Alexander Hughes
EXECUTIVE SEARCH CONSULTANTS

2015 Global Governance Review

CONTENT

Alexander Hughes
EXECUTIVE SEARCH CONSULTANTS

EDITORIAL

Since 1957, Alexander Hughes has been advising companies on attracting and assessing human capital, bridging the gap between a growing need for skilled executive and non-executive directors and a growing scarcity of adequate talent. We are proud to be, today, one of the top 10 integrated firms in our industry.

As trusted advisors on human capital matters, we have seen governance and board services become an increasingly important part of our activity. We have also seen the power of diversity and its potential to create added value; this topic has rightfully evolved from being a purely HR topic to an item on the agendas of boards, CEOs and managing directors. We have made it our duty to promote diversity at the highest level, not only from a sense of ethics but also because it is intrinsically good for business.

Our global presence, 54 offices in 46 countries, has allowed us to produce the Alexander Hughes Global Governance Review. Its aim is to provide insight into the composition of leadership teams of large corporations globally. Our offices around the world did a significant theoretical and statistical work, based on a wide population of leaders of large listed companies across the globe.

The report analyzes the composition of boards and executive committees, by looking at its chief aspects: gender, seniority, expatriates, education, internal mobility and length of service.

We believe that the Review's global scope and business-oriented approach makes a case for the need to further promote diversity within the leadership teams of global organizations. We modestly hope that our Review will provide further comprehension of this crucial topic.

MAURICE ROZET

Founder & President of the Supervisory Board

JULIEN ROZET

CEO

METHODOLOGY

The Global Governance Review is a study conducted by Alexander Hughes teams worldwide on a global population of 9500+ senior executives working for the main listed companies in 19 countries. Its purpose is to present relevant numerical facts, as well as thought leadership on the composition of boards and executive committees of large listed corporations.

The statistical part of the Review was undertaken by local Alexander Hughes offices and consolidated for the entire Group. The analysis focused on three axes: continents/regions, countries and industries. The Groups included in the survey are the companies listed on the main stock indexes in Canada and the United States for North America, Austria, Denmark, France, Germany, Spain and the United Kingdom for Western Europe, Croatia, the Czech Republic, Greece, Russia and Serbia for Eastern Europe and Australia, China, India, Singapore, South Korea and Taiwan for Asia / Pacific. The senior executive population targeted is composed solely of boards and executive committees (or the equivalent top executive governing bodies).

The thought leadership part originates from the first-hand experience of various Alexander Hughes Managing Partners, each holding at least a decade of experience as C-Level executive search professionals:

CELESTE REBORA
(Mexico)

DIDIER ACOUÉTEY
(Afric Search)

EVAN TOLSTOJ
(Denmark)

JIM CROWE
(Asia/Pacific)

JONATHAN PLOURDE
(Canada)

MICHAEL NEUMANN
(Germany)

MICHAEL SWINSBURG
(Australia and Asia/Pacific)

PANKAJ DUTT
(India)

RICHARD HES
(Central Europe)

SUSANNE DOENITZ
(Russia & CIS)

WALTER BAKER
(USA)

EDITORIAL COMMITTEE

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Member of the Executive Committee of Alexander Hughes Head of Northern Europe, Russia & CIS, Balkans & Turkey

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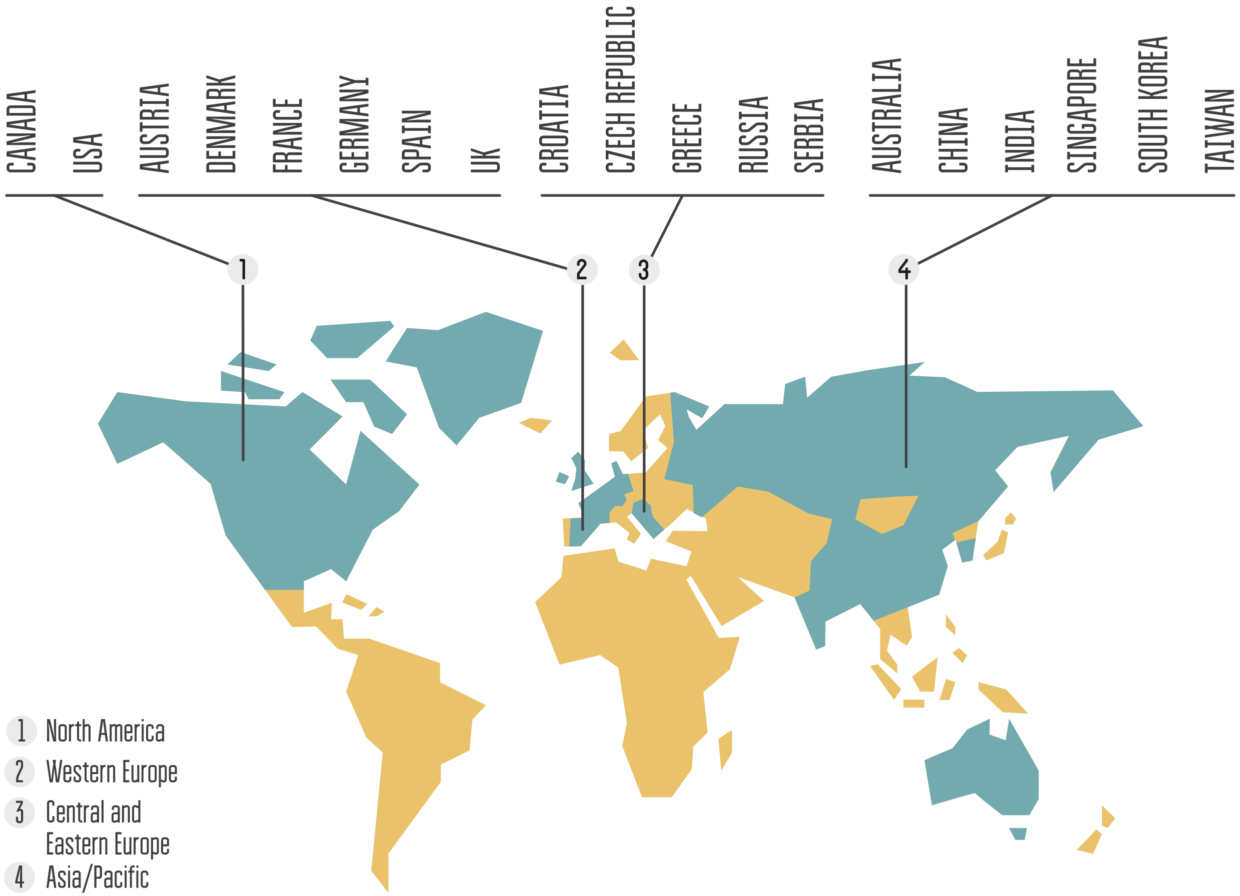
Member of the Executive Committee of Alexander Hughes Head of Iberia & Spanish-speaking Americas

GIANLUIGI RUSSO

Member of the Executive Committee of Alexander Hughes Co-Head of Western Europe

THE ALEXANDER HUGHES REVIEW IS BASED ON THE FOLLOWING DATA

- **4** Regions
- **19** Countries
- **736** Companies
- **9657** Board Directors and Senior Executives
- **8** Sectors of activity



THE BUSINESS SECTORS WE COVERED

Let`s take a closer look at the over 9000 senior leaders in our survey, based on the sectors they work in.

- 23% Energy, Utilities & Services
- 22% Financial Services
- 15% Industry
- 14% Consumer Markets
- 11% Technology Media Telecom
- 5% Life Sciences
- 5% Real Estate, Construction, Infrastructures, Engineering
- 5% Professional Services

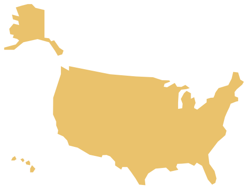
GENDER DIVERSITY ON THE IMPROVE

Let`s review the numbers for gender diversity across countries and regions.

Country

Australia 21%

UK 21%



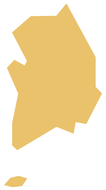
USA 21%

France 20%

Greece 10%

Czech Republic 8%

Russia 8%



South Korea 6%

Region

North America 20%

Western Europe 17%

Asia / Pacific 14%

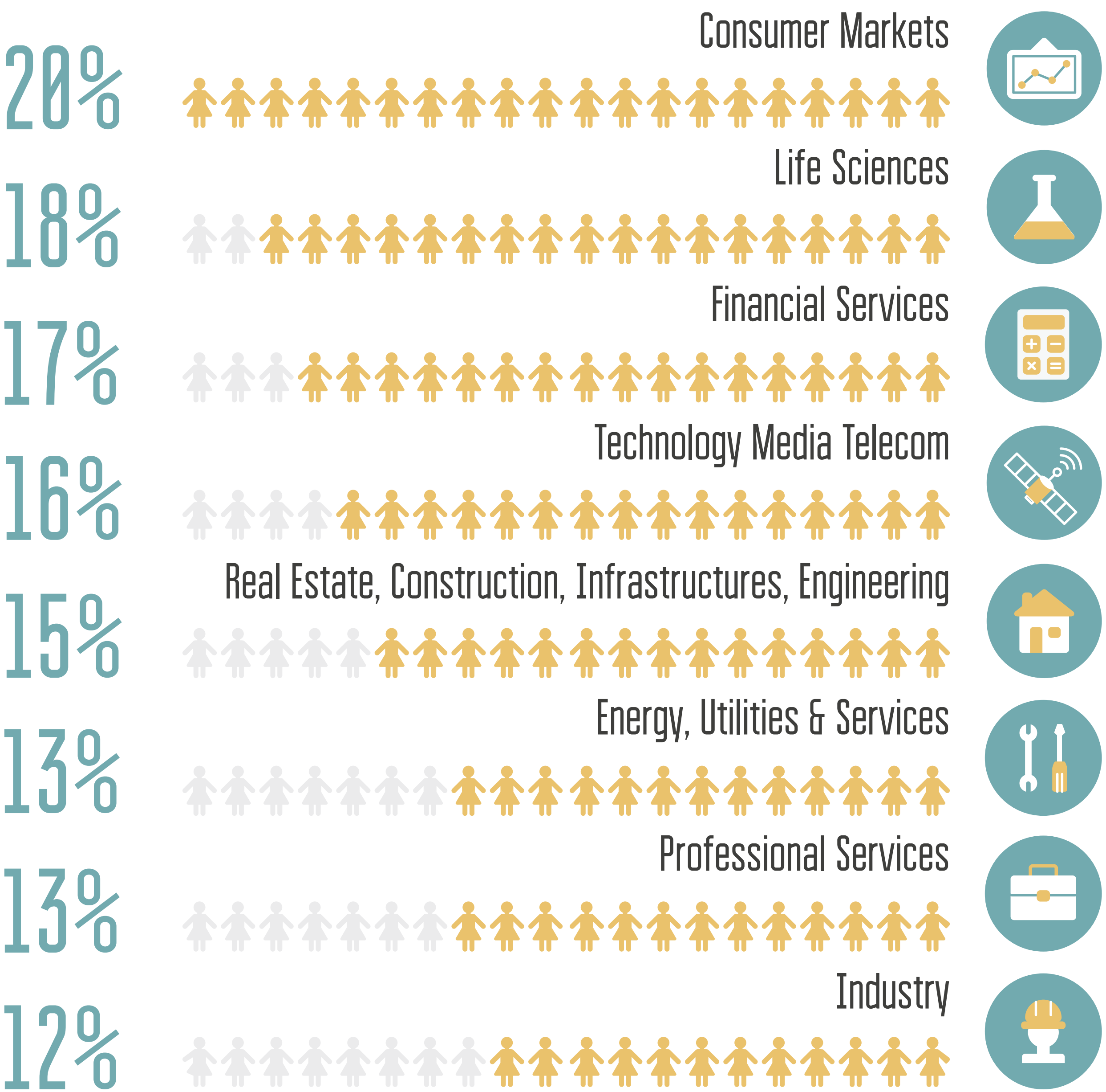
Asia* 10%

Central and Eastern Europe 10%

*excluding Australia

GENDER DIVERSITY ON THE IMPROVE

Let`s review the numbers for gender diversity across business sectors.



GENDER DIVERSITY

When hiring top executives, competencies should be the focus regardless of gender.

That's happening more frequently in parts of the world, but not everywhere, even after years of progress, with more women in the workplace, or the greater employment of women and men's acceptance of this.

Advances have come in Canada and the U.S. But more can be done. While women make up 45% of the labor force there, they hold only 25% of senior management positions, 19.2% of boardroom seats and 4.8% of CEOs roles. Men still lead and are in line for promotions, meaning that for the next few years, at least, they will continue to hold the top posts.

In Latin America, things are different. Foreign companies are looking for the best talent to run operations regardless of gender. A well-trained woman capable of leading has the same chances for a senior position as a man of equal talent.

Our duty as executive search professionals is to make sure the opportunities are equal for both genders, focusing on competences and nothing else.

More governments are trying to narrow the gender divide. This year, Germany approved a gender quota law for the boardroom, following the lead of Norway, France, Spain, the Netherlands and other countries. Effective in 2016, at least 30% of non-executive members at large companies in Germany must be female.

Companies can do more to provide equal rights by supporting the performance of women through flexible time and parental leave, among other things.

The trouble is that companies still prefer men at the helm. Foreign companies, for example, believe men are better suited to manage difficult territories like the Czech Republic and Russia, says Susanne Doenitz, a managing partner of Alexander Hughes Russia.

Of interest, however, is that women dominate the second and third tiers of management in Russia, where in Soviet Union - times women were dedicated to both their families and work as board members, general directors, engineers and department heads.

Gradually, the business world will place more trust in women, but a lot depends on the willingness – and wisdom – of the male leadership to let women into their inner circle.

"Smart leaders know that they can either lead the movement toward making profound and lasting impact, or be left behind," says Deborah Gillis, president and CEO of Catalyst, a research and advisory organization working to change workplaces and improve lives by advancing women into business leadership. "The way of the past is not the way of the future."

SUSANNE DOENITZ

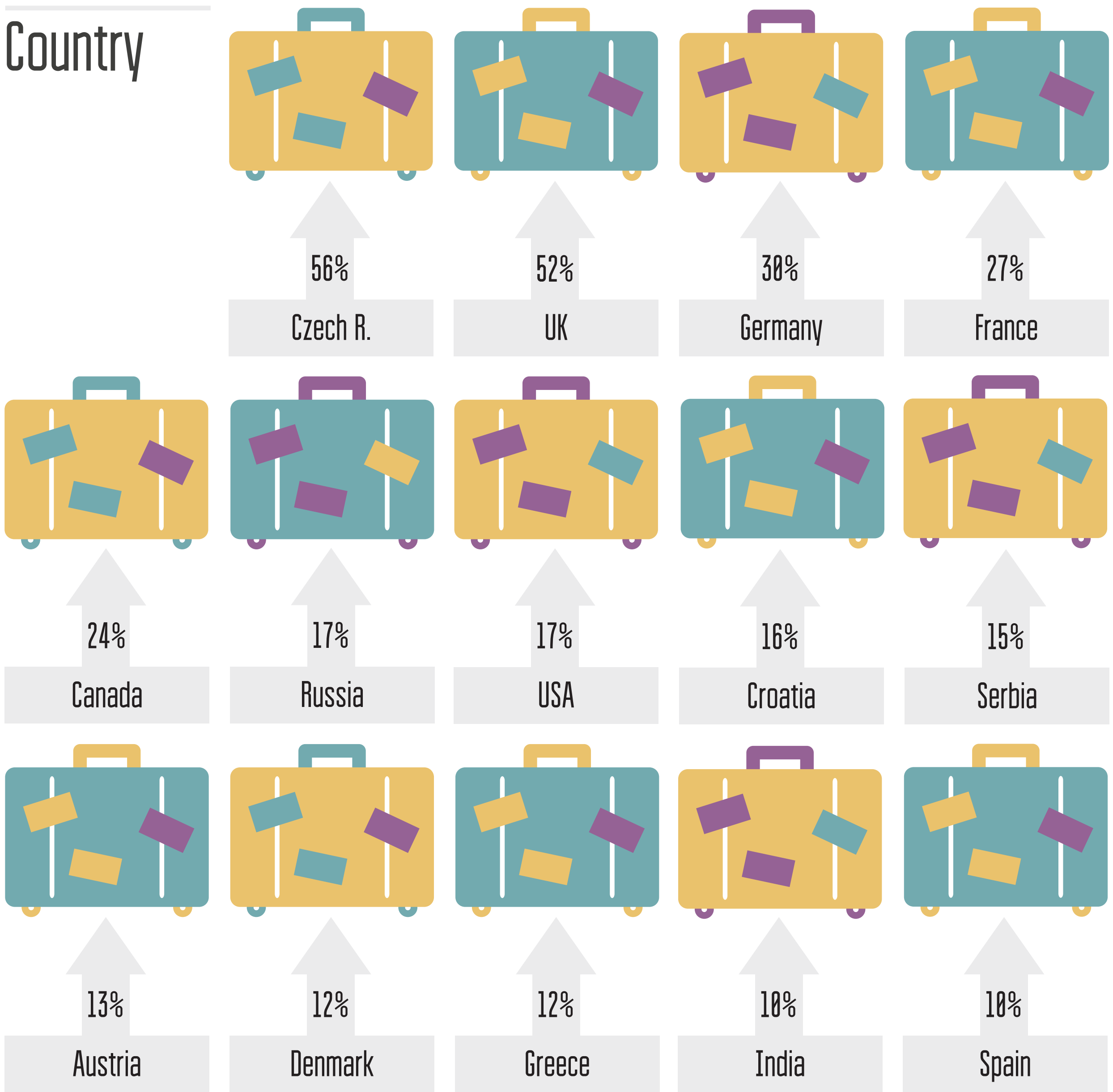
Managing Partner
Alexander Hughes Russia & CIS

CELESTE REBORA

Managing Partner
Alexander Hughes Mexico

A FOREIGN AFFAIR

Let's now look at the cross-fertilisation that comes from foreign senior executives.



> "Foreigners placed in board positions of international companies very often are tasked to find a local successor for themselves. In the Czech Republic we have noticed more difficulties in executing this strategy than in other countries. There seems to be a lack of local top managers with international experience, and on the other hand a high number of foreigners who have decided to stay permanently in the country."

Julia Schrammel
Director International Human Resources, the Goodmills Group, a mill products manufacturer

A FOREIGN AFFAIR

With the rise of globalization, more companies are hiring foreigners for senior positions to drive sales abroad.

The trend is clearest in export - focused countries. Canada, for example, ranks fifth in the world for the number of foreign executives and directors in public corporations. Foreigners account for 24% of all executives there, according to our survey of major companies around the world.

This growth is a response, in part, to a growing cultural acceptance of mobility. People are increasingly willing to move abroad, and companies are promoting foreign stints to build the international expertise, insight and strategic views of their executives to help in the push into new territories.

“Fielding a team of top executives with varied cultural backgrounds and life experiences can broaden a company’s strategic perspective,” McKinsey consultants Thomas Barta, Markus Kleiner and Tilo Neumann wrote in the McKinsey Quarterly in 2012.

They found that companies with varied makeup on their boards fetch significantly higher earnings and returns on equity. Their conclusion came after studying the composition of the boards of 180 public companies in France, Germany, the U.K. and the U.S. between 2008 and 2010 and comparing this with their returns on equity and their margins on earnings before interest and taxes.

Indeed, European boards are becoming more international, according to a study by the Hay Group, a Philadelphia - based management consulting firm. On average, 4 out of the 10 directors of 376 public companies in 12 European countries were foreigners in 2014, up from three in 2013, it found. What is more, boards are now more nearly evenly split between directors with domestic experience and those who’ve worked abroad.

The internationalization of leadership comes “as companies recognize the need to diversify outside their domestic markets and react to increasingly global challenges”, Hay Group said.

It cited as a reason for the diversification a study by Morgan Stanley, a U.S. financial services company that estimates that the share of revenues that European companies will generate in developed Europe was to drop to 46% in 2014 from 71% in 1997.

More can be done to diversify executive boards.

In the U.S., for example, gender and racial diversity is still low on corporate boards, according to the Alliance for Board Diversity. After decades of pushing for greater diversification, the boards of Fortune 500 companies were 86.7% white and 83.4% male in 2012, depriving companies of a greater diversify of opinions, it said.

“To sustain long-term success, companies must continually create new ideas and solutions,” said Ronald C. Parker, head of The Executive Leadership Council, which forms part of ABD. “This innovation is driven by diversity of thinking at every level of the organization, especially within senior leadership teams and in the boardroom. Women and minorities are an important part of that equation.”

RICHARD HES

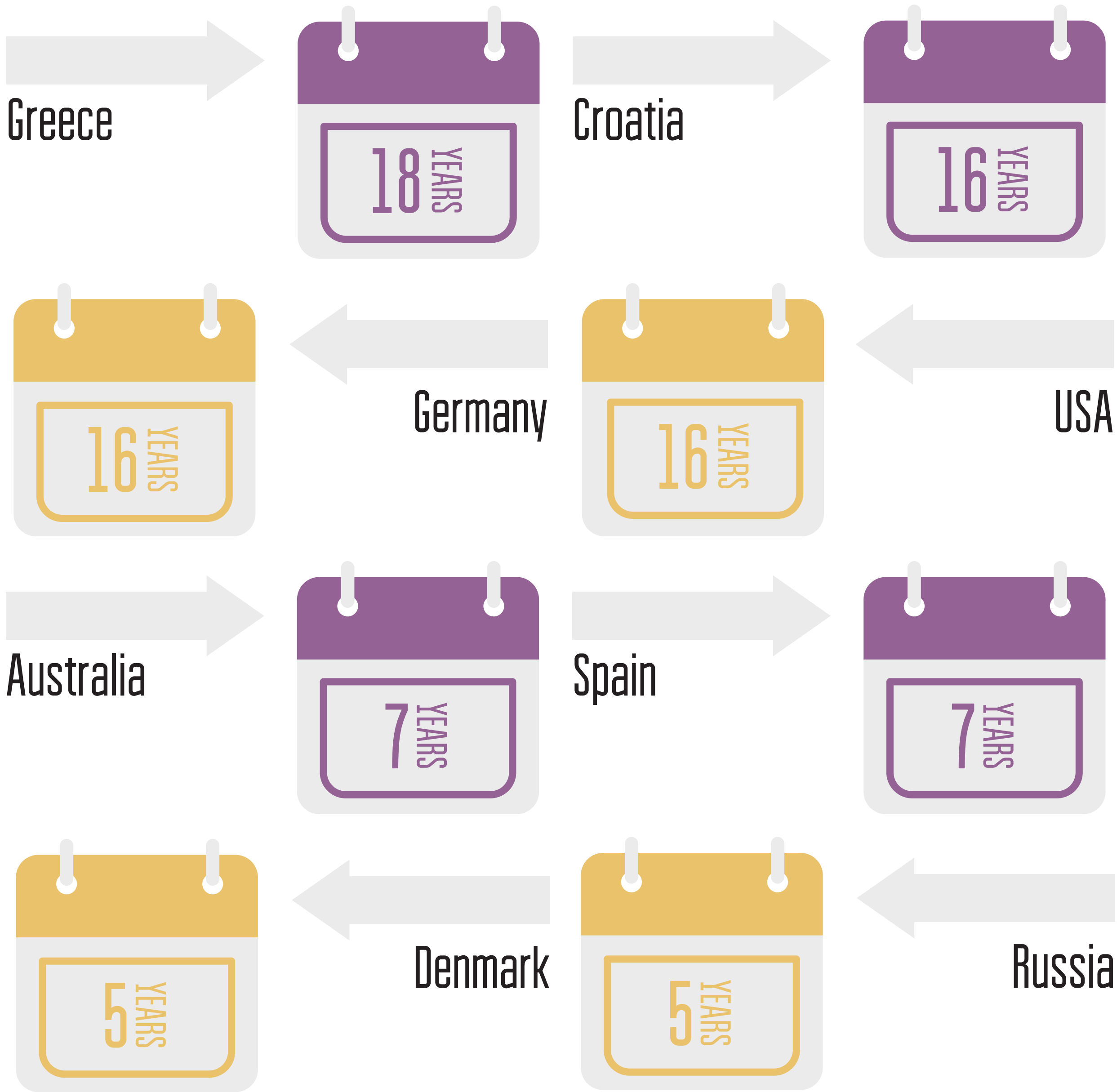
Managing Partner
Alexander Hughes Central Europe,
Member of the Corporate Committee

JONATHAN PLOURDE

Managing Partner
Alexander Hughes Canada

TENURE – STAYING OR GOING

What can we learn from time in the chair with our senior executives.



“ In my mind, it is important to remember that while each business is unique, US companies need to have experienced board members. The maturity of the US economy and the litigious nature of the market require experience and the ability to manage through the issues. Those without board depth and continuity can be bogged down and distracted from executing their business plan. ”

Hamish Dodds
CEO of Hard Rock Café International

TENURE – STAYING OR GOING

Seniority in the boardroom is a valuable asset for companies, so too young leadership.

In the U.S., boardrooms have the second longest-serving members in the world, 16 year tenures on average.

This is important for companies in a litigious market like the U.S., says Hamish Dodds, president and CEO of Hard Rock Cafe International and a non-executive director of a leading, publically traded retailer. He says “companies need experienced board members who can manage through issues. Without such depth and continuity on their boards, companies can get bogged down and distracted in executing their business plan”.

An example is Uber. The U.S. firm, which connects passengers to taxi drivers through a smartphone app, has faced widespread criticism for its tough tactics, getting accused of sexism, ignoring regulations and using unfair tactics against critics and rivals.

Daniel Hamburger, president and CEO of DeVry Education Group, argues that companies imposing length of service limits or mandatory retirement are doing themselves a disservice. “The issue of having experience is positive,” he says. “Board members have lived through multiple business cycles and are able to provide meaningful and appropriate guidance and leadership to the benefit of the company.”

But experience is not enough, says Christie Hunter Arscott, a World Economic Forum Global Shaper. In the World Economic Forum newsletter Agenda, she wrote recently about the importance of younger directors. “An emerging leader can challenge ‘groupthink’ and thereby have a transformative impact on the way an organization operates,” she wrote.

This potential is measured by a candidate’s curiosity, determination, engagement, insight and motivation, Hunter Arscott wrote, citing Claudio Fernández-Aráoz’s “21st-Century Talent Spotting” article in the 2014 Harvard Business Review.

Until companies take the focus off of skills and experience, boardrooms will continue to diversify “at a snail’s pace,” Deborah DeHaas, vice chairman and chief inclusion officer for Deloitte LLP’s Center for Corporate Governance wrote in a recent CEO Magazine blog post.

The less obvious benefits – but ones not to be overlooked – are those associated with opening up board positions to the fresh thinkers of the younger generations, themselves a growing talent and consumer group. DeHaas argues that boards are lacking generational diversity, posing “a risk for nearly every business and industry.” With millennials expected to account for 75% of the workforce by 2025, their perspectives in the boardroom could help shape talent strategies and practices while simultaneously driving marketing and product innovation towards this growing consumer group.

EVAN TOLSTOJ

Managing Partner
Alexander Hughes Denmark

WALTER BAKER

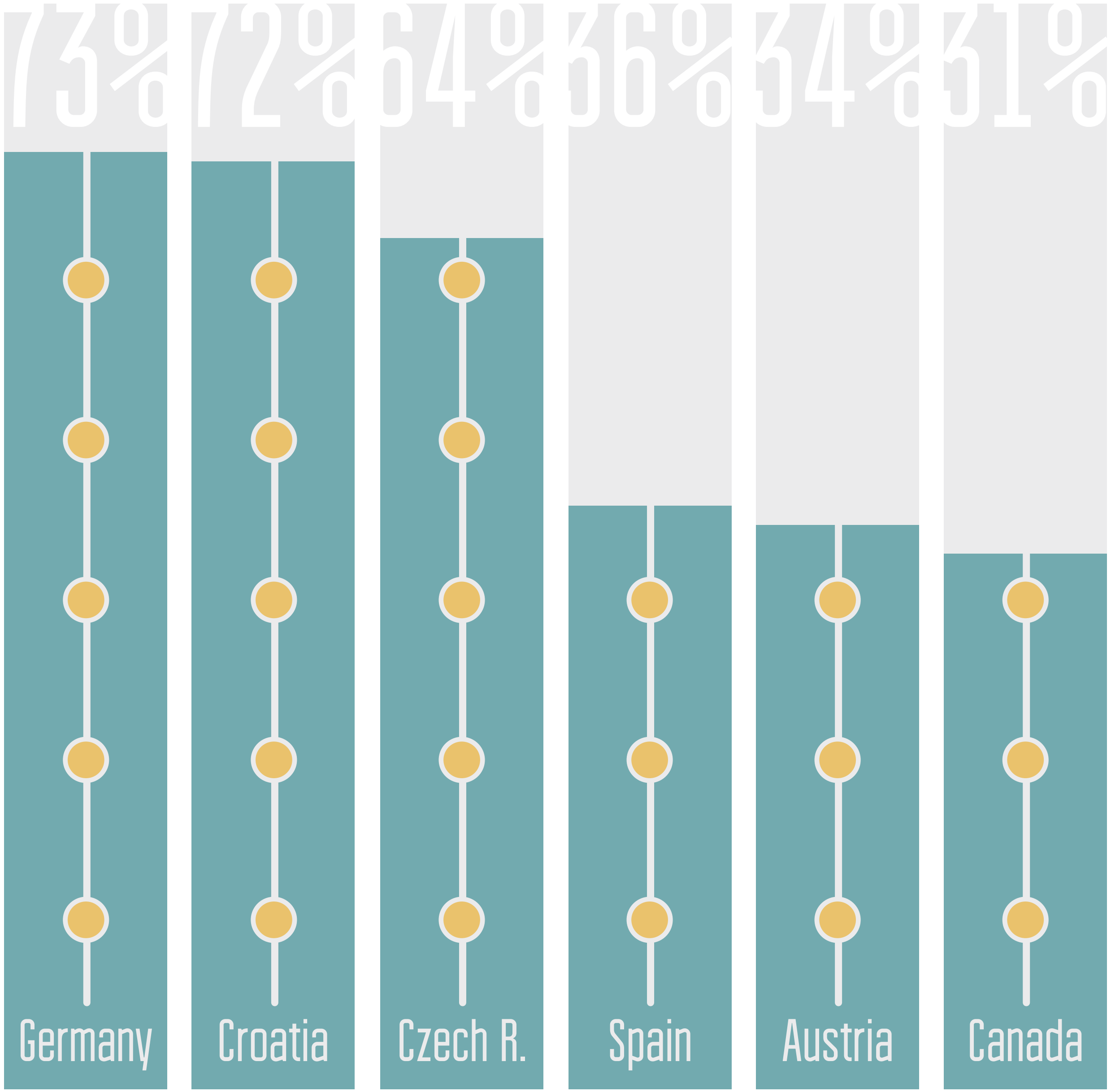
Managing Partner
Alexander Hughes USA

NURTURING AND DEVELOPING OUR LEADERS

Let's look in which countries companies tend to promote leaders internally.

"The results of the Alexander Hughes Review proves that "diversity" goes well beyond the gender issues. Obviously, it includes a finely-tuned mix of expertise and skills, but it also includes a range of rich and diverse experiences. These experiences from around the world inevitably enrich our boards and bring a unique and highly relevant perspective. Different cultures call for a different frame of reference and for an analysis process that challenges our traditional paradigms. Given the speed at which new media and globalization change our world, national frontiers will soon be obsolete. Let's continue in this spirit of openness."

Lisane Dostie
President & Founder, ISALegal, Firm specialized in Corporate Governance and Career strategy



The Alexander Hughes Review, among other things, deals with the topic of internal promotions / internal mobility of top managers, the company CXO, on a global level. The results show very clearly that it is of the utmost importance to build and foster talent within firms in order to keep knowhow in the company and to learn from company experience.

On the other hand, however, it has become apparent that innovation suffers if management positions are filled from within a company's own ranks only. Ideas from a different environment, from a different company culture, or from other countries can be inspirational for the company culture and its further management. Global companies must adapt to a fast-moving world that is continuously growing on an international level.

Also, as a result of the demographic change on most mature markets, it has become an absolute must for large corporations to establish an international culture and to attract talent regionally or from all over the world. As executive search professionals, we have been aware of this trend building up for more than a decade now but its intensity during the last few years is unparalleled.

Yet, the paradox is that the issues that CEOs of global corporations report to us revolve around the same recurring topics. More flexibility is required in order to retain and develop key management, technical skills (especially around technology) are becoming increasingly rare and corporations also need to be increasingly aware of the importance of cultural fit whenever they attract a new top executive.

A few weeks ago, we met with the CEO of a German international corporation, who stated that the current members of their Board had no understanding of the business environment, culture and realities of key emerging markets such as India and some major African countries. All Board members were German and had been recruited from within their own ranks. Of course, they did not lack international experience, but their background and mindset revolved around the German way of thinking, along with a traditional company approach. Unsurprisingly, it was taking far too long for the Board to understand and accept ideas from India, which meant that they were not taking full advantage of the opportunities to grow locally. As a result, this company decided to add two external Board members with an international background.

New markets can only be developed with new ideas; establishing early on that finely-tuned, optimal composition of a board of directors is crucial to achieving strategic goals and, in the long run, profitability.

NURTURING AND DEVELOPING OUR LEADERS

MICHAEL NEUMANN

Managing Partner
Alexander Hughes Germany
Member of the Corporate Committee

DIDIER ACOUÉTEY

Managing Partner
Alexander Hughes Afric Search

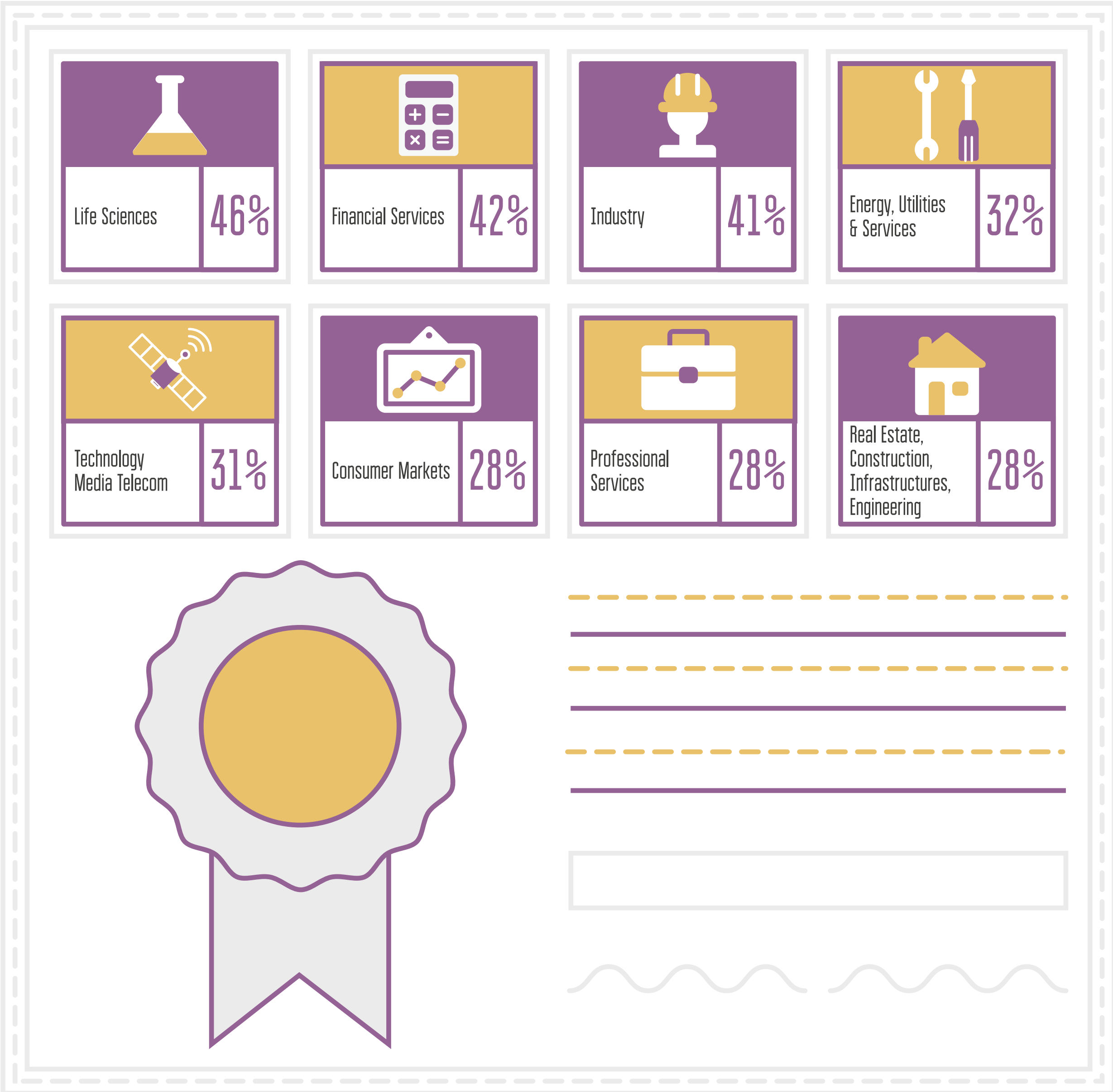
MANAGEMENT EDUCATION CATCHES ON

Let's now have a look at where leaders have furthered their education.

" In our sector, tax and superannuation/pensions legislation has become extremely complex requiring highly skilled people to manage and implement change in this sector.

To service our investors we need to ensure we attract highly skilled talent. Financial services is a global business with talent being very mobile and skills and experience transferable to many jurisdictions. The best firms need to be able to attract and develop high potential talent to maintain their competitive advantage. Talented staff increasingly expect their employer to support and financially subsidize their ongoing studies. "

Chris Davies
CEO, Telstra Super, Australia's largest corporate pension plan



MANAGEMENT EDUCATION CATCHES ON

It's really no surprise that financial services ranks very highly in terms of educational standards for board directors and senior executives. Our global survey confirms what has anecdotally been known in Australia if not globally across most sectors of financial services. Life sciences are the highest category for education which is probably to be expected due to the focus on original research with many PhDs.

New entrants are expected to start their career with a good quality bachelor's degree. Within the next decade of their career they can be expected to take on higher level of qualifications of either a technical or broader general management i.e. Masters / MBA Degrees.

According to the McKinsey Global Institute, flows of goods, services, and finance reached $26 trillion in 2012, or 36% of global GDP, 1.5 times the level in 1990. Being such a large contributor to the world economy, Financial Services attract scrutiny and is rightly heavily regulated. High levels of regulation mean higher education standards and boards populated with many well qualified lawyers and auditors.

Australia has been an innovator in the areas of asset management, property and infrastructure investment services as per the success Australian companies such as Macquarie bank, Lend Lease and Westfield arriving successfully in United States and Europe and Asia developing world leading products and services. Innovation requires high quality education.

These now commonplace higher education standards have developed over the last three decades or so. Prior, in many Anglo countries retail bankers and more broadly across financial services would often enter the sector directly from secondary school. It was partly due to the growth of global investment banks that professionalised at least the banking sector's education minimum requirements.

I personally experienced this during my early banking career in the 80s at Macquarie Bank where a good undergraduate degree and further masters level specialisation was often expected. Many of the investment banking groups prided themselves on hiring only the best and brightest graduates. This was an initiative that was copied from the US with Macquarie aligned in thinking with the likes of Goldman Sachs.

Three decades on we now have those graduates at senior management and board level, who were at the vanguard of change, leading these firms. The next step for these leaders is to take concerted measures to improve and retain their diversity of talent for future generations of leaders.

MICHAEL SWINSBURG

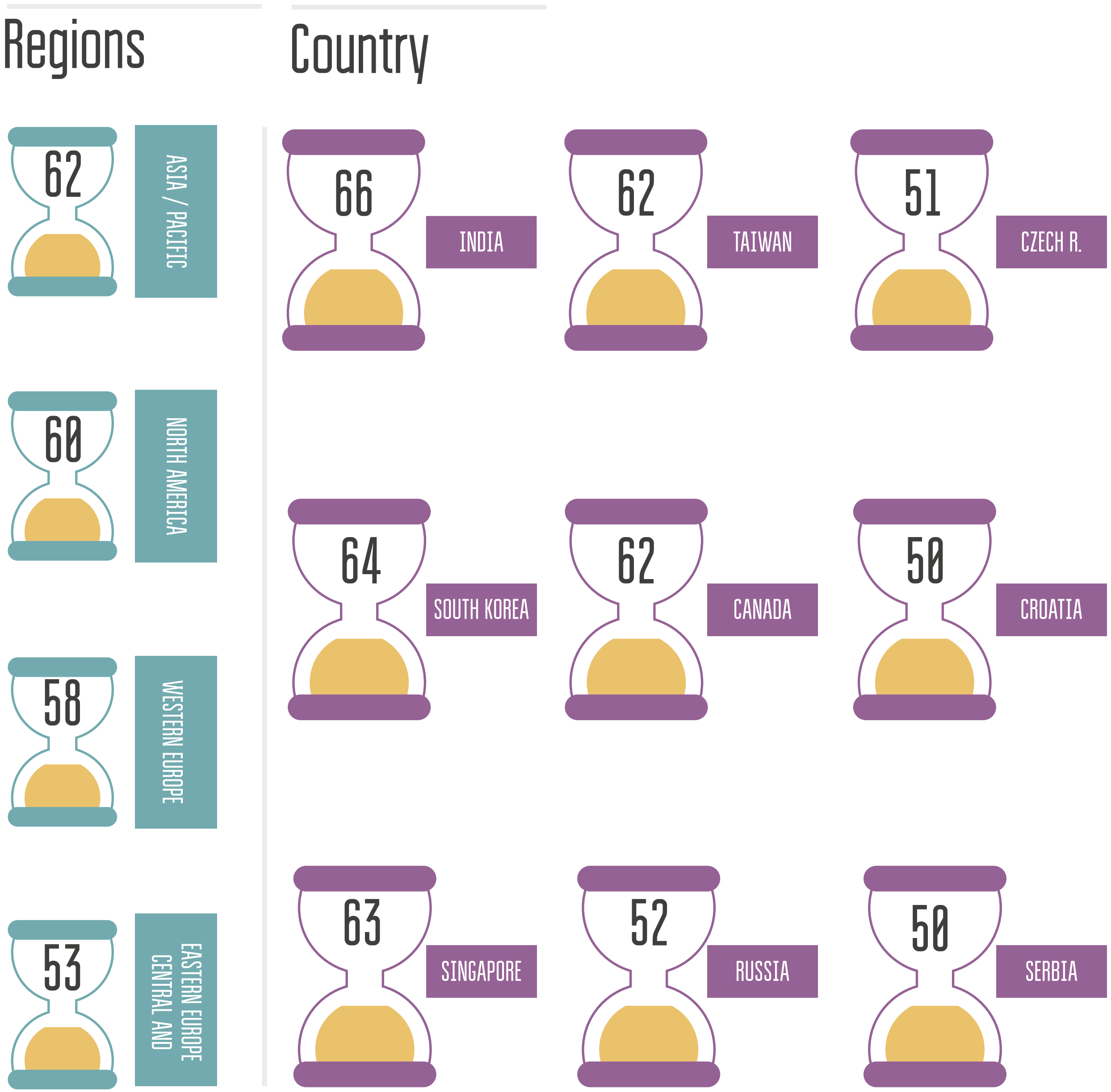
Managing Partner Alexander Hughes
Australia and Asia/Pacific
Member of the Corporate Committee

AGE COUNTS

This is the average age of directors and top managers per country and per region.

“The global economy and the extremely competitive business environment of the last years caused increasing competition and a metamorphosis of management, of Boards and executive committees. Management is asked to react promptly in a very difficult business environment, where more than ever before it is imperative to go fast and to execute effectively. The consequence is a shift in professional profile of Board and Executive Committee members: less senior managers and more decision makers and executors. More competencies for the business managed but not necessarily originating from high seniority achieved with the same company and business. More vision and skill aimed at influencing the change of strategy, which today must be adapted continuously in order to make it consistent with the changing business and with the changing world. So, senior executives must show a certain resilience to stress, as well as a capacity to maintain decisional lucidity under pressure.”

Riccardo Garré
CEO of Beltrame Group, Europe's leading merchant steel bar manufacturer



AGE COUNTS

In corporate leadership, age diversity matters.

Experience is important for navigating a company through tough economic, financial or political times and the challenges of an increasingly competitive global marketplace. You have seniors on board who can say, "Hey, I've seen this before."

But having too many of the old guard at the helm can be counterproductive.

With people of different ages in leadership, it is easier for the senior management to understand the changing needs of consumers who are as equally diverse as they are. This gains them a competitive edge in the development of innovative products and services that consumers want, helping to drive and maintain growth.

In a recent report, the New York - based Center for Talent Innovation (CTI) found that leadership teams diverse in age as well as culture, ethnicity, gender and sexual orientation are better positioned than those without to create "an environment where workers are free to voice unorthodox views and suggest creative solutions."

Based on more than 40 case studies, CTI found in its study that employees at companies with a diverse leadership and workforce are 75% more likely "to have had a marketable idea implemented than employees at companies that fail to harness these drivers." Public companies with this diversity are 45% more likely than those without to have grown market share over the last year and 70% more likely to have captured a new market.

A good case study is Asia. A lack of age diversity in corporate leadership is holding back innovation and growth there by impeding young people from participating in decisions. People do what they are told to do by their elders, a long-running way of doing business that stems from the widespread influence of Confucianism, an ancient ethical and philosophical system.

An exception to this is the rising creativity of companies like Hyundai and Samsung in South Korea, where a thriving youth music scene, for example, is helping to spawn cultural changes so that young leaders are finding more room to develop. Singapore, too, is supporting entrepreneurs.

No matter the region, what is important for companies is to have a range of ages in their leadership, from 40 to 80. Too young, and the team could crumple during a global financial crisis. Too old, and the company is going to find it pretty hard to come up with the next Facebook or YouTube.

JIM CROWE

Managing Partner
Alexander Hughes Asia/Pacific

PANKAJ DUTT

Managing Partner
Alexander Hughes India

ABOUT ALEXANDER HUGHES

Founded in 1957, Alexander Hughes is an international Executive Search firm advising senior management on key talent acquisition supporting their firm's success, as well as Board and Senior Executive teams Appraisal.

Alexander Hughes is one of the few independent European headquartered groups in Executive Search able to offer globally high level of quality and commitment to the most exacting clients.

Present in 46 countries, Alexander Hughes offers local expertise combined with global capabilities. The team includes 130 consultants operating in 10 Sectors of Excellence.

Alexander Hughes
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