

PRESS RELEASE – 9 March 2018

Mazars and ecoDa highlight key challenges faced by boards in an evolving European corporate governance landscape

Mazars, the international accountancy and advisory firm, and ecoDa, the European Confederation of Directors' Associations, have published the results of a survey of directors which looks into the practices of European listed companies in designing their corporate governance structures and disclosing their corporate governance practices, including the application of the 'comply or explain' concept.

The results highlight a number of issues for review that are linked to the promotion of the long-term sustainable success of listed businesses. Key findings include: More time should be devoted by investors to better understanding how the boards of listed companies in which they own shares operate in practice rather than their just relying on a desktop review of their corporate governance.

Attention needs to be paid to adapting national governance codes to deal with challenges stemming from the existence of dominant shareholders, or small groups of shareholders collectively having a dominant share of the total shareholder vote especially in countries where they are prevalent.

The role of proxy advisors is raising new challenges for the flexibility offered by the 'comply or explain' approach, since they are tending to expect companies to 'comply' rather than 'explain' regardless of the circumstances. Due to the concentration in the market for proxy advice, they may indirectly gain at least a blocking minority of votes which will hinder the necessary tailoring of governance practices to a company's specific circumstances.

Commenting on the survey report, Lutgart Van den Berghe, Board member of ecoDa said *'Board members, investors and regulators all have their part to play in fostering an ecosystem that promotes long-term sustainable success for the benefit of all stakeholders in listed companies and wider society. Targeting full compliance will not of itself raise the bar higher for effective corporate governance'*.

Anthony Carey, Board Practice Partner at Mazars added *'More emphasis should be placed on how boards are operating in the real world and not just on paper. Building an engaged board with high levels of both support and challenge for the executive team requires constant attention but is crucial if the businesses the boards are leading are to achieve their full potential'*.

Notes to editors

The survey covered 130 companies across 11 countries (Belgium, France, Germany, Greece, Ireland, Italy, The Netherlands, Poland, Spain, Sweden and the UK)

Findings from the survey included:

- 83% of companies surveyed had revised their corporate governance model in the last financial year mainly as a result of changes in the corporate governance code they were applying or in European Union or national law. Of companies not revising their code, family- owned companies were in the majority.
- 76% of board members considered corporate governance was of interest to their shareholders though almost a quarter (the remaining 24%) did not believe their shareholders were really interested in governance matters. The main topics discussed with investors were remuneration (40%) and the nomination of board members (40%).
- 59% of companies surveyed had made use of the flexibility provided by the 'comply or explain' approach. Just under half of boards (48%) think additional guidance on 'comply or explain' would be helpful to promote high quality explanations, offer clear guidelines or to provide more information on best practice.

Link to the full report:

http://ecoda.org/uploads/media/1708_Mazars_EcoDa_New_Version_v17_01.pdf

About ecoDa:

The European Confederation of Directors Associations (ecoDa) is a non-profit association founded in December 2004 under the laws of Belgium. Through its national institutes of directors (the leading national institutes in Europe), ecoDa represents approximately 55,000 board directors from across the EU. The member organisations of ecoDa represent board directors from the largest public companies to the smallest private firms, both listed and unlisted.

<http://www.ecoda.org>

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About Mazars:

Mazars is an international, integrated and independent organisation, specialising in audit, accountancy, advisory, tax and legal services. As of 1st January 2018, Mazars operates throughout the 86 countries and territories that make up its integrated partnership. Mazars draws upon the expertise of 20,000 women and men led by 980 partners working from 300 offices worldwide. We assist clients of all sizes, from SMEs to mid-caps and global players as well as start-ups and public organisations, at every stage of their development.

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