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Delegations will find attached Commission document SEC(2007) 1021.

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COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMISSION STAFF WORKING DOCUMENT

Report on the application by the Member States of the EU of the Commission Recommendation on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board

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1. OBJECTIVE OF THE REPORT

Corporate governance ensures that boards are able to exercise appropriate scrutiny over management and that shareholders, as owners of the company, are able to hold boards accountable. As such, a high level of corporate governance contributes significantly to investors' confidence and market stability, thus fostering business efficiency.

The Commission's recommendation on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board[1] seeks to promote standards ensuring that the boards of listed companies offer sufficient guarantees of independence. In doing so, it promotes the convergence of the national corporate governance codes which exist in the Member States, so that investors can benefit from an equivalent level of protection and transparency throughout the Community.

In addition to the global objective of contributing to business efficiency and allowing investors to reap the benefits of the Internal Market, the recommendation was also a response to the corporate fraud scandals of the turn of the century.

These scandals demonstrated that the then existing checks and balances were deficient and could not prevent losses of billions of euros in companies' accounts.

The Parmalat[2] case highlighted the inherent danger of concentrating the functions of chief executive and of chairman of the board in the hands of the same person. The Ahold case, on the other hand, demonstrated that a formal separation of executive and supervisory functions by establishing a separate supervisory board may not be sufficient to prevent abuses.

Boards are less likely to exercise efficient monitoring if they are staffed with people either with close links to the management or lacking appropriate expertise. Independence is particularly crucial in those areas which involve a potential conflict of interest between managers and shareholders: nomination of the management, manager's pay and audit of the company's performance – itself an indicator of the performance of the manager.

Member States were invited to take the necessary measures to promote the application of the Commission Recommendation by 30 June 2006 either through legislation or through best practice rules based on the "comply or explain" principle.

"Comply or explain" gives flexibility to companies. Some companies may find that a certain recommendation is ill suited to their specific characteristics and/or compliance with this

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[1] Commission Recommendation 2005/162/EC of 15 February 2005

[2] Italian dairy group, December 2003.

standard would be excessively burdensome or difficult. These companies are not required to comply with this specific principle as long as they disclose these deviations and provide an explanation to the market.

The objective of this report is to evaluate whether Member States have put in place the necessary framework in order to give effect to the main principles of the Recommendation.

The tables annexed to this report indicate to what extent a Member State has implemented the requirements of the recommendation. The evaluation criteria can also be found in the Annexes.

The second section summarises the main findings of the report. The third and fourth sections present the principles of the Recommendation and give an overview of the modalities of their implementation at national level.

This report is based on the replies of Member States to a Commission questionnaire as well as on the examination of national corporate governance codes of these Member States. 21 Member States are covered in the report[3]. Any reference to Member States relates exclusively to those which have provided the Commission with information.

2. MAIN FINDINGS OF THE EVALUATION

Recent years have shown a clear trend towards improving corporate governance standards in the EU. Regulatory overhauls have resulted in reinforced safeguards along the lines of the Recommendation in most Member States, with most Member States following almost fully or to a large extent the provisions of the Recommendation. Reform is still ongoing in certain Member States.

The "comply or explain" principle, under which companies choose to either comply with, or to justify deviations from, the corporate governance code, is widely applied in Member States as the cornerstone of corporate governance compliance. However, in a number of Member States disclosure on compliance or justification (corporate governance statement) is at present still purely voluntary.[4]

All Member States now require or recommend the presence of independent directors in (supervisory) boards, which can be seen as major progress. Differences in the definition of independence, however, make standards uneven. The requirement of independence from the majority shareholder has not been fully endorsed in all Member States.

Most Member States require or recommend the separation of the highest executive managerial and supervisory functions. However, a number of countries have chosen not to limit the possibility for former CEOs to become supervisory board chairman, thereby allowing CEOs to oversee their own past decisions. Furthermore, the chairman's ties to the company could prevent a truly independent approach. The Commission regrets this and considers that, at the very least, there should be an appropriate interval between active membership of the

[3] Bulgaria, Cyprus, the Czech Republic, Portugal, Romania and Spain are not covered.

[4] However, the publication of an annual corporate governance statement will become an obligation for all listed EU companies pursuant to Directive 2006/46 of 14 June 2006, to be transposed in national law by September 2008, O.J. L 224, 16.06.2006, p. 1.

management board and appointment to the supervisory board, in order to preserve the independence of the supervisory board[5].

One of the most important objectives of the Recommendation is to promote the presence and role of independent non-executive or supervisory directors in the major fields of potential conflicts of interest between management and shareholders. Regrettably, the main weaknesses can be found here. A significant number of Member States do not recommend the presence of independent directors in all board committees. It is alarming that the law or the corporate governance code in some Member States do not recommend a strong presence of independent members in remuneration and audit committees. In these Member States, managers may still be able to have a major influence on their own remuneration and control over the company's accounts may be insufficient The costs for the company and risk of abuse may remain high.

3. PRINCIPLES OF THE COMMISSION RECOMMENDATION

The main principles of the Recommendation subject to evaluation in this report are the following.

(1) **Separation of the role of chief executive director and (supervisory) board chairman:** the separation of past and present chief executive and chairmanship functions is widely considered as a crucial condition for ensuring that management is subject to efficient and independent supervision. The Recommendation states that it should be avoided that the chief executive immediately becomes the chairman of the (supervisory) board. Furthermore, the Recommendation requires disclosure of safeguards put in place if a company chooses to combine the roles of chairman and chief executive or to immediately appoint as chairman of the (supervisory) board the former chief executive.

(2) **Sufficient number of independent directors on the (supervisory) board:** it is recommended that a sufficient number of independent non-executive or supervisory directors should be elected to the (supervisory) board of companies to ensure that any material conflicts of interest involving directors will be properly dealt with. Independent directors also have a role to play in companies where a controlling shareholder may exert strong control over the management. In such cases, conflicts of interest may arise between the majority and minority shareholders. Independence from the controlling shareholder may be an efficient way of alleviating such conflicts.

(3) **Creation of board committees for dealing with issues raising conflict of interest:** the Recommendation encourages the creation of nomination, remuneration and audit committees within the (supervisory) boards where these tasks are not the direct responsibility of shareholders.

(4) **Strong presence of independent directors in board committees and clear delineation of the role of such bodies:** the Recommendation emphasises the need for a strong presence of independent non-executive directors in board committees. It is recommended that the nomination committee should be composed of at least a majority of independent non-executive or supervisory directors, and that the

[5] European Parliament resolution of 4 July 2006 on recent developments and prospects in relation to company law (2006/2051(INI))

remuneration and the audit committees, in turn, should comprise exclusively non-executive or supervisory directors, a majority of whom should be independent. Furthermore, the Recommendation establishes a long list of functions for such bodies.

(5) **Transparency on independent board members:** disclosure of the competences of individual directors and of adequate information on the board's determination of the directors' independence is recommended.

(6) **High standards on qualifications and commitment of (supervisory) board members:** In order to boost the efficiency of the (supervisory) board, it is recommended that it be composed of members who, taken together, have the required diversity of knowledge, judgement and experience to properly complete their tasks. Members of the audit committee should have specific financial and accounting knowledge in order to adequately fulfil their duties. Directors should be committed to their duties and devote sufficient time and attention to their work. As a consequence this may imply that they limit their other commitments. Other assignments and significant professional commitments should be disclosed.

4. MODALITIES OF IMPLEMENTATION

4.1. Corporate governance framework

A regulatory overhaul has been carried out in most Member States following the adoption of the Commission Recommendation and the principles advocated therein have generally been taken into account, at least to some extent. In some Member States, the revision of the corporate governance code is still ongoing[6].

Generally, Member States have implemented the Recommendation on independent directors as part of their corporate governance codes, which usually apply to listed companies. In Austria, the code applies on a mandatory "comply or explain" basis only to companies listed on the prime market segment of the Wiener Börse, while other companies may follow the recommendations on a voluntary basis. A similar system applies in Slovakia. In the UK and Ireland, smaller companies are exempt from independence requirements.

Codes usually provide that listed companies publish an annual corporate governance statement stating whether they comply with the provisions of the corporate governance code to which they are subject or explain deviations from such code. The majority of Member States make it an obligation for listed companies to publish an annual corporate governance statement,[7] however, compliance with corporate governance codes remains a matter of best practice[8] in many Member States. By virtue of Directive 2006/46/EC to be transposed into national law by September 2008,[9] all companies whose shares are admitted to trading on a regulated market will be required to disclose a corporate governance statement, therefore there will be a real obligation for companies to be transparent in this field all over the EU.

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6 Hungary, Slovakia and Latvia

7 "Mandatory comply or explain", see Annex 1.

8 "Voluntary comply or explain", see Annex 1.

9 Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006, O.J. L224/1, 16.08.2006

Lastly, difficulties may arise due to differences between Member States as regards the scope of application of the national corporate governance codes, with certain codes applying to companies listed in the relevant Member State, and others only to companies listed and incorporated in the Member State[10]. Where a company is incorporated in one Member State but is listed in another or several other Member States, this may result in situations where several codes are applicable or no code at all. In the former situation, some Member States consider it sufficient that the listed company makes reference to compliance with the corporate governance code of another country[11] whereas e. g. in Luxembourg, multi-listed companies which are faced with a number of corporate governance codes are requested to follow the principles of the Luxemburg code, as long as these principles represent a higher corporate governance standard.. Annex 1 provides an overview of the corporate governance framework in Member States.

4.2. Modalities of implementation of the main recommendations

4.2.1. Separation of the functions of chief executive officer (CEO) and the (supervisory) board chairman.

The separation of the functions of the chief executive and the (supervisory) board chairman is one of the key elements in ensuring that the (supervisory) board performs its oversight efficiently. The chairman of the board plays an important role in coordinating the board's oversight and control function and should, therefore, be independent from management.

The separation of the highest executive managerial and supervisory functions is either required or recommended on a "comply or explain" basis in most Member States (See Table 2 in Annex 2). In countries with dual board structures, present management and supervisory board memberships are separated by law. Of those Member States with a single board structure, a small number still allow for the concentration of both powers in one person[12], although several of these Member States consider that this should be exceptional and, therefore, subject to scrutiny. Only a few Member states have put in place additional safeguards if the functions of the CEO and chairman are combined[13], or require disclosure of any additional safeguards

The Recommendation further provides that the chief executive should not become the chairman of the (supervisory) board immediately after the termination of his term of office as a CEO. This ensures that the CEO's past responsibilities do not stand in the way of his ability to exercise objective supervision as chairman of the Board. This important principle has been implemented in only a limited number of Member States[14]. Several Member States with dual board systems do not recommend that the former CEO should not become supervisory board chairman.[15]

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10 e.g. Belgium, the Netherlands, Denmark

11 E.g. Lithuania

12 E.g. France. The Corporate Governance Code describes the organisational structures authorised by law (dual board or single board with or without a separation between the CEO and the Chairman or not) and only recommends that whichever choice the company makes should be explained to shareholders.

13 E.g. lead independent director in Italy, consultation with major shareholders in the UK and Ireland.

14 E.g. Ireland, Lithuania, the Netherlands, Sweden and UK.

15 E.g. Poland, Hungary, Estonia and Slovakia

In those Member States which require or recommend that CEOs do not continue as chairmen of the board, CEOs are often subject to a 'cooling-off period' immediately following their term as CEO; only at the end of that period can they become chairman of the Board.[16]

4.2.2. Independence criteria

In the majority of Member States, detailed independence criteria have been defined which, to a large extent, reflect the requirements of the Recommendation. Several Member States apply the entire set of independence criteria contained in the Commission Recommendation[17] and a considerable number of Member States recommend almost all the independence criteria.

In some Member States, however, there is only a general definition in place but no independence criteria have been specified or there are only very general criteria in place (e.g. Slovakia, Malta and Germany).

The absence of close ties with the controlling shareholder is one of the main criteria listed in the Commission Recommendation. It aims to ensure that independent directors do not solely represent the interests of the controlling shareholder as these may, under certain circumstances not be in line with those of minorities. However, the absence of close links with the controlling shareholder is not recommended at all in Germany. Furthermore, not all independent board members should be independent from the controlling shareholder in two other Member States (see in section 4.2.3 hereunder).

4.2.3. Sufficient number of independent directors on the (supervisory) board

All Member States require the presence of a sufficient number of independent directors on the (supervisory) board, although independence may be defined in different ways (see in paragraph 4.2.2 above).

The modalities of implementation show that a large number of Member States provide companies with flexibility as regards the proportion of independent board members within the board. Most countries leave it to individual companies to define what a sufficient number is.[18] The institution of the independent director is new in some Member States and one Corporate Governance Code refers to the scarcity of independent directors that does not allow for setting a precise requirement on the appropriate number.

In some Member States, the recommended appropriate number of independent directors will depend on the size[19] or ownership structure of the company.[20] Some Member States have opted for a definite or minimum number or proportion of independent directors.[21]

Some Member States have set a relatively high proportion of independent directors. For example, the majority of board members are to be independent in Hungary if a company

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16 E.g. Austria, Estonia, Netherlands.

17 E.g. Poland, Belgium, Estonia, Latvia, Lithuania and Luxemburg

18 E.g. Lithuania, Greece, Luxemburg, Italy. In order to determine the appropriate number, reference is made to: size of the company, size of the (supervisory board, number of committees, presence of minority shareholder representatives in the board, activity of the company, ownership structure.

19 Ireland and UK

20 France

21 E.g. Belgium, Denmark, Poland, The Netherlands

chooses to establish a one-tier board.[22] Finland also provides for a majority of independent directors, though only two of these directors are to be independent from the majority shareholder. Half of the directors are to be independent in the UK and Ireland. All supervisory board members are recommended to be independent in Slovakia and all supervisory board members, with the exception of maximum one, should be independent in the Netherlands.

4.2.4. Board committees

As table 3 in Annex II demonstrates, the majority of Member States require the creation of all committees recommended by the Commission. The wording of the corporate governance codes as well as the regulatory technique applied reveal differences in the importance attached to the different committees in Member States. Some Member States have addressed issues of conflict of interests in a different way than that proposed in the Recommendation. In Sweden, for example, the nomination committee is a body of the shareholders' meeting.[23]

The creation of the audit committee is compulsory in Austria, Hungary and Malta for all listed companies and for a certain category of listed companies in Italy. Since the adoption of the Recommendation, however, Article 41 of Directive 2006/43/EC (the so-called Eighth Company law Directive), which is to be transposed by end of June 2008, has extended to all listed EU companies the obligation to have an audit committee or a body performing equivalent functions.[24]

The creation of a remuneration committee is generally required on a "comply or explain" basis. In Germany, the creation of such a committee is recommended only and deviations from this rule need not be explained to the public.

The requirement to set up a nomination committee is drafted in "soft" terms in some Member States.[25] In Germany, this committee is recommended only.

4.2.5. Presence of independent directors in (supervisory) board committees, role of (supervisory) board committees

The corporate governance codes of only eleven Member States have implemented the requirements of the Recommendation on the presence and number of independent directors in board committees. In a considerable number of Member States, there is no recommendation on the presence of independent members in remuneration, nomination or audit committees, which is particularly alarming. In these Member States, managers may still be able to set their own pay or have a major influence on their remuneration and there is a risk that control over the company's accounts turns out to be inefficient, with a corresponding risk of abuse.

About half of the Member States have followed the Commission Recommendation as regards the basic functions of board committees. The most important shortcoming seems to be the

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22 If a company chooses to establish a two-tier management board, half of the supervisory board is to be independent in Hungary.

23 Such a rule dilutes conflicts of interests between shareholders and management but may accentuate such conflicts between majority and minority shareholders.

24 Directive 2006/43/EC of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts, O.J. L 157/87, 09.06.2006.

25 E.g. Italy ("the need for such a committee should be evaluated" or in Finland ("the board may establish a nomination committee").

absence of any provision regarding the responsibility for the audit committee in reviewing the effectiveness of the internal control of the company in some Member States.

4.2.6. Transparency on independence, qualifications and commitment of (supervisory) board members

In the majority of Member States, companies are required to publish information on the persons qualifying as independent (table 4 in Annex II).

As regards the qualification of (supervisory) board members, the majority of the Member States have endorsed the recommendation on the need for the board to have sufficient knowledge and experience of the matters it is expected to address and for the audit committee to have adequate special financial and/or accounting knowledge. In a large majority of the other Member States, the requirement of special knowledge for the audit committee has not been followed.

Half of the Member States do not seem to have followed the requirements that directors limit their other commitments and that there should be disclosure of the latter[26].

5. CONCLUSION

There is a clear move towards stronger corporate governance requirements and better transparency concerning independent directors in the EU. Regulatory reform has resulted in high standards in a number of Member States, with a majority of Member States complying at least to a large extent with the recommendations.

By and large, Member States have implemented the Recommendation as part of their national corporate governance codes, based on the 'comply or explain' principle.

In a number of countries, however, some of the crucial provisions of the recommendations do not seem to have been followed. In some others, good corporate governance codes may remain powerless as long as there is no real requirement to "comply or explain"[27]..

The existence of excellent corporate governance codes may not be enough to improve companies' governance. The "comply or explain" principle should also work in practice. The success of the "comply or explain" principle will depend largely on the quality of the information provided in the corporate governance statement. Companies need to provide extensive, good quality information to the market for investors to take appropriate investment decisions and hence contribute to a better allocation of capital and higher economic efficiency.

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[26] Some of those Member States that have endorsed the requirement on adequate commitment of directors have a mandatory or recommended limitation of directorships in place (e.g. Austria, Belgium, Germany, France, Ireland, UK) whereas in others there is a general requirement for directors to devote sufficient time and attention to their work and/or limit the number of their directorships. Disclosure of other commitments is not required in several Member States (e.g. Estonia, Greece, Ireland, UK, Sweden)

[27] However, this will be remedied by Directive 2006/46/EC (to be transposed by September 2008), which makes it mandatory for listed EU companies to publish an annual Corporate Governance.

Moreover, it is essential to monitor the extent to which companies adhere to the standards in practice and whether there are deficiencies in the overall acceptance of some requirements.

The success of "comply or explain" will also largely depend on whether shareholders assume an active role in defending their interests. Transparency requirements may be insufficient if shareholders do not take a pro-active and critical attitude towards the decisions of the management and do not seek changes in corporate governance policies and structures if their interests are ignored. Hence, more active involvement of shareholders should be encouraged as this is usually beneficial for the good governance of the company.

The Commission, working in close association with the European Corporate Governance Forum, intends to collect information on the level of transparency and adherence to the proposed corporate governance principles and to closely monitor market developments. This will help evaluate whether the recommendation is bringing about the expected results on the market. Based on this further evaluation, the Commission will assess whether there is a need for any additional measures in this field.

Annex 1. Corporate governance framework

Table 1: Scope and effect of **Corporate Governance Codes, review of compliance**

Application of Corporate Governance Codes (February 2007)				
MS	**CGC**	**Scope and effect of CGC**	**Transparency**	**Review of compliance**
AT	Y	**Mandatory C/E:** Austrian companies listed on the prime market segment of the Wiener Boerse **Voluntary external evaluation:** other listed companies are required to commit themselves to the CGC principles, have their adherence to these principles monitored by an external institution and report the findings to the public	CG Statement in the annual report	Stock Exchange for companies under the mandatory C/E obligation once a year
BE	Y	**Voluntary C/E:** Listed companies incorporated in Belgium	CG Charter posted on the company's website CG Chapter of annual report	Banking, Finance and Insurance Commission
DK	Y	**Mandatory C/E:** Danish listed companies	CG Statement in annual report	-
DE	Y	**Mandatory C/E:** listed companies	Annual report and disclosure on the company's website	-
EE	Y	**Mandatory C/E:** listed companies	CG chapter in annual report	Stock Exchange
EL	Y	**Voluntary C/E** (However, there are legal requirements regarding corporate governance for listed companies and companies to be listed)	Internal regulations	Capital Market Commission
FI	Y	**Mandatory C/E:** listed companies	Annual report and CG Statement on the website of the company	Stock Exchange
FR	Y	**Voluntary C/E:** listed companies	Annual report	-
HU	Y, under revision	**Mandatory C/E:** listed companies However, the obligation to explain deviations relate only to a limited number of issues covered in the corporate governance code.	CG Statement	-
IT	Y	**Mandatory C/E:** listed companies Certain provisions of the Code are **mandatory** for companies to be admitted to trading on the STAR segment of the MTA or the MTAX and to maintain the	Annual report on corporate governance	Stock Exchange

		STAR ranking.		
IE	Y	**Mandatory C/E:** listed companies incorporated in Ireland Some of the provisions do not apply to companies below FTSE 350	Annual report and accounts	Stock Exchange
LV	Y, under revision	**Voluntary C/E:** listed companies	CG report annually	
LT	Y	**Mandatory C/E**: listed companies	Annual report	Stock Exchange
LU	Y	**Voluntary C/E:** listed companies	CG Charter to be published on the company's website and CG Chapter in annual report	Stock Exchange
MT	Y, part of the listing rules	**Mandatory C/E:** listed companies	Annual report	Malta Financial Services Authority
NL	Y	**Mandatory C/E:** Dutch listed companies	CG Chapter in annual report	Monitoring Commissie Corporate Governance
PL	Y	**Mandatory C/E:** listed companies	Annual CG statement (immediate information on changes)	Stock Exchange
SE	Y	**Mandatory C/E:** Swedish companies that are registered at the Stock Exchange and other listed companies at the same exchange with a market capitalisation exceeding 3 billion SEK **Voluntary C/E:** other listed companies	CG report to be attached to the annual report Information on the company's website	Stock Exchange
SI	Y	**Mandatory C/E:** SI listed companies **Voluntary C/E:** other companies	CG Statement in Annual report	Stock Exchange, the Managers' Association of Slovenia and the Association Supervisory Board members of Slovenia
SK, under revision	Y	**Mandatory C/E:** listed companies	Annual report	Stock Exchange
UK	Y	**Mandatory C/E:** UK listed companies	Annual report and accounts	The disclosure requirement is enforced by the Financial Services Authority; the Financial Reporting Council reviews overall compliance with the Code.

CGC: Corporate governance code

Mandatory C/E: companies are obliged to comply or explain deviations from the Code

C/E: companies are recommended to comply or explain deviations from the Code

Annex 2. Evaluation of the implementation of the main principles, evaluation criteria

Table 2: Separation of CEO/Chair, sufficient number of independent board members, independence criteria

Country	Separation CEO/Chair	Sufficient number of independent board members	Independence criteria	Independence from controlling shareholder
AT	Y(partly)	Y	partly	partly
BE	Y(partly)	Y	Y	Y
DE	Dual, separation of current functions based on law, separation of past function C/E, reasons to be presented to the general meeting	Y	N	N
DK	Y	Y	Y	Y
EE	Dual, there is a separation of current functions but no separation of past functions	Y	Y	Y
EL	N	Y	partly	Y
FI	Y(partly)	Y	Y	Y
FR	N	Y	Y	Y
HU	In the two-tier model, present functions are separated, in the one-tier model N	Y	Y	Y
IE	Y	Y	Y	Y
IT	Y	Y	Y	Y
NL	Y(partly)	Y	Y	Y
MT	Y (partly)	Y	partly	Y
LV	N	Y	Y	Y
LT	Y	Y	Y	Y
LU	Y(partly)	Y	Y	Y
PL	Dual, there is a separation of current functions but no separation of past functions	Y	Y	Y
SK	Dual, there is a separation of current functions but no separation of past functions	Y	N	Y
SI	Y	Y	Y	Y
SE	Y(partly)	Y	Y	Y
UK	Y	Y	Y	Y

Evaluation criteria:

Separation of the role of the (supervisory) board's chairman and the chief executive

Y: Separation of present and/or past CEO and chairmanship functions is required on a comply or explain basis and disclosure on safeguards is required in case of combination of the two functions.

Y(partly): Separation is required but there is no requirement of disclosure of additional safeguards.

N: Separation is not required or there is no recommendation on transparency

Independence criteria

Y: all or almost all of the requirements of the Recommendation are in place

Partly: the criteria of independence of the controlling shareholder or more than two other independence criteria referred to in the Recommendation are missing

N: there are no detailed independence criteria

Table 3: Committees

Country	Presence of committees	Presence of independent directors in committees	Role of committees
AT	Y	partly (AC, RC, NC)	partly (AC, RC)
BE	Y	Y	Y
DE	partly (NC,RC)	N	partly(NC, RC)
DK	Y	Y	Y
EE	N	N	N
EL	partly (NC, RC)	N (AC, RC, NC)	N
FI	Y	N (NC, RC)	Y
FR	Y	Y	Y
HU	partly (NC, RC)	N (NC, RC)	partly (NC, RC)
IE	Y	Y	Y
IT	Y	Y	Y
NL	Y	Y	Y
MT	partly (NC)	N (NC)	partly (NC)
LV	Y	N(AC, RC, NC)	N
LT	Y	Y	Y
LU	Y	partly (AC, RC, NC)	partly(RC)
PL	partly (NC)	N(NC,RC) partly (AC)	N
SI	Y	Y	Y
SK	Y	Y	N
SE	Y	Y	Y
UK	Y	Y	Y

Evaluation criteria:

Presence of (supervisory) board committees

Y: all committees are in place

Partly: at least one committee is missing, the missing committee is specified in brackets

N: none of the committees is recommended

Presence of independent directors in committees

Y: all the requirements of the Recommendation are fulfilled regarding the presence and number of independent directors in the committees

Partly: the requirement of presence is fulfilled, the requirement on the number of independent directors is not

N: the requirement of presence of independent directors is not fulfilled in all the committees

Role of committees

Y: all the key functions of the committees are in place

Partly: one or some key functions are missing, the Committee exercising the missing function is specified in brackets

N: there are no requirements on committee functions

Key functions are defined as follows: (1) Nomination committee: recommendation of candidates to fill board vacancies; (2) Remuneration committee: a) making proposals on the individual remuneration to be attributed to executive or managing directors, b) making proposals on the granting of stock options and other share based incentives. (3) Audit committee: a)

monitoring the integrity of financial information provided by the company, b) review of the internal control and risk management systems, c) recommendation to the selection and appointment of the external auditor.

Table 4: Transparency and profile

Country	Transparency on indep. directors	Profile	
		qualifications	committment
AT	Y	Y	Y
BE	Y	Y	partly
DE	N	Y	partly
DK	Y	Y	Y
EE	N	partly	partly
EL	N	N	N
FI	Y	Y	Y
FR	Y	partly	Y
HU	N	N	N
IE	Y	Y	partly
IT	Y	Y	Y
NL	Y	Y	Y
MT	N*	partly	partly
LV	Y	partly	Y
LT	Y	Y	Y
LU	Y	partly	Y
PL	N	Y	N
SI	Y	Y	Y
SK	N	partly	N
SE	Y	partly	Y
UK	Y	Y	partly

* Despite the lack of code provision, most listed companies indicate which non-executive directors are to be considered as independent.

Evaluation criteria:

Transparency on independent board members

Y: disclosure on independent board members is required

N: disclosure on independent board members is not required

Qualifications

Compliance with two recommendations is evaluated under this point: a) the (supervisory) board should be composed of members who have the required diversity of knowledge judgement and experience to complete their tasks properly b) the members of the audit committee should have relevant background in finance and accounting.

Y:compliance with both rules

Partly: one of the requirements is missing

N: none of these principles are complied with

Commitment

Compliance with two recommendations is evaluated under this point: a) each director should undertake to limit the number of his other professional commitments, b) the board should collect data on such commitments and should make this information public.

Y: compliance with both rules

Partly: one of the requirements is missing

N: none of these principles are complied with