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NEW PAN-EUROPEAN REPORT PROVIDES BLUEPRINT FOR CORPORATE GOVERNANCE

BRUSSELS / LONDON / OSLO, Date 2015 — A new pan-European report analysing what's happening in boardrooms across the continent outlines a best practice guide to help boards and their nominations committees develop robust and effective nomination procedures.

The report, "Beyond the Old Boys' Network: What's happening in the European boardrooms and a guide to best practices" has been produced by the European Confederation of Directors Associations (ecoDa) and global leadership and talent consultancy Korn Ferry.

It examines changes in how the board nominations process has worked over the last decade, primarily as a response to new waves of corporate governance guidelines, and explores governance systems used in some jurisdictions and whether they could be applied elsewhere.

Among the systems explored are one-tier versus two-tier boards; making major shareholders members of the nomination committee; ensuring that employees get adequate board representation; and establishing mandatory gender quotas.

The report, which draws on interviews with several dozen board practitioners from across the continent, finds that the implementation of a pan-European set of rules for nominations would be challenging, due to legal, technical and cultural differences.

For example, a fundamental principle of Nordic corporate governance is the "active ownership model", where the nomination committee is constituted not by board members but by representatives of the largest shareholders. While seen as positive in Scandinavia and given praise from other jurisdictions such as Italy, it met with little support from business leaders in the

UK, reflecting the more complex nature of a typical UK company's share register, with the largest shareholders seldom holding more than a 5% share of the company.

One chairman and senior independent director of a company that has seen investor battles said, "We have to represent all the shareholders, and having a couple of major shareholders deciding the appointments to the board could be hugely disruptive and chaotic."

However, the report finds that although governance codes vary across jurisdictions, best practices transcend different governance jurisdictions. It makes 14 recommendations covering the entire nomination process, from the structuring of the process through succession planning, candidate selection, candidate interview, and the induction of new directors.

Dominic Schofield, Senior Client Partner at Korn Ferry, commented: "Appointing a board director is not what it used to be. Gone are the days of CEOs and chairmen single-handedly planning how to fill their boards with friends, family and colleagues. Market volatility and economic instability, heightened regulatory pressure, the demand and need for diversity, and growing shareholder activism have forced boards to rethink their nomination practices.

"Over the past decade, boards of directors around the world have seen their roles redefined from the scope of their responsibilities and their actual workload to the level of mental agility required. To fulfil their mission, today's corporate boards must command a broad battery of qualities, skills, and experience."

Turid Elisabeth Solvang, Managing Director of the Norwegian Institute of Directors, and board member of ecoDa has co-ordinated the project with Mr Schofield. She adds: "Also, having the right competencies and experiences around the board table alone is not sufficient to guarantee board effectiveness. Team dynamics and behaviours are equally important. Underestimating the role of relationships among board members means undermining the board's ability to adequately support the company.

"As governance and the trend for greater rigour and transparency in boardroom processes increases, the recruitment of board directors has become more contentious: perceived 'old practices' often provoke a sharp and public reaction from investors and media observers alike. The goal of this report is to develop a set of best practice recommendations for boards' recruitment that apply within the different national legal frameworks and corporate governance models."

The best practice guidelines outlined in the report are:

1. Ensure rigour and independence in the board nomination process from the outset.
2. Keep the main stakeholders informed.
3. The CEO should not have the veto power on nomination committee decisions; however, he/she should be involved in the process and be consulted during the decision making.
4. Build a board succession plan.
5. Know when directors will leave/rotate off the board.
6. Conduct a gap analysis to match the skills and experiences needed with business strategy.
7. Be aware of how team dynamics facilitate (or hamper) board activities.
8. Maintain independence of process by hiring external professional advisors.
9. Use board appointments to foster diversity in the board's makeup without losing sight of the skills needed.
10. Ask mission-critical questions during candidate interviews.
11. Reference thoroughly.
12. Establish a structured, informative and tailored induction programme.
13. Mentoring should be considered for new / first-time directors.
14. Value feedback from outgoing board members.

-ENDS-

Notes to editors

The report is a joint initiative by the European Confederation of Directors Associations (ecoDa) and Korn Ferry. The study draws on the decennial careers and experiences of both ecoDa members and Korn Ferry's partners as well as other academic research and thought leadership already published. Importantly, interviews have also been conducted with dozens of European board practitioners, including chairmen, chief executives, board directors, and investors in Belgium, Denmark, Finland, France, Germany, Italy, Macedonia, Norway, Poland, Slovenia, Sweden, Switzerland and the United Kingdom.

About the European Confederation of Directors Associations

The European Confederation of Directors Associations (ecoDa) is a not-for-profit association founded in December 2004 under the laws of Belgium. Through its national institutes of directors (the main national institutes existing in Europe), ecoDa represents approximately 55,000 board directors from across the EU. ecoDa's member organisations represent board directors from the largest public companies to the smallest private firms, both listed and unlisted. www.ecoda.org

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