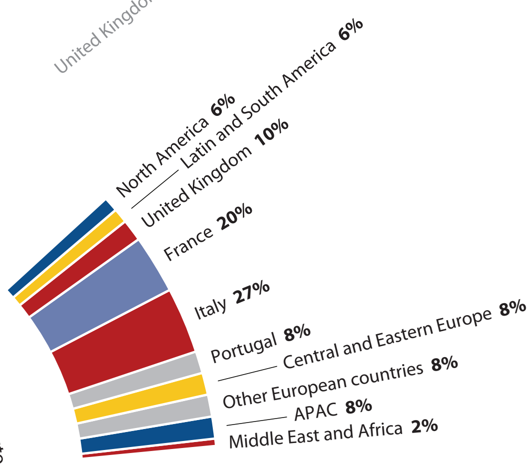
Spanish boards are dominated by long-serving directors combining the longest office tenure (4.7 years) and a high average time on the board (6.1 years). The age profile is something that can only be lowered by moving outside the traditional recruiting networks.

In terms of internationalisation Spain still has a low percentage of non-nationals on its boards (10%) with the majority of foreign directors coming from France, Italy and Portugal. Still 37% of Spanish boardrooms comprise no foreign directors (compared with 46% in the 2007 report). Gender diversity is an even bigger issue; women make up just 6% of board members. At an average of 108,000 Euros, directors' remuneration is one of the highest in Europe and fixed fees account for 79% of the total.

Some of the largest IBEX35 companies offer a role model for Spanish companies as they continue to upgrade their corporate governance practices. However, disappointingly some companies have not made any real progress over the last two years. The two biggest challenges for Spain are linked to the independent supervision of the management by the board. Firstly, the separation between the roles of chief executive and chairman remains an issue – often exacerbated by the fact that the first executive and chairman are often also linked to the major shareholders of the firm. The second is the need to rejuvenate boards, by adding directors with the right experience and international exposure to navigate through this difficult economic environment.

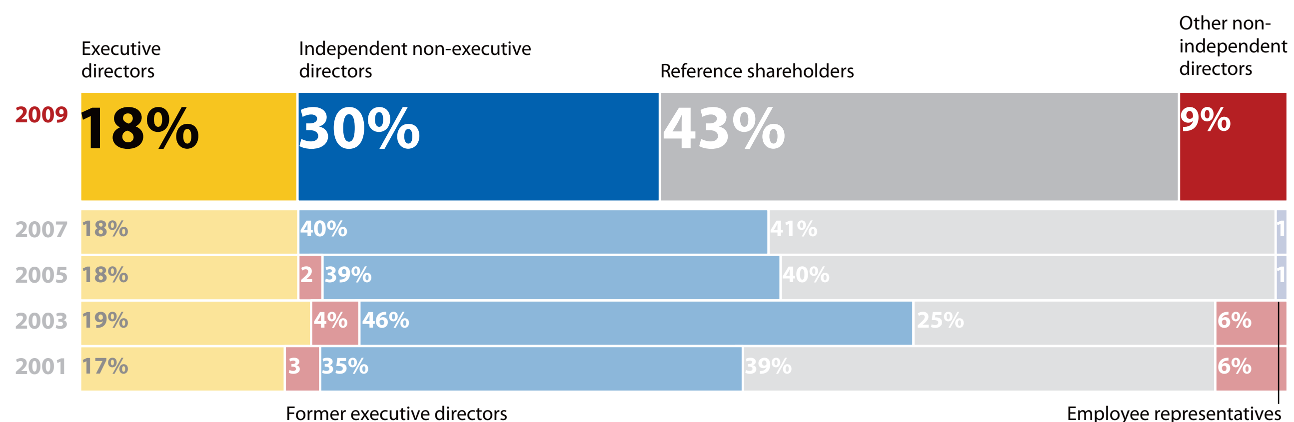
Spain Italy European average France Finland Switzerland Sweden Netherlands United Kingdom





ES09

Ratio of **non-national directors** to national directors



ES09

Board composition by category of director

	2009	2007	2005
Identification of independent directors	100%	100%	100%
Frequency of meetings	100%	100%	86%
Age of directors	37%	43%	54%
Start and end of tenure	94%	100%	89%
Directors' main executive position	100%	100%	100%

	2009	2007	2005
Directors' other board positions	100%	100%	100%
Directors' company shares held	97%	100%	100%
Remuneration of directors	71%	60%	37%
Remuneration structure	100%	n/a	n/a
List of committee members	100%	97%	100%
Report of activity of each committee	49%	n/a	n/a

ES09

Transparency of directors' information
(% of companies providing information)

Sweden

Sweden, along with other Nordic countries, went through a minor recession in the early 1990s which led the country to temporarily nationalise its leading banks. The economy recovered and government loans were repaid; as a result, Swedish banks and companies are better prepared for these turbulent times.

Today, the major corporate governance concern is the conflict between compliance with the regulatory requirements of Sarbanes Oxley and the need to focus on sustainable growth.

The evidence that Swedish companies are starting to plan for the long-term, is the increased frequency of board and committee meetings, respectively up 16% and 10% on 2007. There are still few strategy, ethics or governance committees despite a 15% to 22% presence across Europe. But boards are rising to the challenge of this economic crisis in other ways – namely through closer scrutiny of the contribution and role of individual directors. Audit committees now meet more often than in the past and at 5.6 meetings a year reach the European average although half of these committees do not comprise a member with CFO experience. The frequency of remuneration and nomination committee meetings is in line with European levels. Swedish boards have on average 3.2 committees and the increase in the number of board meetings is partly explained by the need for boards to fully consider the work of their committees, as well as an appreciation of the greater responsibility of non-executive directors in helping their companies steer a course through turbulent times.

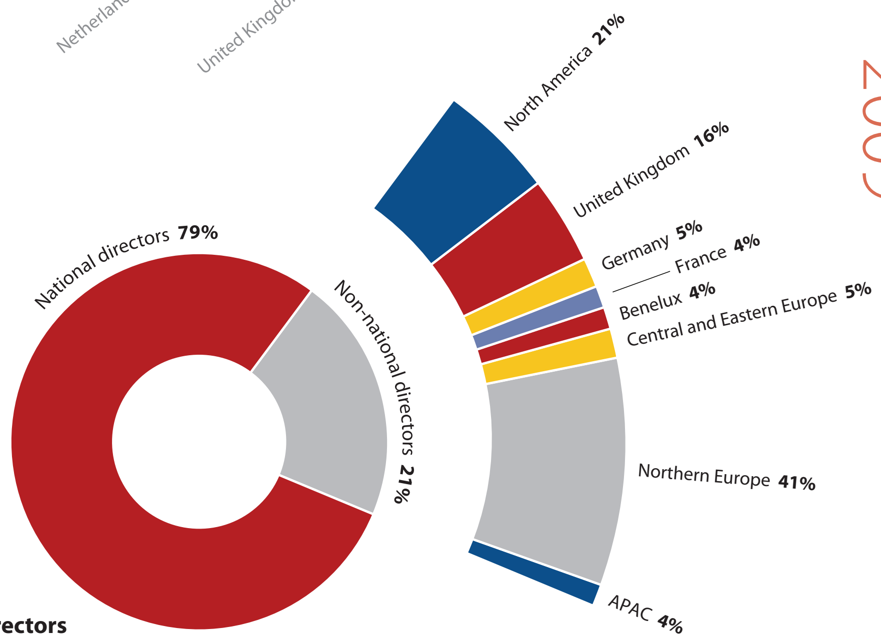
Sweden is noted for its exceptional transparency about corporate governance in general, and about board evaluation in particular. 96% of companies have carried out a board evaluation in the past two years. 63% of evaluation processes included an interview with every board member. However, three quarters of non-executive chairmen are not independent and only one third of evaluations are led by an independent board member. The chairman's role is a key one and as the old guard of chairmen who were former CEOs retire, a younger generation are emerging, more inclined to favour independent external evaluation.

At 6.7 years, the directors' time on the board is high in Sweden despite the shortest length of tenure – appointed for one year only.

Swedish boards have 21% of non-nationals but the largest percentage of this come from Nordic countries (41%). Partly this is a function of older directors' preference for holding meetings in their native language. Swedish boards contain 22% of women, who, tending to be younger, also help to bring down the average age.

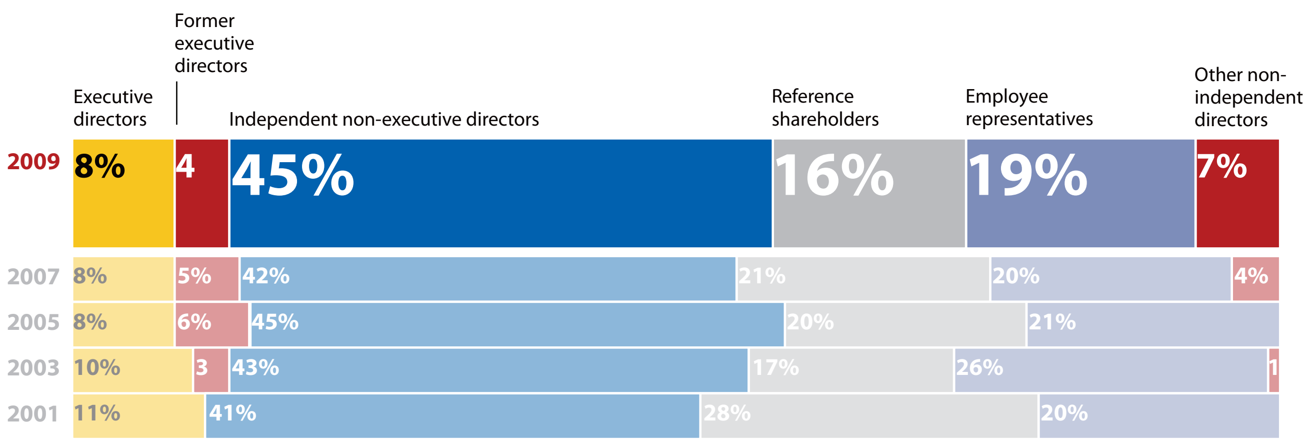
Directors' remuneration has an impact on the internationalisation of boards. At an average of 54,000 Euros the salary offers little inducement for foreign nationals thinking of joining boards in Sweden. The fee does not reflect either the additional responsibilities or greater number and frequency of board and committee meetings. Remuneration committees are finding that the solution to attracting new blood onto the board is to offer a combination of fixed fee and long–term share incentives. Companies are struggling against the public perception in the Nordic countries that directors' remuneration is over-generous. They are having to make the case that when times are tough, professionalism and improved business performance need to be rewarded and that Sweden needs to do more to attract high calibre international board members.

Succession planning has received a notable increase in attention among Swedish boards and is now increasingly viewed as an important strategic issue both in the short and long term. Corporate social responsibility receives more attention as global warming and sustainability become high priority issues in the eyes of owners, customers and the general public, despite the prevailing economic uncertainty.



SE09

Ratio of **non-national directors** to national directors



SE09

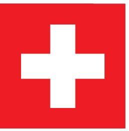
Board composition by category of director

	2009	2007	2005
Identification of independent directors	100%	81%	83%
Frequency of meetings	100%	100%	96%
Age of directors	100%	100%	100%
Start and end of tenure	100%	100%	100%
Directors' main executive position	100%	100%	100%

	2009	2007	2005
Directors' other board positions	100%	100%	100%
Directors' company shares held	100%	100%	100%
Remuneration of directors	100%	100%	92%
Remuneration structure	100%	n/a	n/a
List of committee members	100%	100%	100%
Report of activity of each committee	100%	n/a	n/a

SE09

Transparency of directors' information
(% of companies providing information)



Switzerland

A daunting task rests on the shoulders of the non-executive directors of Switzerland's top companies who – according to the country's corporate governance codes – are ultimately responsible for adjusting strategy through turbulent times.

Traditionally drawn from a narrow elite, Swiss directors are seen as role models with considerable personal prestige at risk. The fear is that, with a culture of blame fuelled by shareholder activists, analysts and an acerbic press, business leaders may be less concerned with 'steering the boat' and taking bold steps, than with protecting their own reputation. This applies particularly to chairmen who accumulate board memberships and therefore face issues of availability and ultimately efficiency.

On a more positive note, two years ago 80% of Swiss companies were still governed by unitary boards yet there has been a major shift and 55% of all boards are now two-tier. Since our 2007 report Swiss companies have also seen a large increase in the number of committee meetings to 19 per year, higher than the European average. Although full boards still meet infrequently (8.2 meetings per year) the greater reliance on committee work is a sign that companies are responding to the complex challenges of today's world.

We note with satisfaction that all companies now have an audit committee. The appearance of corporate social responsibility committees is a reaction to the increased responsibilities of operating in a global marketplace.

The percentage of companies undertaking a board evaluation has increased from 30% to 65% in the space of two years. Yet evaluating board performance needs to be more prevalent, more transparent (with current disclosure levels under 50%) and executed with independent leadership (currently only one in three evaluations are overseen by an independent non-executive). 38% of companies evaluate board performance by questionnaire and only 46% conduct an individual evaluation of directors. To restore investor confidence in board effectiveness these numbers need to increase substantially.

Independence is still an issue for committees and only 71% of audit, remuneration and nomination committees are chaired by independent directors. Of more significance in a downturn is the fact that only 45% of Swiss companies have an active or former CFO on the audit committee.

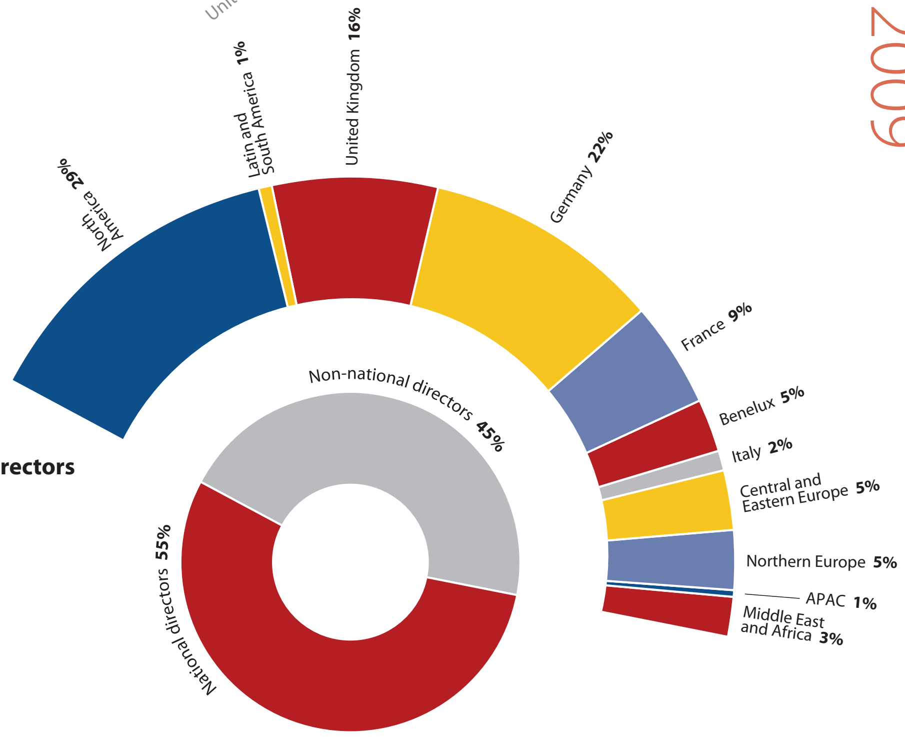
On the positive side the high number of board members in their late 50s and early 60s makes for homogeneity and there is usually a shared culture of working together. In terms of geographical diversity Swiss boards compare well to the rest of Europe. The share of non-nationals on Swiss boards is the second highest after the Netherlands. However, at 1%, there are still too few participants from APAC. One in three boards includes no female directors, a figure that is up only slightly from 50% two years ago.

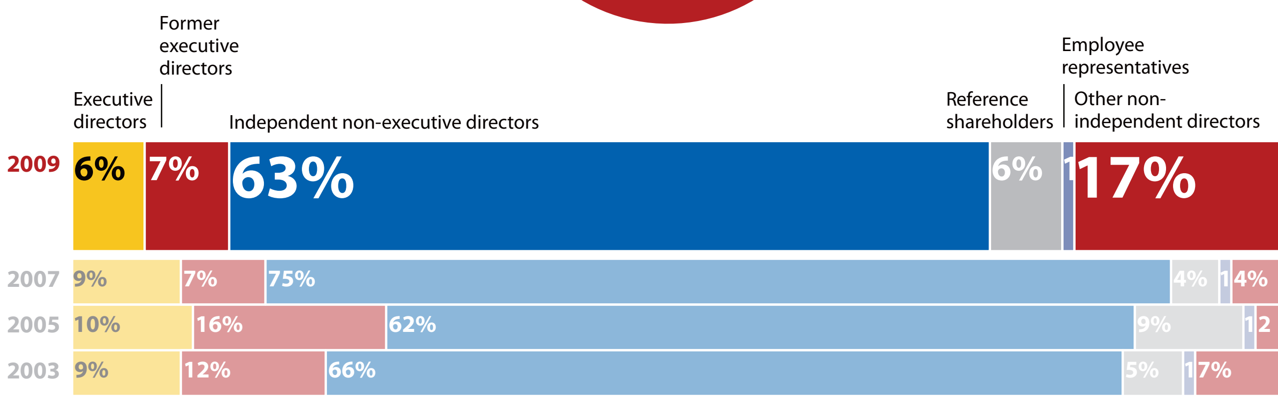
Switzerland continues to lead Europe in terms of directors' remuneration which has increased by another 39% on 2007 levels. There is however pressure to move away from a culture of high remuneration towards one of renewed accountability. Indeed directors must be ready to live up to their responsibilities in every situation. Controversial strategic decisions which – if they ultimately fail – could endanger the director's board seat, should not be discarded too lightly. There is no space for self-preservation amongst board members.

Overall, governance performance will move from emphasising normative elements to issues of quality, diversity and the composition of the directorship. This will challenge another peculiarity of Swiss boards where directors' time on the board is very long at 6.2 years on average. With clear signs of corporate underperformance, will shareholders have a say in what remains one of the lowest director turnover rates in Europe?

CH09

Ratio of **non-national directors** to national directors





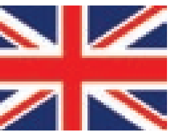
CH09 **Board composition** by category of director

	2009	2007	2005
Identification of independent directors	85%	85%	90%
Frequency of meetings	100%	100%	100%
Age of directors	95%	95%	90%
Start and end of tenure	100%	100%	100%
Directors' main executive position	100%	100%	100%

	2009	2007	2005
Directors' other board positions	100%	100%	100%
Directors' company shares held	80%	20%	20%
Remuneration of directors	95%	95%	85%
Remuneration structure	55%	n/a	n/a
List of committee members	100%	100%	100%
Report of activity of each committee	0%	n/a	n/a

CH09 **Transparency of directors' information**

(% of companies providing information)



United Kingdom

For a country that is consistently in the top three in Europe for corporate governance, UK boards are facing a severe test of nerve. The departing chairmen of some of the UK's leading banks have rightly taken full responsibility for corporate failure and a collapse in share price.

At no time have boards been so acutely sensitive to public perception of the company and its ranking in terms of how it is governed and non-executive board directors are increasingly exposed to public scrutiny, alongside the chairman and CEO.

In the distant past being a non-executive director was seen as a post suitable for people approaching the end of their careers – even a sinecure. Not any more. The demands of corporate governance compliance and the impact of the credit crunch make the role of the non-executive as challenging as any full-time executive position. This is why UK directors and chairmen hold less positions simultaneously than their European counterparts.

The growth of committees has been a consistent factor in the UK since the Cadbury Report of the early 1990s. The average of 3.8 committees per company is among the highest in Europe. All companies have at least three committees covering audit, remuneration and nomination. One-third of all ethics, corporate governance and corporate social responsibility committees are found in the UK. Independent of executive control, the audit committee is one of a number of vital checks and balances. Remuneration committees are now more pressured but also more cautious and are replacing directors' bonuses with long-term stock based incentives, a policy which – apart from being good practice – reflects the Labour Government's intention to increase tax on higher earners.

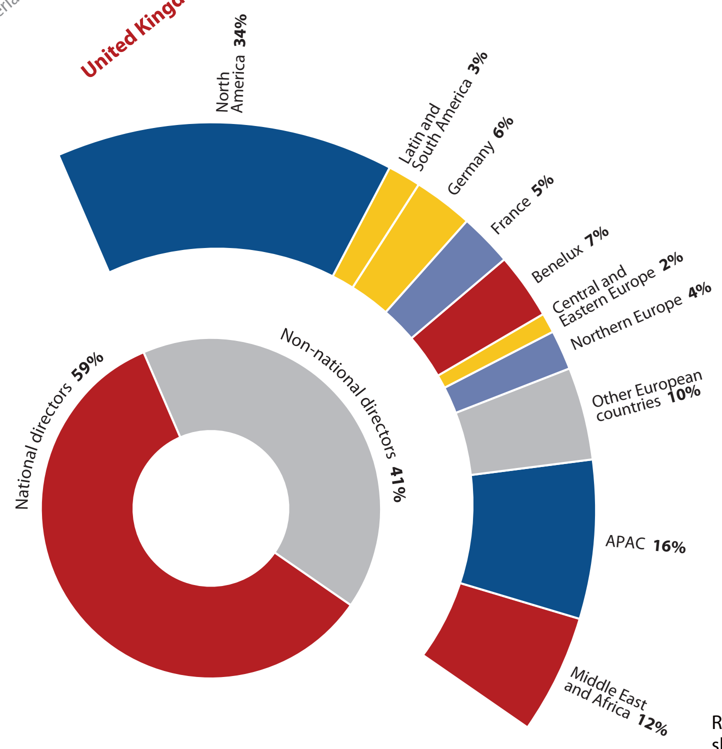
Over the last two years, 98% of UK companies reported that they had completed a board evaluation – up from 88% in 2007. Companies are more transparent, too, and most provide details of the leadership of the board review process. 55% of evaluations are a combination of interview and questionnaire.

Board evaluation by an external consultant should probe the role of board directors and the dynamic of board interaction, while being a platform for open and confidential conversations. The evaluation increasingly includes asking directors how many key executives they have met outside the boardroom, with coaching and mentoring of executives being an increasing expectation. Roles work best when clearly defined and in all UK companies the role of the CEO and chairman is split.

The composition of boards and in particular diversity – in its broadest definition – will be a big issue in the future. With an average of 8.5 directors, the UK remains among those countries with small non-executive boards. There is an encouraging increase of the proportion of non-national directors from 37% to 41%. On average UK boards comprise 15% women, although this proportion has not grown over the last four years.

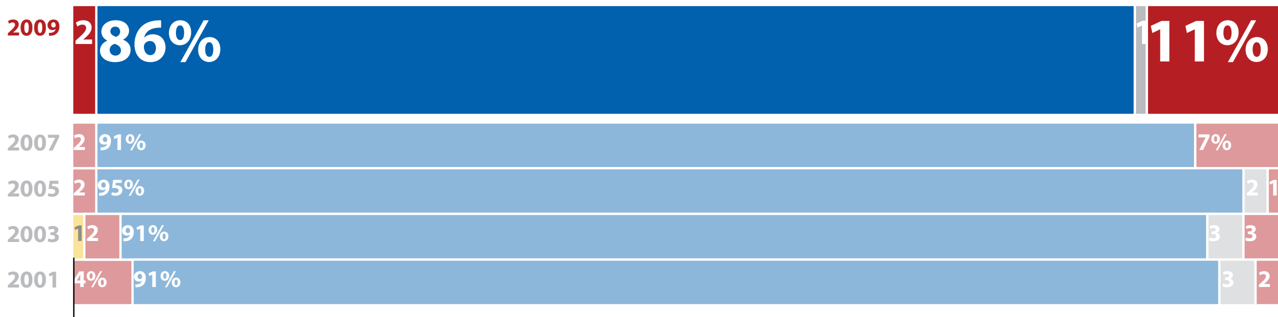
To steer their companies through turbulent times, UK board directors need innovators and leaders with vision, as well as seasoned professionals; the average age of boards continues to rise to nearly 60 years. Over the past two years the average remuneration of directors rose to £80,000 from £71,000 in 2007 (comparisons in Euros are not used because of changing exchange rates).

British boards continue to set a global standard for good practice in corporate governance, with the fabled British pragmatism driving the trend for increasing value-add outside, as well as inside the boardroom. The 'Sarbanes-Oxley model of box-ticking' is not regarded as a guarantee of good corporate governance. UK boards' preparedness to submit themselves to public scrutiny is a healthy indicator of their corresponding readiness to adapt themselves and their behaviour to ensure flexibility in turbulent times.



GB09

Ratio of **non-national directors** to national directors



GB09 **Board composition** by category of director

	2009	2007	2005
Identification of independent directors	100%	100%	100%
Frequency of meetings	98%	98%	96%
Age of directors	100%	100%	98%
Start and end of tenure	92%	100%	94%
Directors' main executive position	100%	100%	98%
Directors' other board positions	100%	100%	98%
Directors' company shares held	100%	94%	100%
Remuneration of directors	100%	100%	100%
Remuneration structure	78%	n/a	n/a
List of committee members	98%	100%	100%
Report of activity of each committee	100%	n/a	n/a

GB09 **Transparency of directors' information**

(% of companies providing information)

Company index

the country / countries in which each company was analysed are listed after each entry

A.P. Møller-Mærsk (Denmark)
ABB (Switzerland)
Abertis (Spain)
Acciona (Spain)
Accor (France)
Acerinox (Spain)
Ackermans & van Haaren (Belgium)
ACS (Spain)
Adecco (Switzerland)
Adidas (Germany)
AEGON (Netherlands)
AEM (Italy)
Agfa-Gevaert (Belgium)
Aguas de Barcelona (Spain)
Ahold (Netherlands)
Air France KLM (France)
Akzo Nobel (Netherlands)
Alcatel Lucent (France)
Alfa Laval (Sweden)
Alitalia (Italy)
Alleanza (Italy)
Allianz (Germany)
Alstom (France)
Altri (Portugal)
Amer Sports (Finland)
Andritz (Austria)
Anglo American (UK)
Antena 3 TV (Spain)
Antofagasta (UK)
Arcelor Mittal (France-Netherlands)
ASML Holding (Netherlands)
ASSA ABLOY (Sweden)
Associated British Foods (UK)
AstraZeneca (UK)
Atlantia (Italy)
Atlas Copco (Sweden)
Autogrill (Italy)
Aviva (UK)
Axa (France)
BAE Systems (UK)
Bâloise (Switzerland)
Banca Monte Paschi Siena (Italy)
Banca Popolare di Milano (Italy)
Banco Popolare (Italy)
Banco Popular (Spain)
Banco Sabadell (Spain)
Banco Santander (Spain)
Banesto (Spain)
Bankinter (Spain)
Barclays (UK)
BASF (Germany)
Bayer (Germany)
BBVA (Spain)
BCP (Portugal)
Bekaert (Belgium)
Belgacom (Belgium)
BES (Portugal)
BG Group (UK)
BHP Billiton (UK)
BME (Spain)
BMW (Germany)
BNP Paribas (France)
Boehler Uddeholm (Austria)
Boliden (Sweden)
Bouygues (France)
BP (UK)
BPI (Portugal)
Brisa (Portugal)
British American Tobacco (UK)
British Energy (UK)
British Sky Broadcasting (UK)
BT (UK)
Bulgari (Italy)
Buzzi Unicem (Italy)
Bwin (Austria)
Cadbury (UK)
Cap Gemini (France)
Cargotec (Finland)
Carlsberg (Denmark)
Carrefour (France)
Centrica (UK)
Cimpor (Portugal)
Cintra (Spain)
Clariant (Switzerland)
CNP (Belgium)
Cofinimmo (Belgium)
Colruyt (Belgium)
Commerzbank (Germany)
Compass (UK)
Continental (Germany)
Corporate Express (Netherlands)
Credit Agricole (France)
Credit Suisse (Switzerland)
Criteria Caixacorp (Spain)
Daimler (Germany)
Dampskibsselskabet NORDEN (Denmark)
Danisco (Denmark)
Danone (France)
Danske Bank (Denmark)
Delhaize (Belgium)
Deutsche Bank (Germany)
Deutsche Börse (Germany)
Deutsche Lufthansa (Germany)
Deutsche Post (Germany)
Deutsche Postbank (Germany)
Deutsche Telekom (Germany)
Dexia (Belgium-France)
Diageo (UK)
DSM (Netherlands)
DSV (Denmark)
E.ON (Germany)
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EDP (Portugal)
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Electrolux (Sweden)
Elekta (Sweden)
Elisa (Finland)
Enagas (Spain)
Endesa (Spain)
ENEL (Italy)
ENI (Italy)
ENRC (UK)
Ericsson (Sweden)
Erste Bank (Austria)
Essilor (France)
F. Hoffmann-La Roche (Switzerland)
Fastweb (Italy)
FCC (Spain)
Ferrovial (Spain)
Fiat (Italy)
Finmeccanica (Italy)
Finnair (Finland)
Fiskars (Finland)
FLSmidth (Denmark)
Flughafen Wien (Austria)
Fondiaria Sai (Italy)
Fortis (Belgium-Netherlands)
Fortum (Finland)
France Telecom (France)
Fresenius Medical Care (Germany)
GALP (Portugal)
Gamesa (Spain)
Gas Natural (Spain)
Gaz de France (France)
GBL (Belgium)
Generali (Italy)
Genmab (Denmark)
GlaxoSmithKline (UK)
GN Store Nord (Denmark)
Gruppo Editoriale L'Espresso (Italy)
Hagemeyer (Netherlands)
HBOS (UK)
Heineken (Netherlands)
Henkel (Germany)
Hennes & Mauritz (Sweden)
Holcim (Switzerland)
HSBC (UK)
Hypo Real Estate (Germany)
Iberdrola (Spain)
Iberia (Spain)
Imperial Tobacco (UK)
Impregilo (Italy)
InBev (Belgium)
Inditex (Spain)
Indra (Spain)
Industrivärden (Sweden)
Infineon Technologies (Germany)
ING (Netherlands)
Inmobiliaria Colonial (Spain)
Intercell (Austria)
International Power (UK)
Intesa Sanpaolo (Italy)
Investor (Sweden)
Italcementi (Italy)
J Sainsbury (UK)
Jerónimo Martins (Portugal)
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KBC (Belgium)
Kemira (Finland)
Kesko (Finland)

KONE (Finland)
Konecranes (Finland)
KPN (Netherlands)
Lafarge (France)
Lagardère (France)
L'Air Liquide (France)
Land Securities (UK)
Legal & General (UK)
Linde (Germany)
Lloyds TSB (UK)
L'Oréal (France)
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MAPFRE (Spain)
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M-real (Finland)
Münchener Rück (Germany)
National Grid (UK)
Neste Oil (Finland)
Nestlé (Switzerland)
NH Hoteles (Spain)
NKT Holding (Denmark)
Nobel Biocare (Switzerland)
Nokia (Finland)
Nokian Renkaat (Finland)
Nordea Bank (Denmark-Sweden)
Novartis (Switzerland)
Novo Nordisk (Denmark)
Novozymes (Denmark)
Nyrstar (Belgium)
Oesterreichische Post (Austria)
Omega Pharma (Belgium)
OMV (Austria)
Orion (Finland)
Outokumpu (Finland)
Outotec (Finland)
Palfinger (Austria)
Parmalat (Italy)
Pernod Ricard (France)
Philips (Netherlands)
Pirelli (Italy)
Pohjola Pankki (Finland)
Portucel (Portugal)
Portugal Telecom (Portugal)
Pöyry (Finland)
PPR (France)
Prudential (UK)
Prysmian (Italy)
PSA (France)
R.E.E. (Spain)
Raiffeisen International (Austria)
Randstad (Netherlands)
Rautaruukki (Finland)
Reckitt Benckiser (UK)
Reed Elsevier (Netherlands-UK)
REN (Portugal)
Renault (France)
Repsol YPF (Spain)
RHI (Austria)
Richemont (Switzerland)
Rio Tinto (UK)
Rolls Royce (UK)
Royal Bank of Scotland (UK)
Royal Dutch Shell A (Netherlands-UK)
RWE (Germany)
SABMiller (UK)
Sacyr Vallehermoso (Spain)
Saint Gobain (France)
Saipem (Italy)
Sampo (Finland)
Sandvik (Sweden)
Sanofi Aventis (France)
SanomaWSOY (Finland)
SAP (Germany)
SBM Offshore (Netherlands)
SCA (Sweden)
Scania (Sweden)
Schneider (France)
Schoeller Bleckmann (Austria)
Scottish & Southern Energy (UK)
Seat Pagine Gialle (Italy)
SEB (Sweden)
Semapa (Portugal)
Siemens (Germany)
Skanska (Sweden)
SKF (Sweden)
Snam Rete Gas (Italy)
Soares da Costa (Portugal)
Société Générale (France)
Sogecable (Spain)
Solvay (Belgium)
Sonae (Portugal)
Sonae Indústria (Portugal)
Sonaecom (Portugal)
Sponda (Finland)
SSAB (Sweden)
Standard Chartered (UK)
STMicroelectronics (France-Italy)
Stockmann (Finland)
Stora Enso (Finland)
Strabag (Austria)
Suez (Belgium-France)
Svenska Handelsbanken (Sweden)
Swatch (Switzerland)
Swedbank (Sweden)
Swedish Match (Sweden)
Swiss Life (Switzerland)
Swiss Re (Switzerland)
Swisscom (Switzerland)
Sydbank (Denmark)
Syngenta International (Switzerland)
Synthes (Switzerland)
Teixeira Duarte (Portugal)
Tele2 (Sweden)
Telecinco (Spain)
Telecom Italia (Italy)
Telefónica (Spain)
Telekom Austria (Austria)
TeliaSonera (Sweden)
Tenaris (Italy)
Terna (Italy)
Tesco (UK)
ThyssenKrupp (Germany)
TietoEnator (Finland)
TNT (Netherlands)
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Trelleborg (Sweden)
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Unilever (Netherlands-UK)
Unión Fenosa (Spain)
Unipol (Italy)
United Utilities (UK)
UPM-Kymmene (Finland)
Vallourec (France)
Vedanta Resources (UK)
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Vinci (France)
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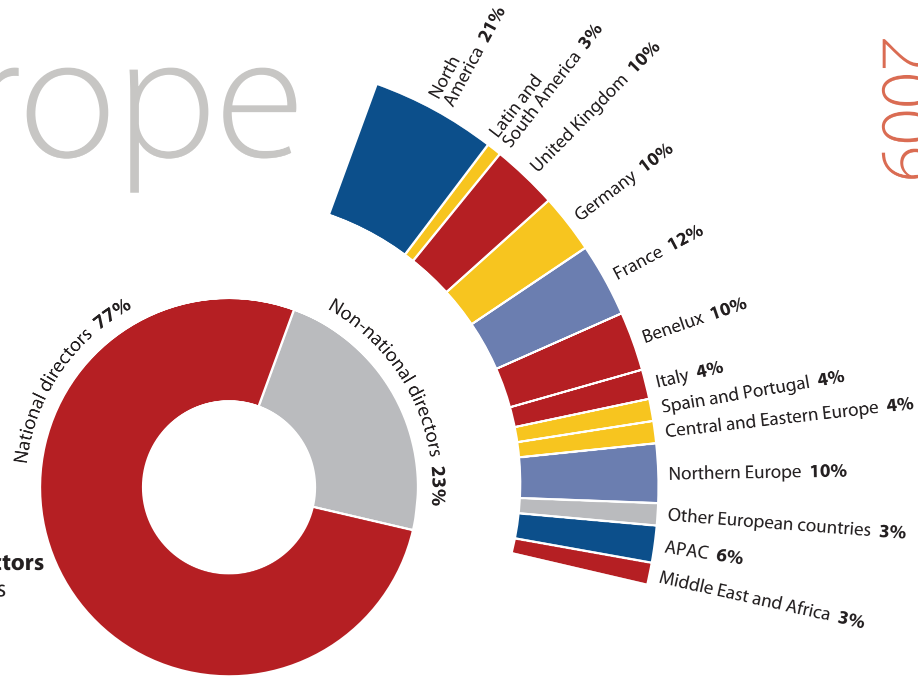
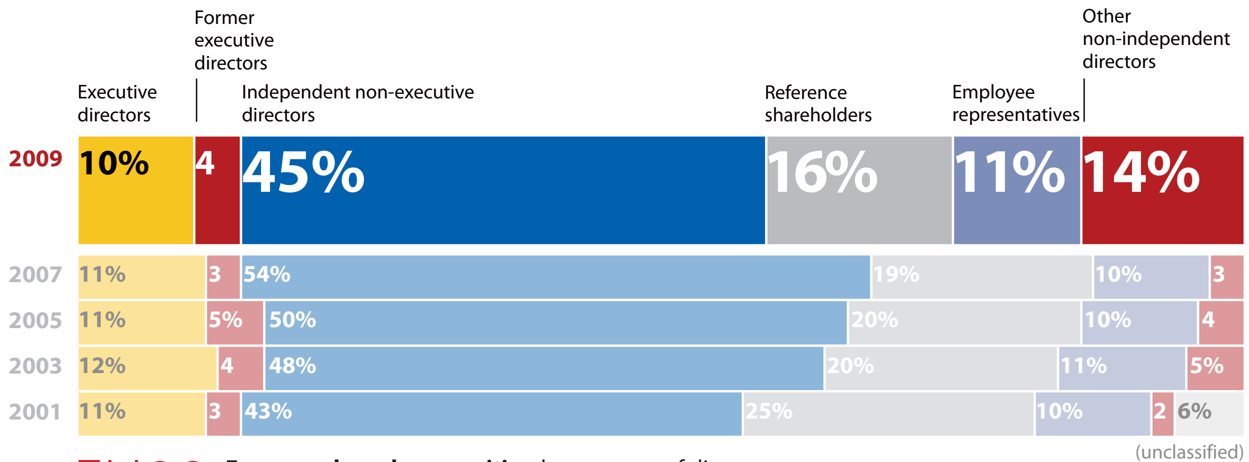
Zumtobel (Austria)
Zürich Financial Services (Switzerland)

Europe



EU09

European ratio of **non-national directors** to national directors



EU09 **European board composition** by category of director

	2009	2007	2005
Identification of independent directors	88%	86%	79%
Frequency of meetings	95%	98%	93%
Age of directors	73%	72%	68%
Start and end of tenure	84%	82%	79%
Directors' main executive position	92%	98%	99%

	2009	2007	2005
Directors' other board positions	94%	97%	95%
Directors' company shares held	75%	64%	63%
Remuneration of directors	84%	80%	68%
Remuneration structure	72%	n/a	n/a
List of committee members	95%	99%	97%
Report of activity of each committee	75%	n/a	n/a

EU09 **European transparency of directors' information**

(% of companies providing information)

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