

RUSSELL REYNOLDS ASSOCIATES

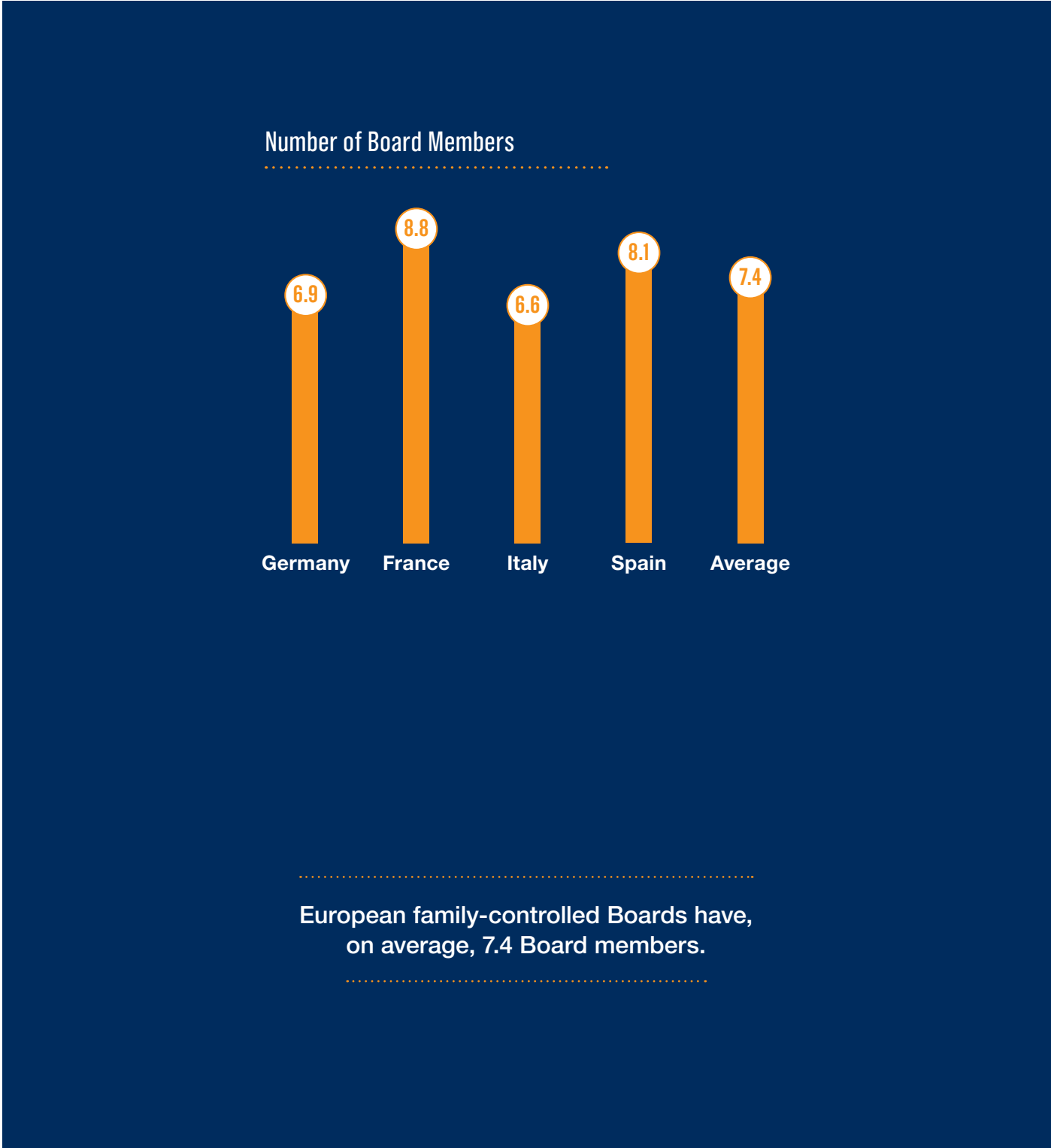
**SURVEY OF CORPORATE GOVERNANCE PRACTICES
IN EUROPEAN FAMILY BUSINESSES**

In the summer of 2014, Russell Reynolds Associates and IESE conducted a survey of 400 of Europe's largest family-controlled businesses.

- In an attempt to understand the corporate governance practices in European family businesses, Russell Reynolds Associates and IESE launched a research project in collaboration with SciencesPo and Ambrosetti.
- In the summer of 2014, we developed a survey and distributed it to 400 of the largest family-controlled, non-listed companies in Germany, France, Italy and Spain.
- We received responses from 106 companies, equally representing each of the four countries.
- We polled survey recipients on board composition, board efficiency, CEO succession planning and the CEO/Chairman backgrounds.
- This document represents a reporting of the survey findings.

Board Composition

1. How many members are on your Board?



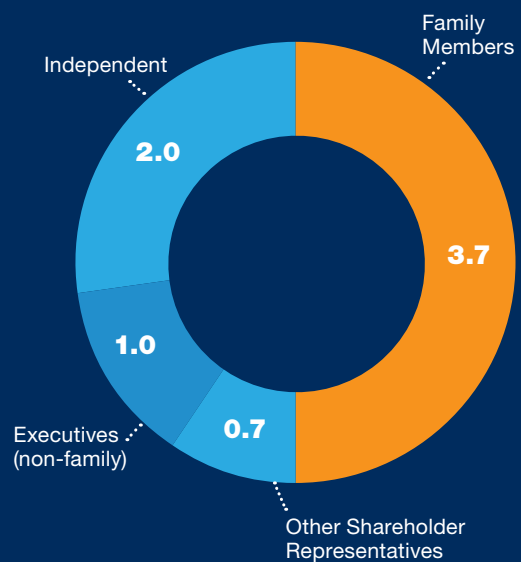
European family-controlled Boards have, on average, 7.4 Board members.

2. Please indicate the number of Board members in each category

Board Composition

	Germany	France	Italy	Spain
Family members representing ownership	1.7	4.5	3.7	5.0
Other shareholder representatives	0.5	0.5	0.6	1.0
Executives (non-family members)	1.2	1.0	1.0	0.7
Independent	3.5	2.8	1.3	1.4
Total	6.9	8.8	6.6	8.1

Average Board Composition



Boards are comprised, on average, of 50% family members.

There are only 27% independent directors, on average.

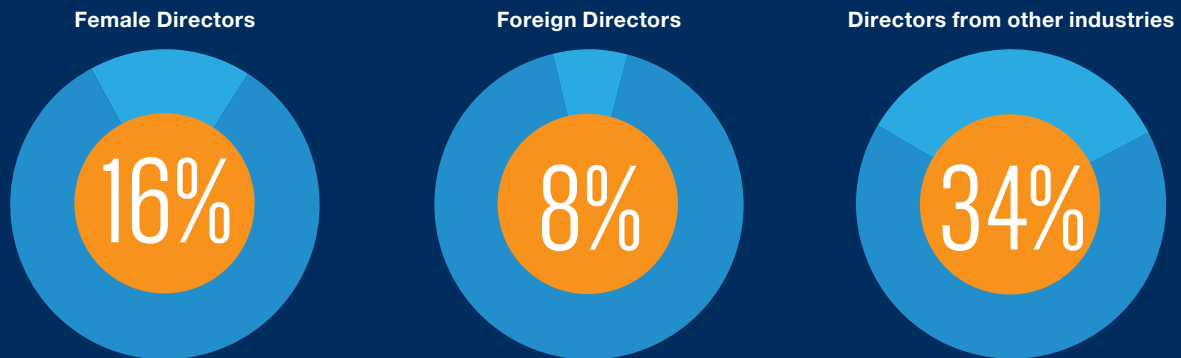
German boards are at the high end with 51% independent directors, while Spain has only 17% independent directors.

3. What is your Board’s level of diversity?

Board Composition

	Germany	France	Italy	Spain
Female	10%	25%	15%	17%
Foreign	11%	0%	4%	8%
Other Industries	46%	23%	26%	37%

Average Board Diversity



Gender diversity varies widely on European family-controlled Boards, ranging from 10% in Germany to 25% in France.

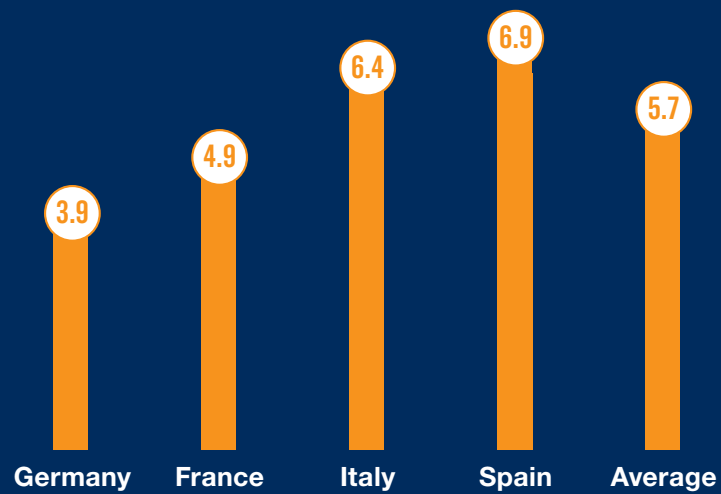
At 8%, there is relatively little representation from foreign directors.

On average, 34% of directors come from other industries.

Board Efficiency

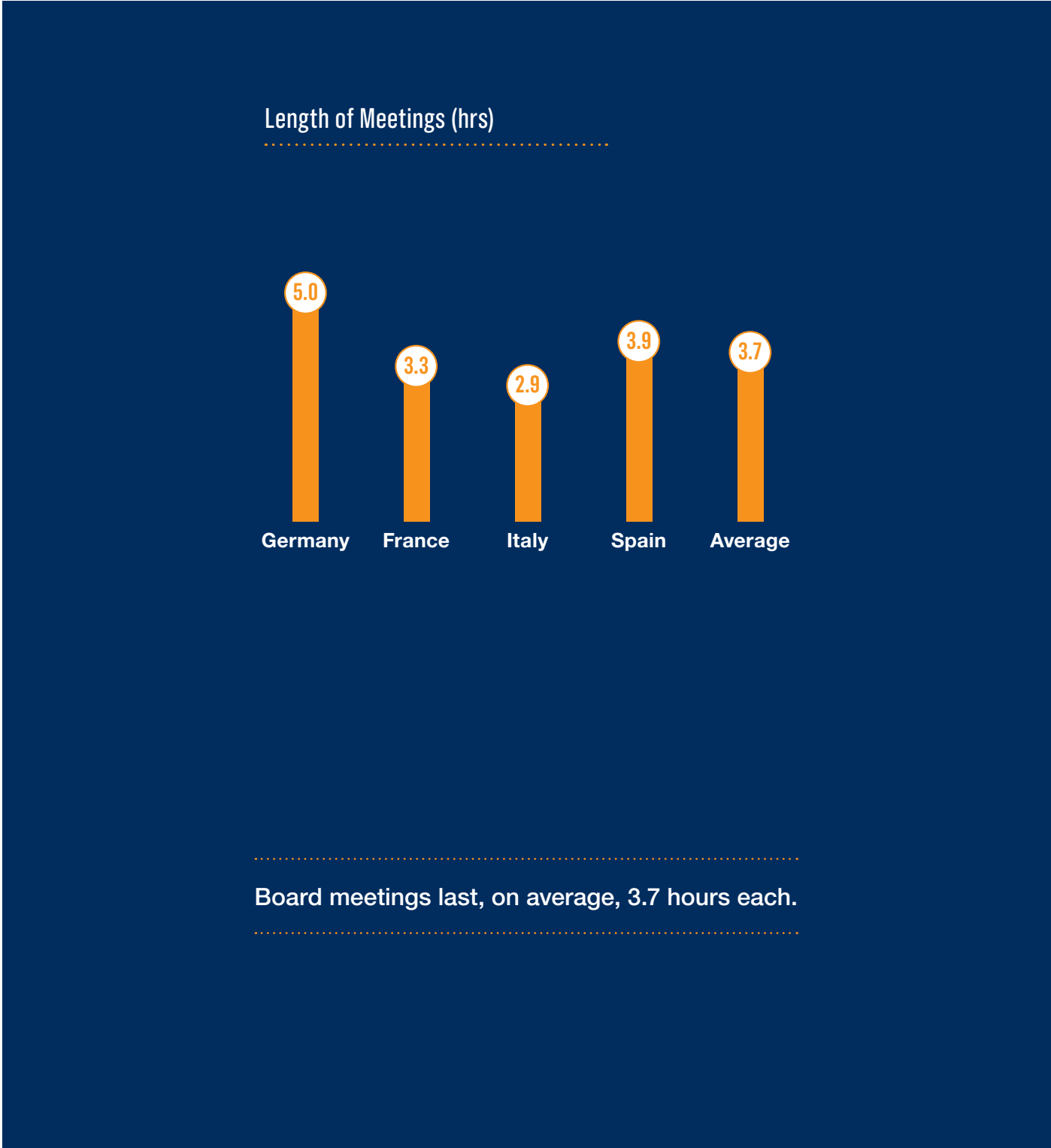
4. *How many times a year does the Board meet?*

Number of Annual Board Meetings

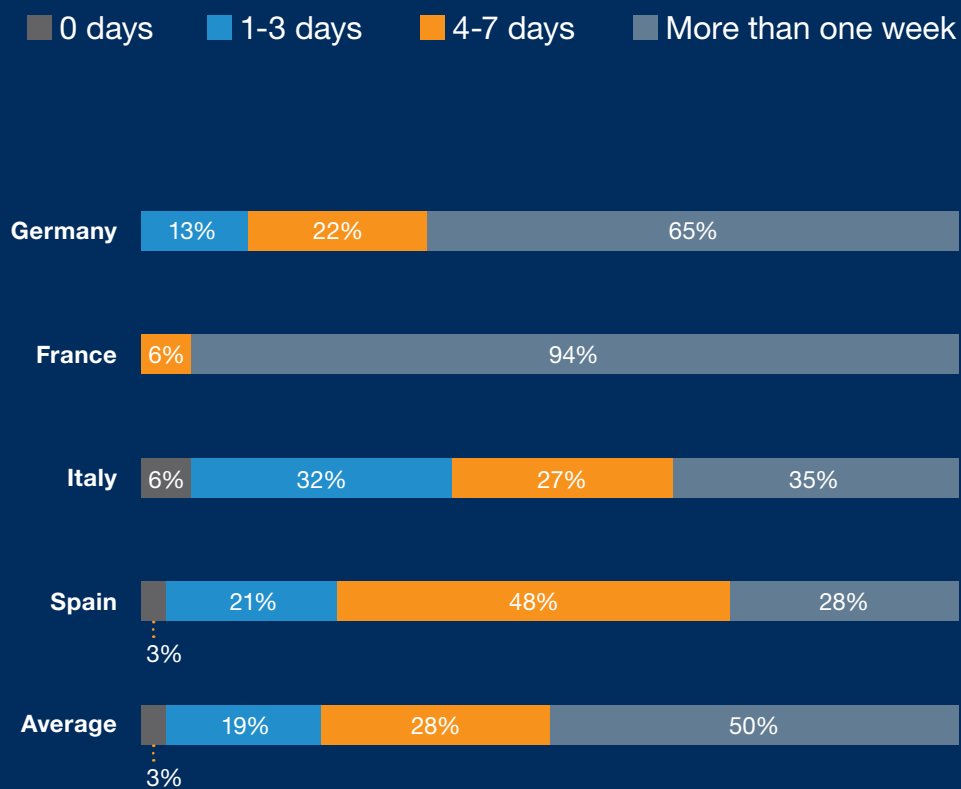


European family-controlled companies have an average of 5.7 Board meetings a year. German companies are on the low end with 3.9 meetings, while Spanish companies have 6.9 meetings.

5. How long does each meeting last on average?



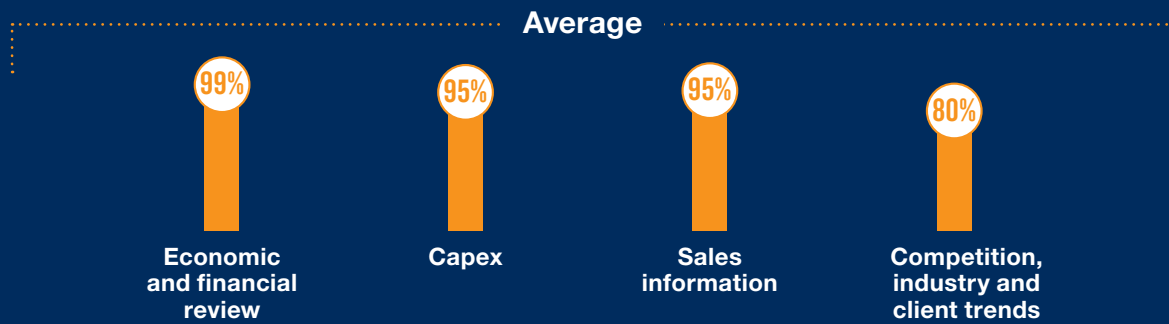
6. How far in advance do Board members receive the meeting information?



50% of Boards have more than a week to prepare for meetings, while 22% have less than 3 days.

7. Agenda content

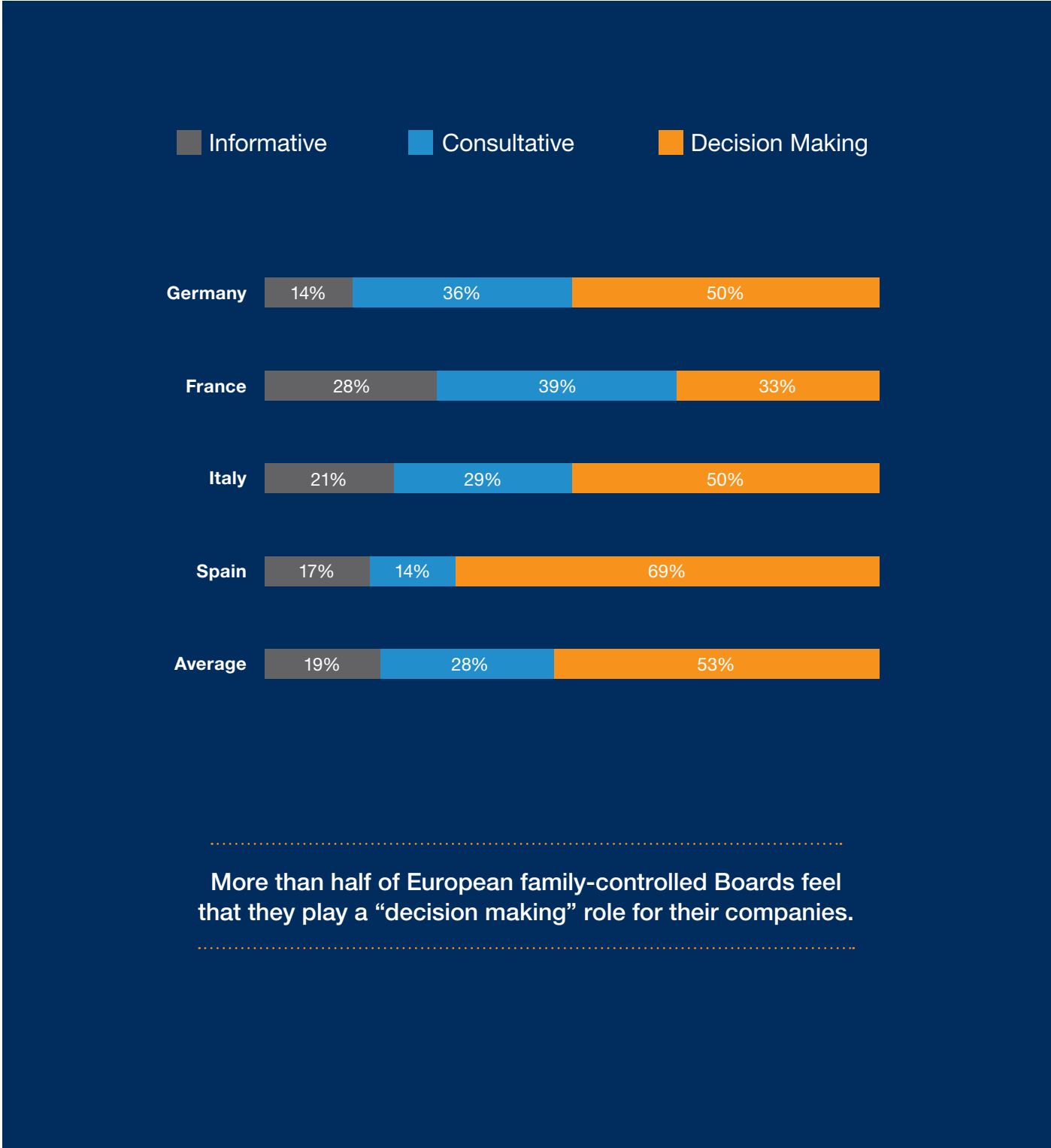
	Germany	France	Italy	Spain
Economic and financial review	100%	100%	97%	100%
Capex	86%	100%	97%	96%
Sales information	95%	94%	97%	93%
Competition, industry and client trends	95%	83%	76%	72%



The vast majority of Boards cover economic and financial review, capex and sales information as part of their meeting agendas.

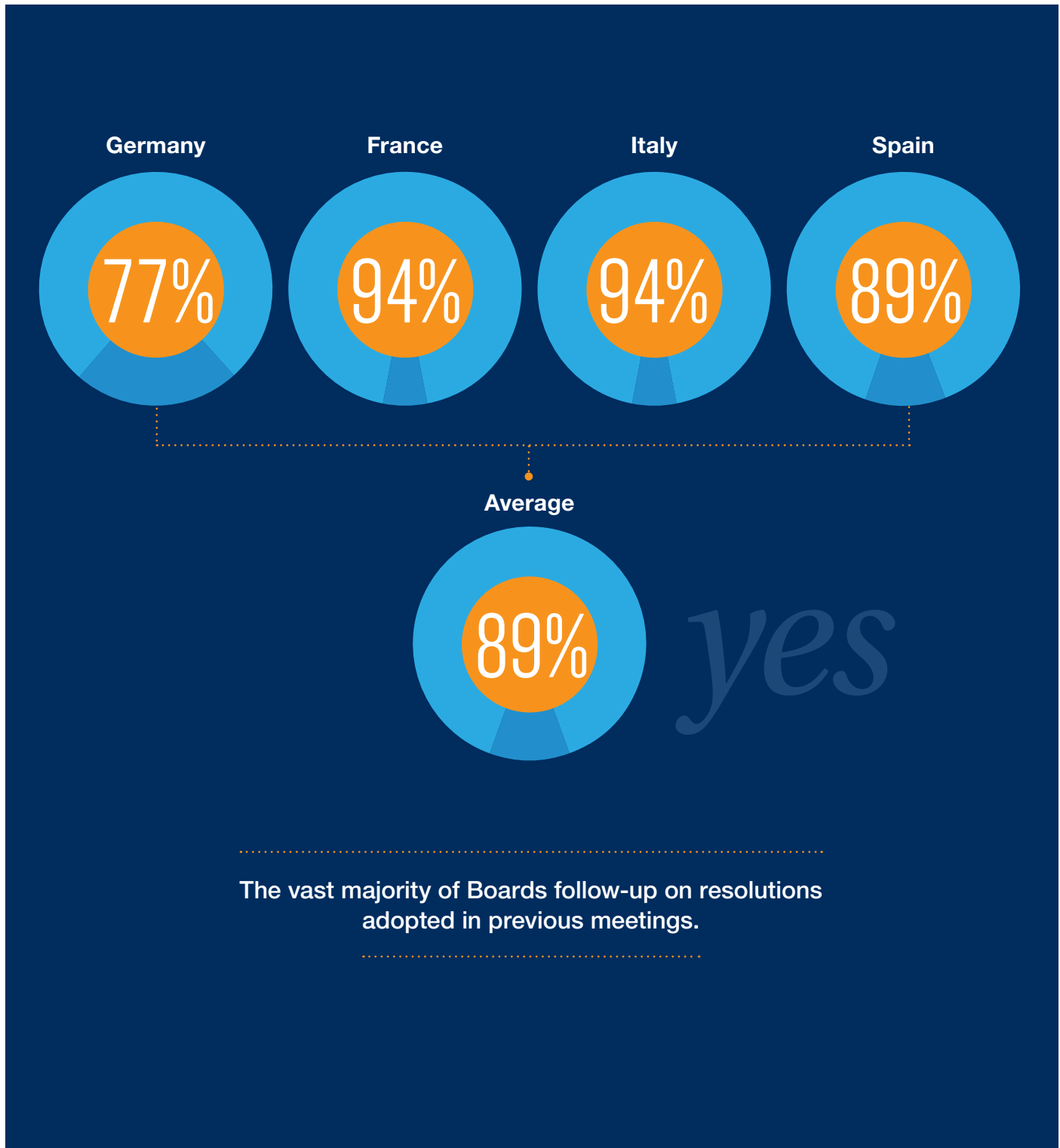
Only 80% of Boards review competitive, industry and client trends.

8. Choose the adjective that best describes your Board

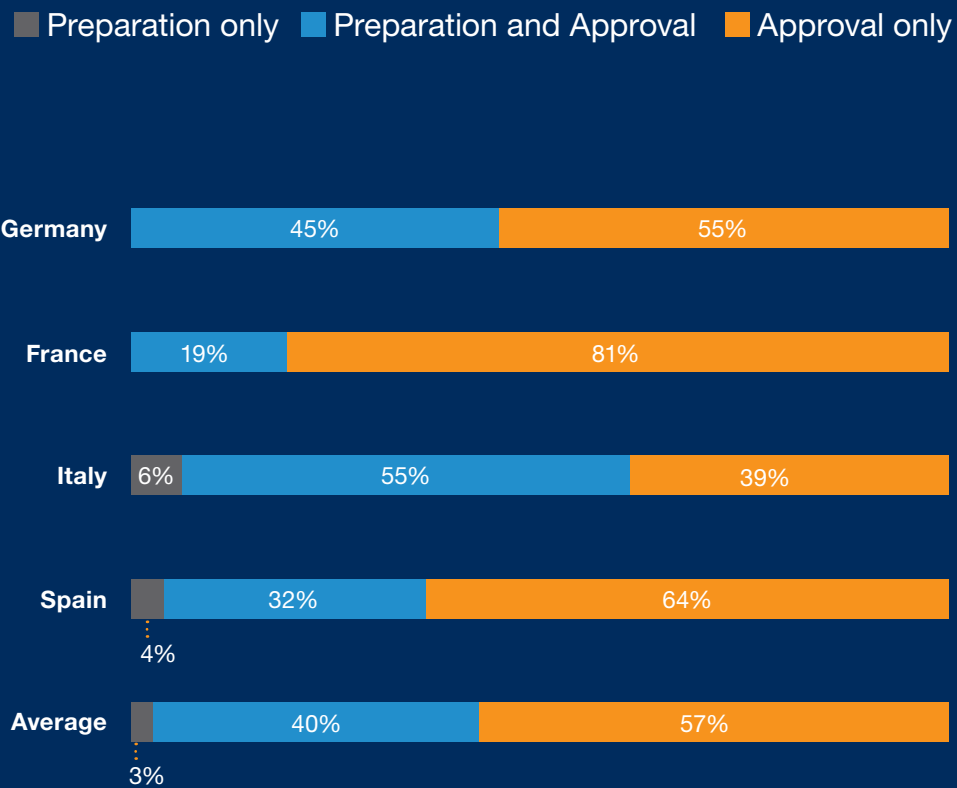


More than half of European family-controlled Boards feel that they play a “decision making” role for their companies.

9. *Is there follow-up of the resolutions adopted in the previous Board meeting?*

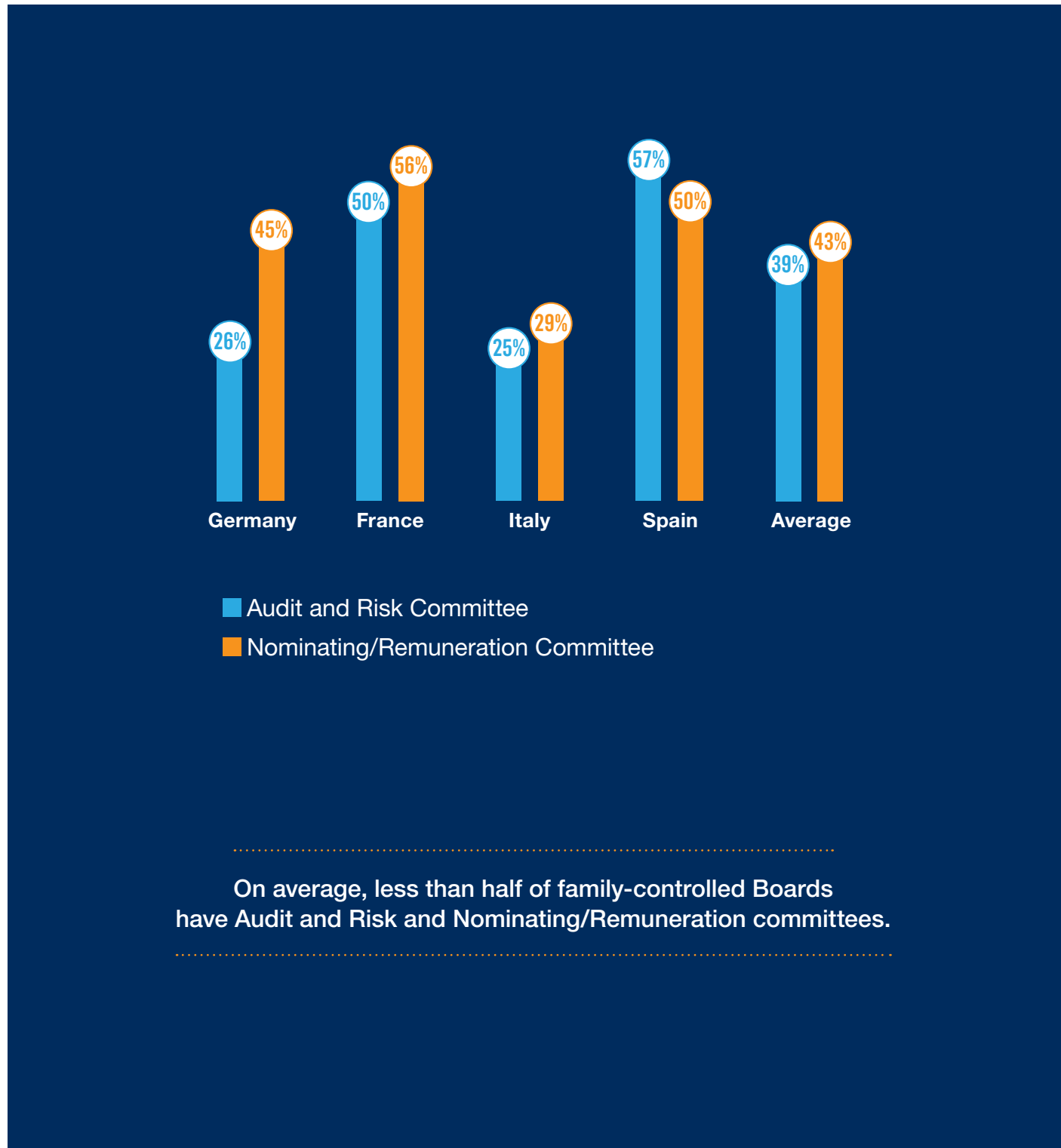


10. Does the Board take part in developing the strategic plan?

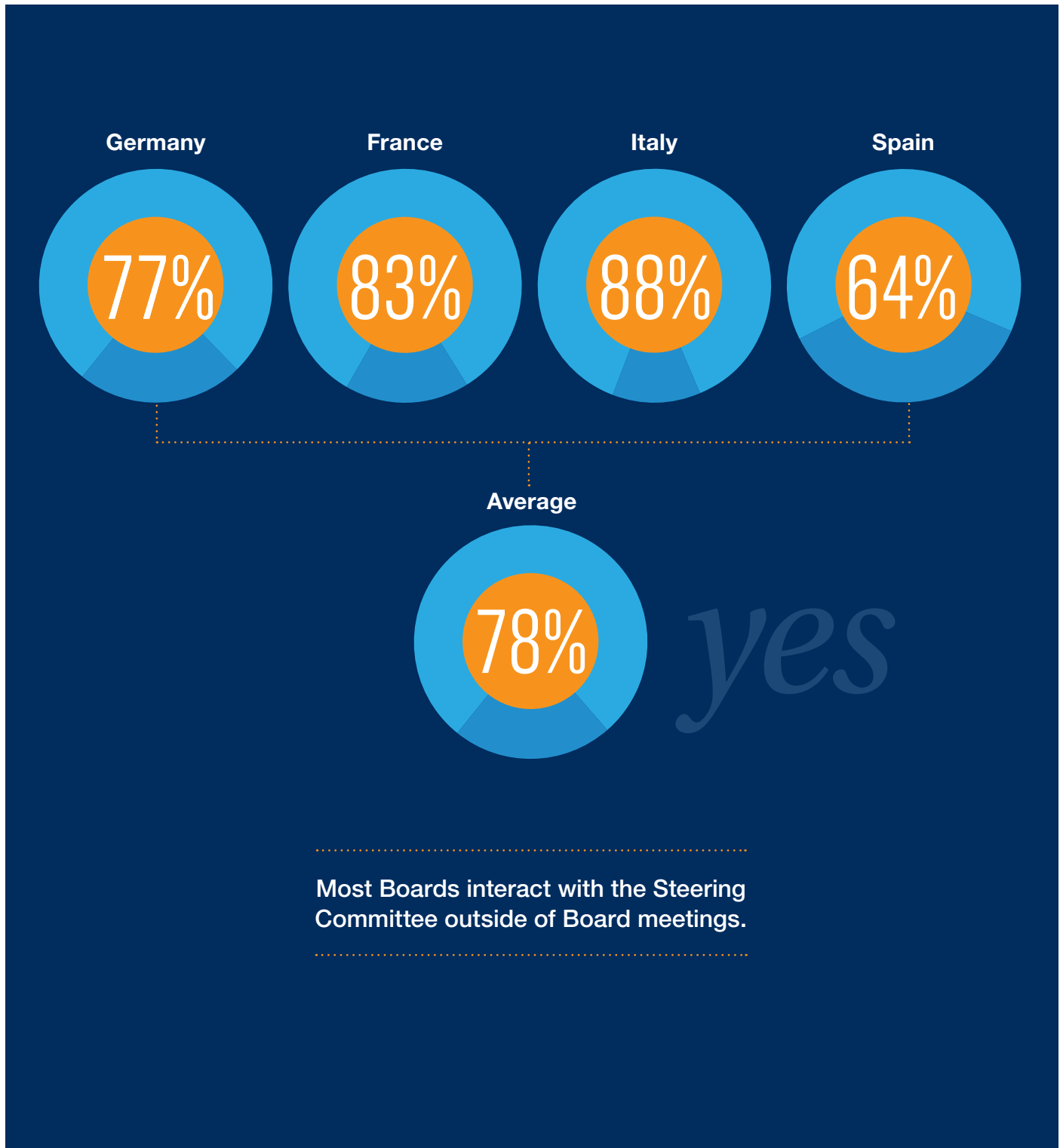


59% of European family-controlled Boards feel that they approve the strategic plan. 40% feel that they also play a role in preparing the plan.

11. What committees do you have?

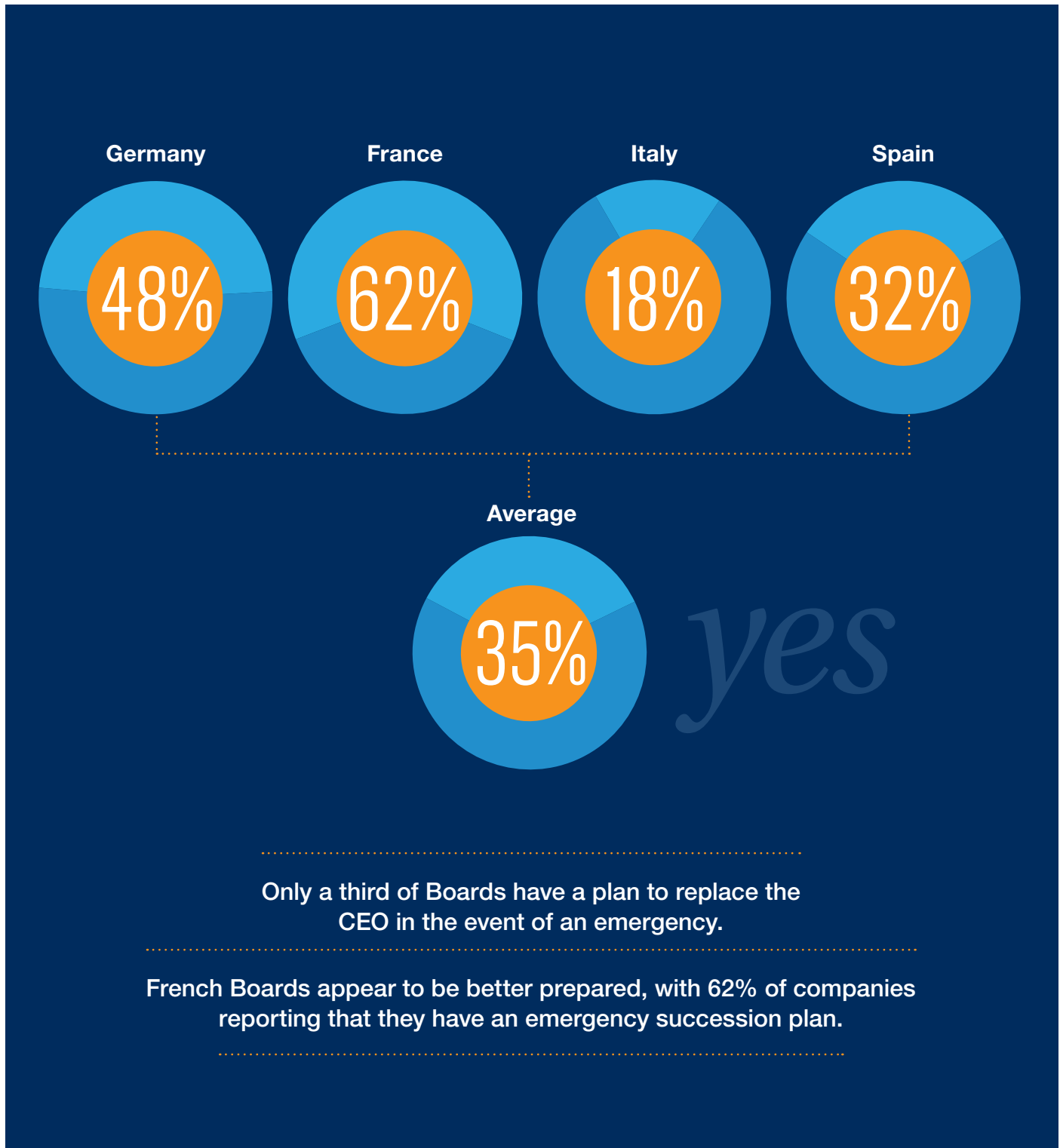


12. Is there a relationship between the Board and the Steering Committee other than at Board meetings?

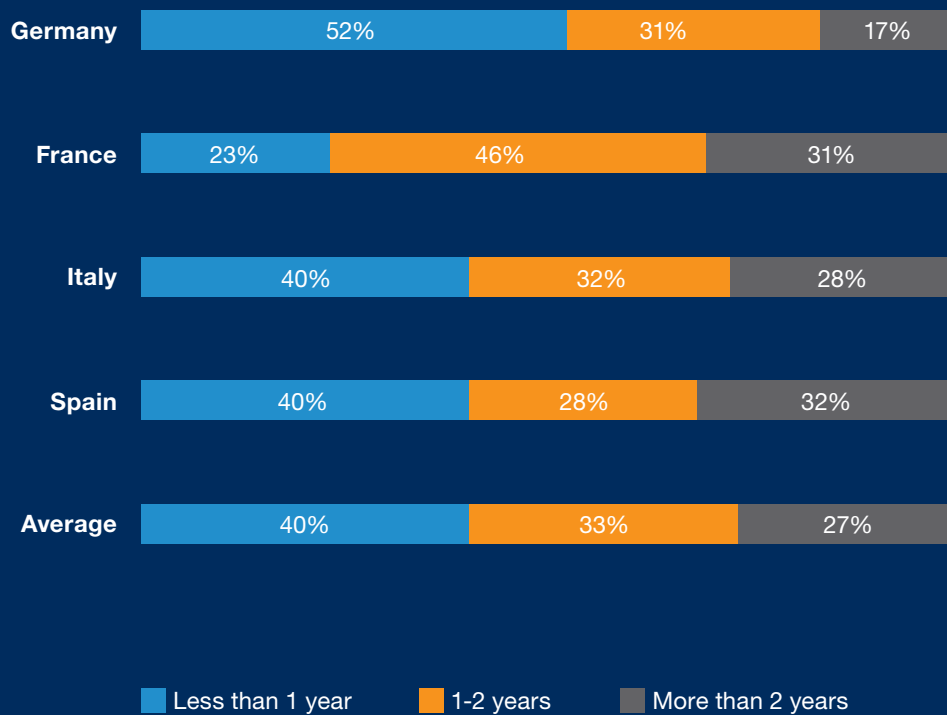


CEO Succession

13. Does an emergency CEO succession plan exist?

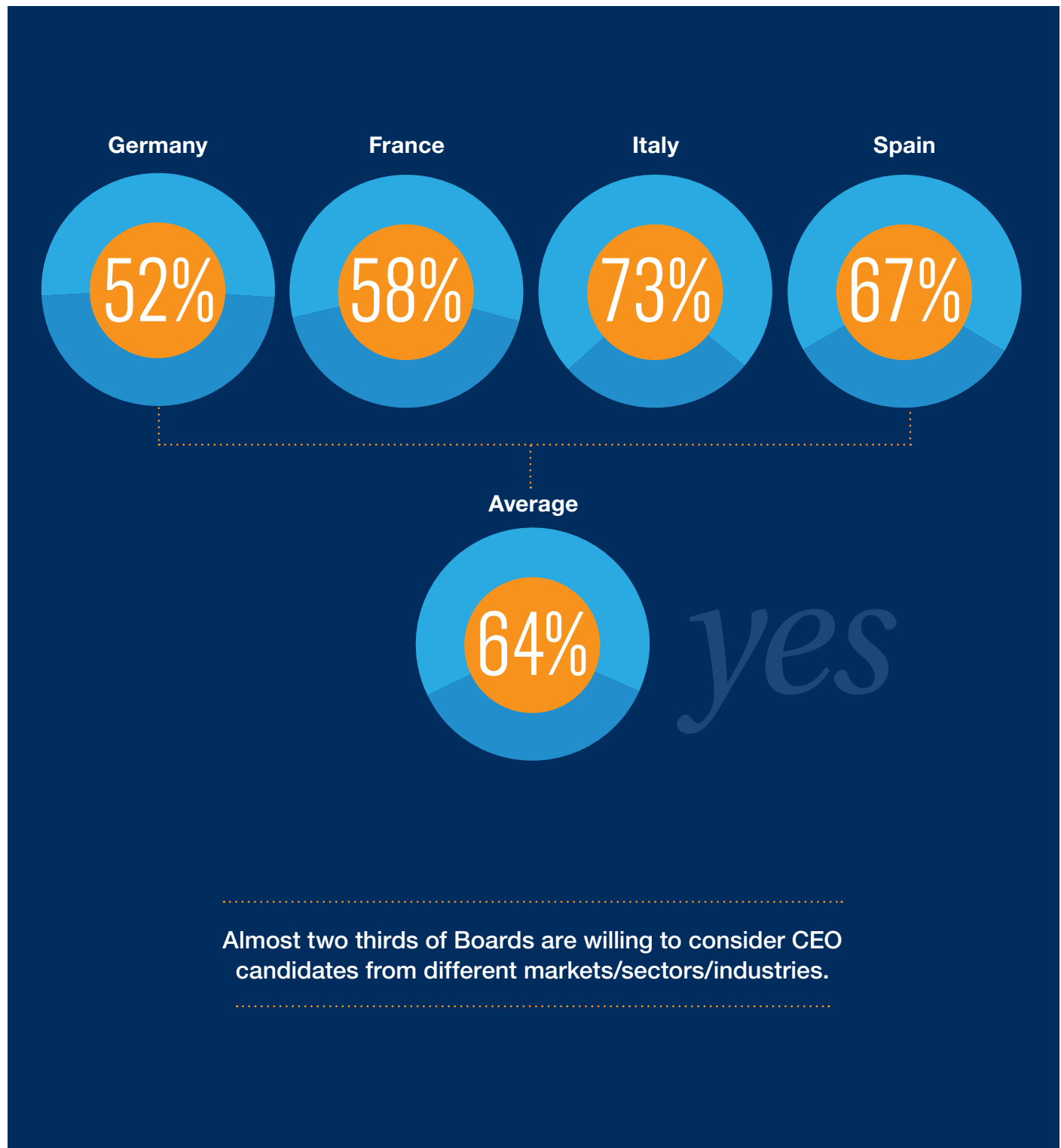


14. What is the ideal period for CEO succession planning?

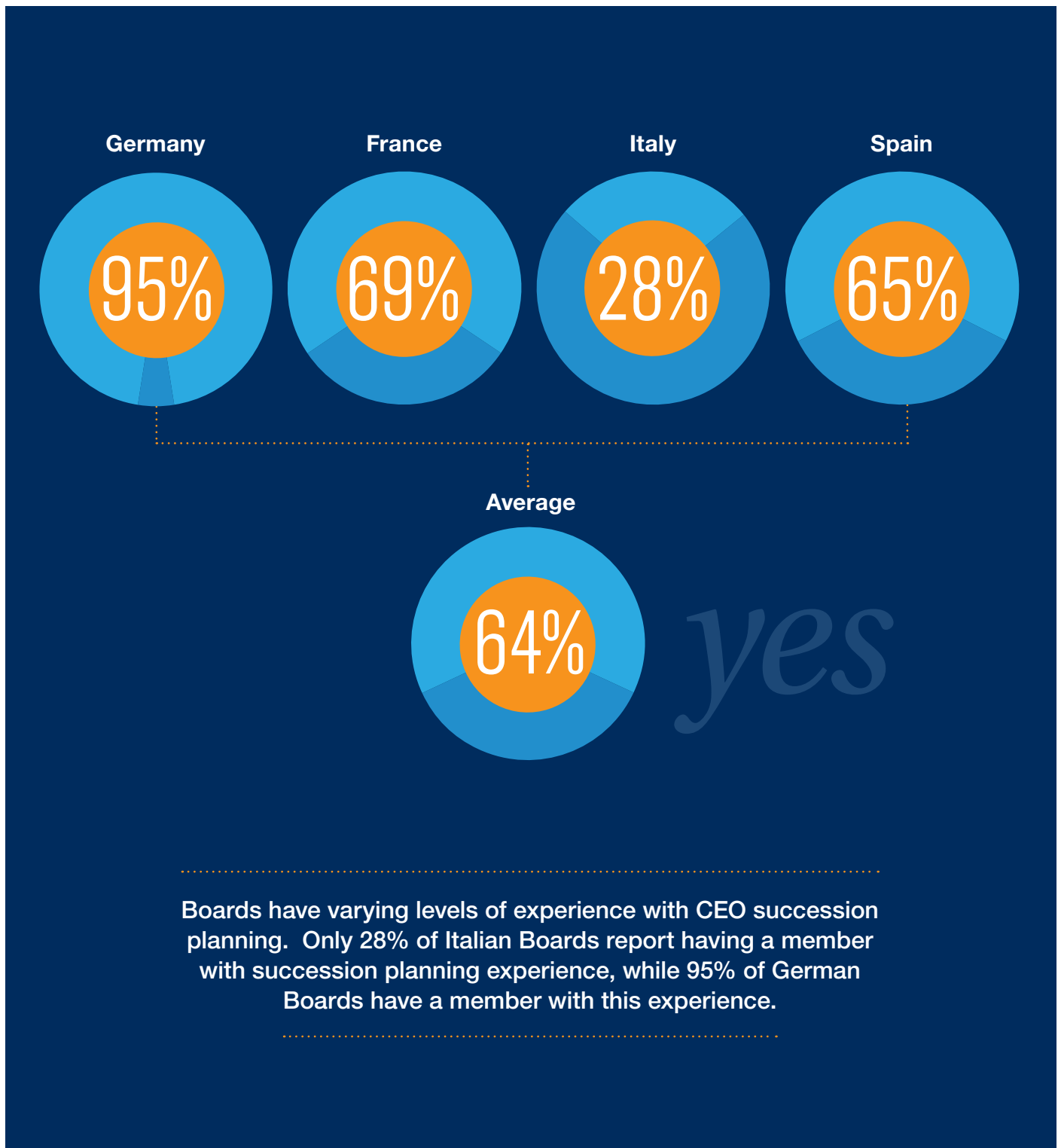


There is little consensus on the ideal period for CEO succession planning.

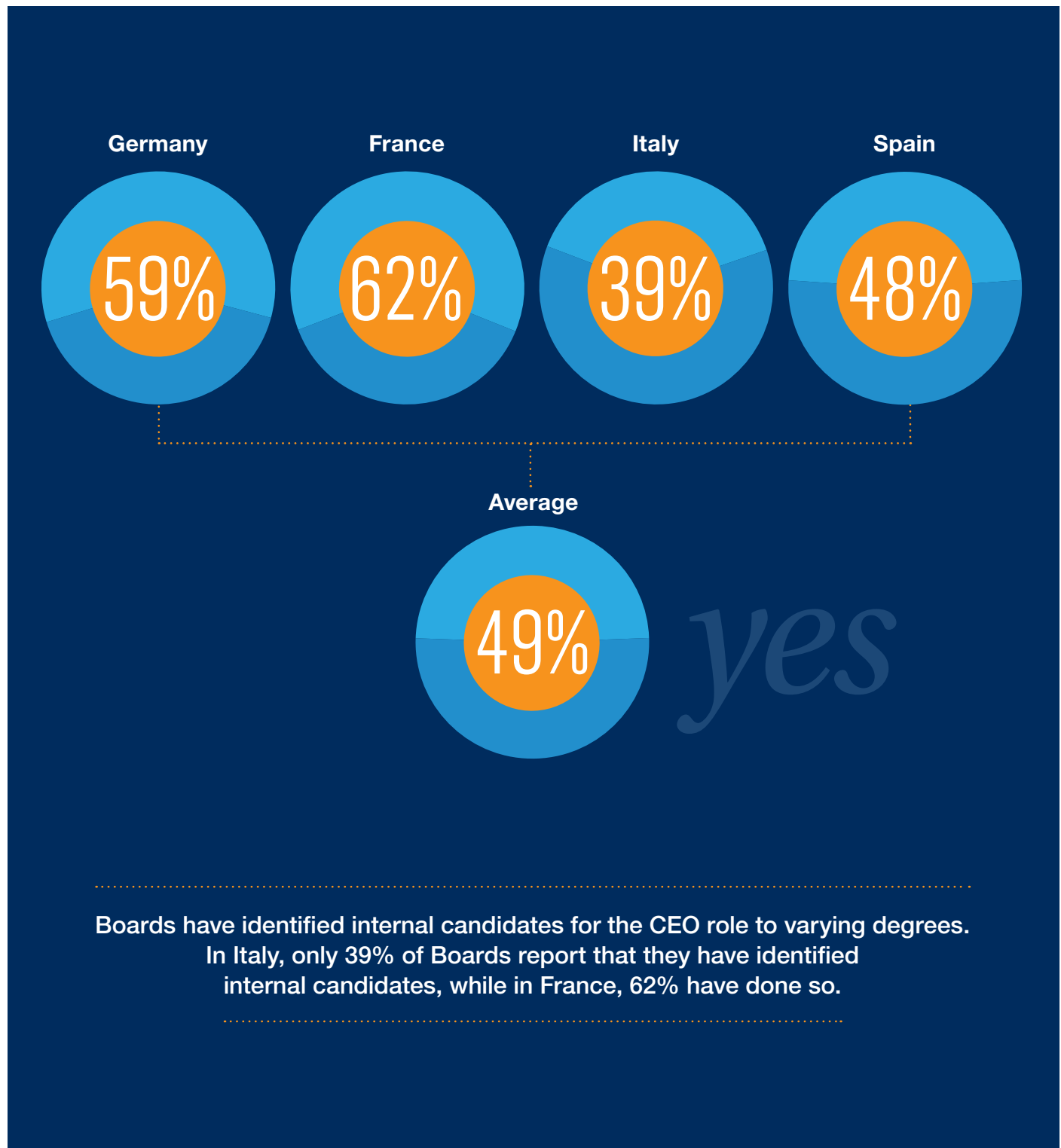
15. Would you consider external candidates from different markets/sectors/industries?



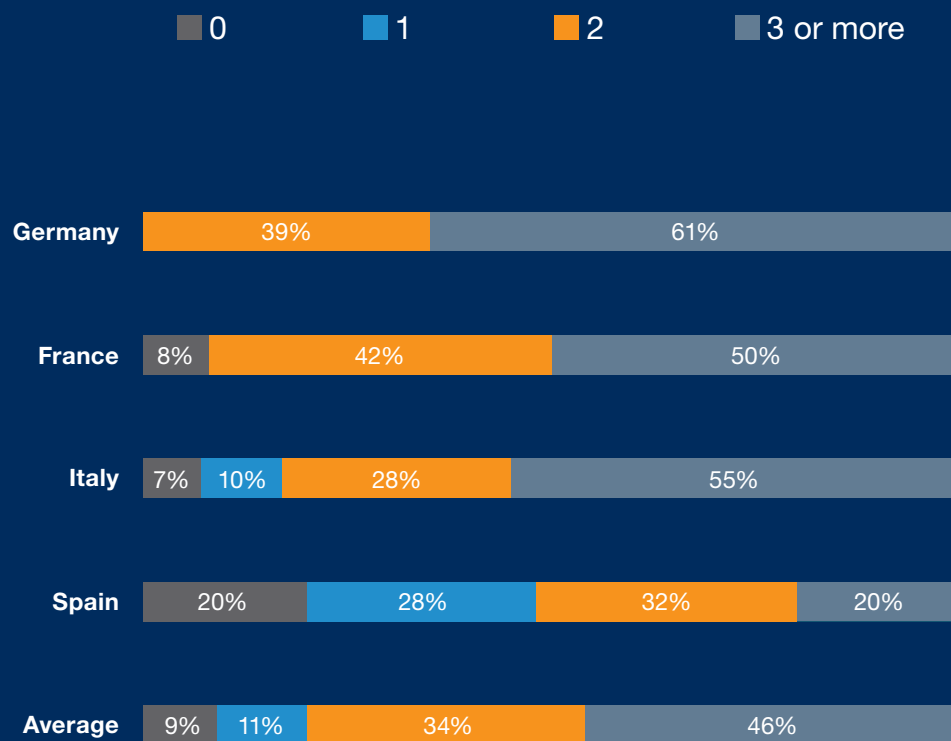
16. Are one or more Board members experienced in succession planning?



17. Have internal candidates been identified for the succession plan?

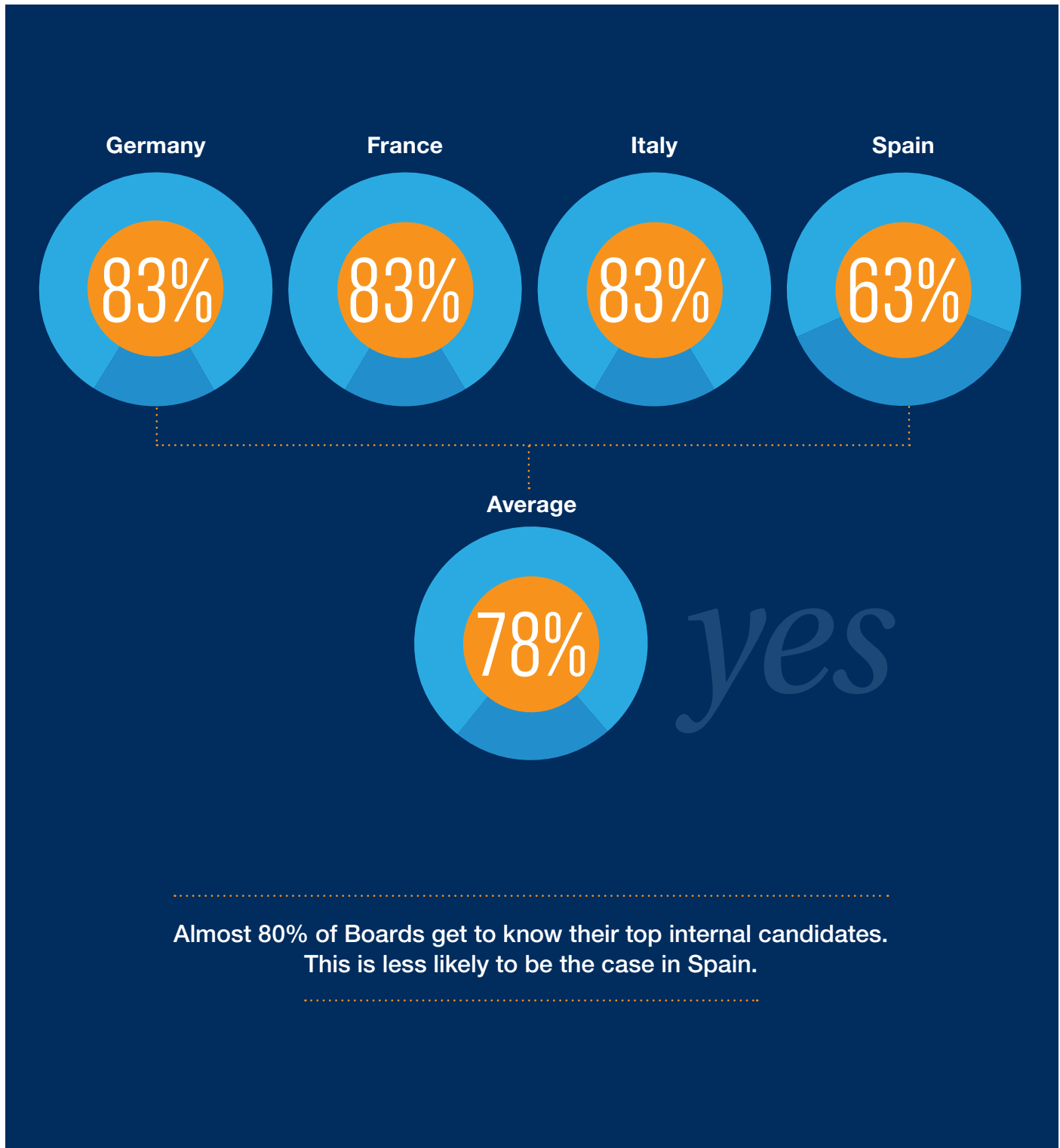


18. How many internal/external candidates do you ideally evaluate?

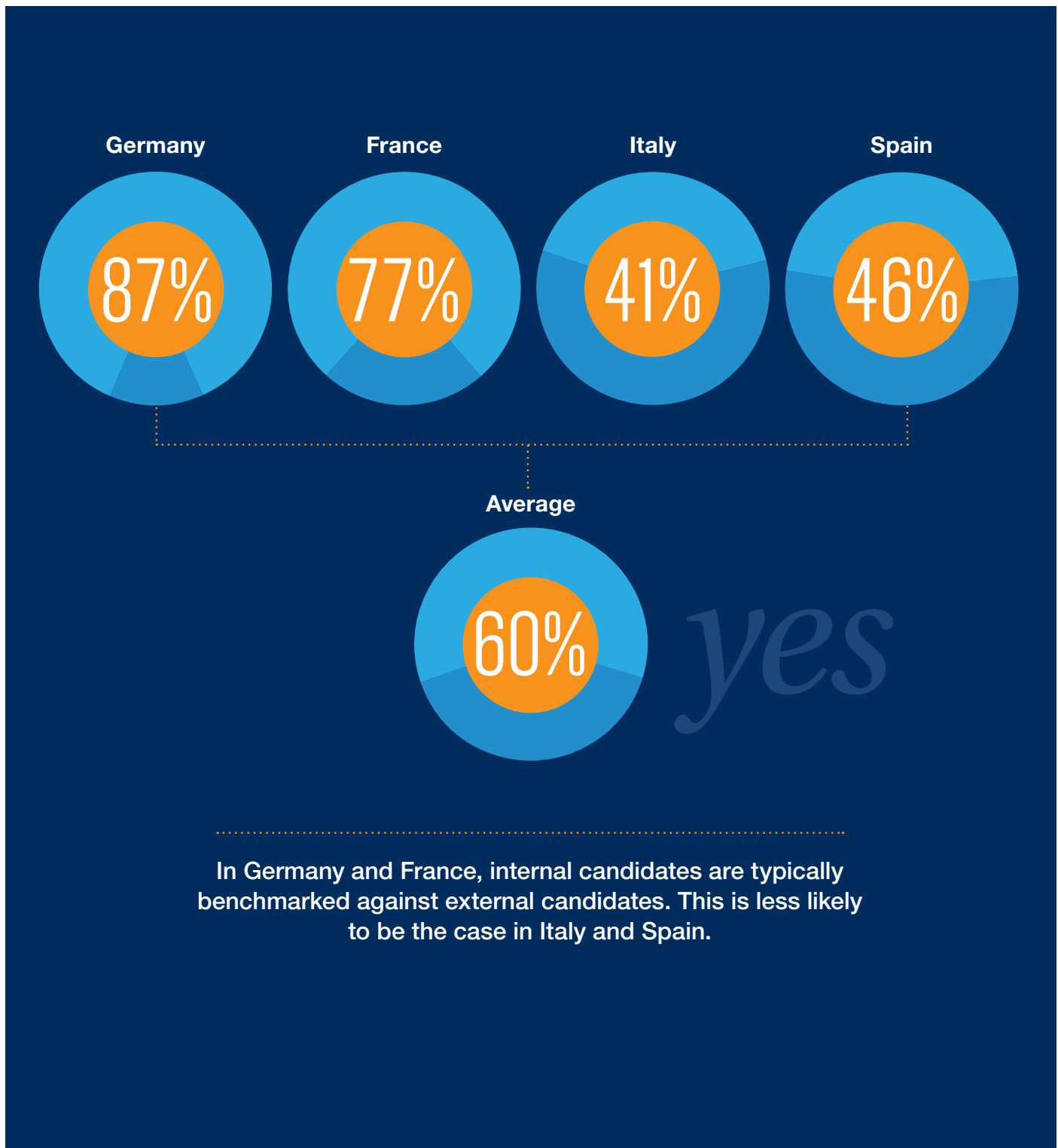


Nearly half of family-controlled Boards evaluate 3 or more candidates for the CEO role. This number ranges from 20% in Spain to 61% in Germany.

19. Does the Board get to know the top internal candidates?



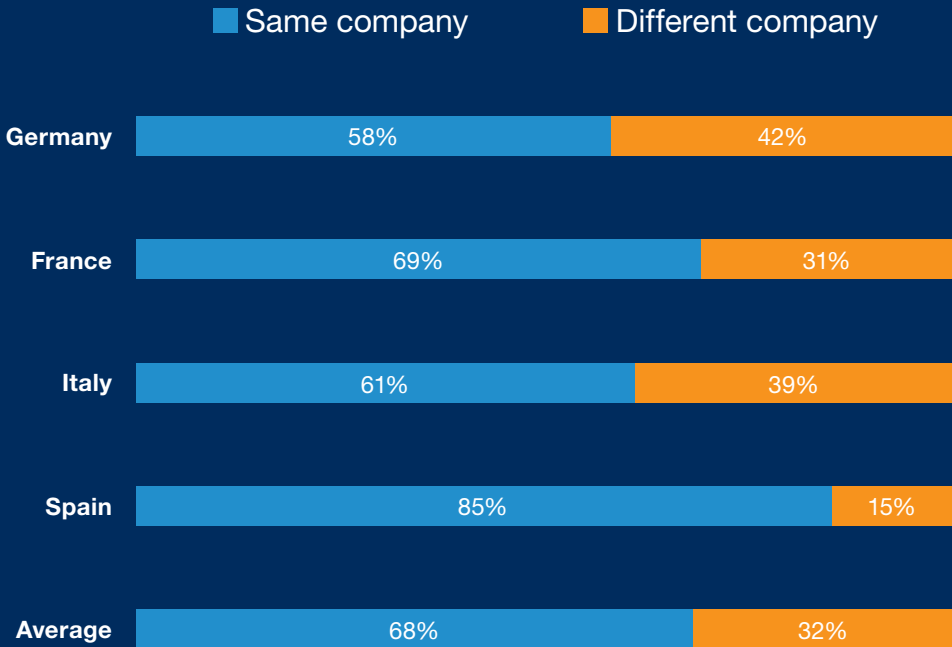
20. *Are internal candidates benchmarked against external candidates in the market?*



In Germany and France, internal candidates are typically benchmarked against external candidates. This is less likely to be the case in Italy and Spain.

*CEO and Chairman
Background*

21. CEO's background



More than two thirds of European family-controlled company CEOs are promoted internally.

In Spain, 85% of CEOs come from the same company.

22. CEO's background when he/she comes from a different company

	Germany	France	Italy	Spain
Same industry	60%	50%	58%	25%
Listed company	40%	100%	50%	25%
Foreign multinational	40%	50%	50%	75%
Other family owned company	0%	25%	42%	0%

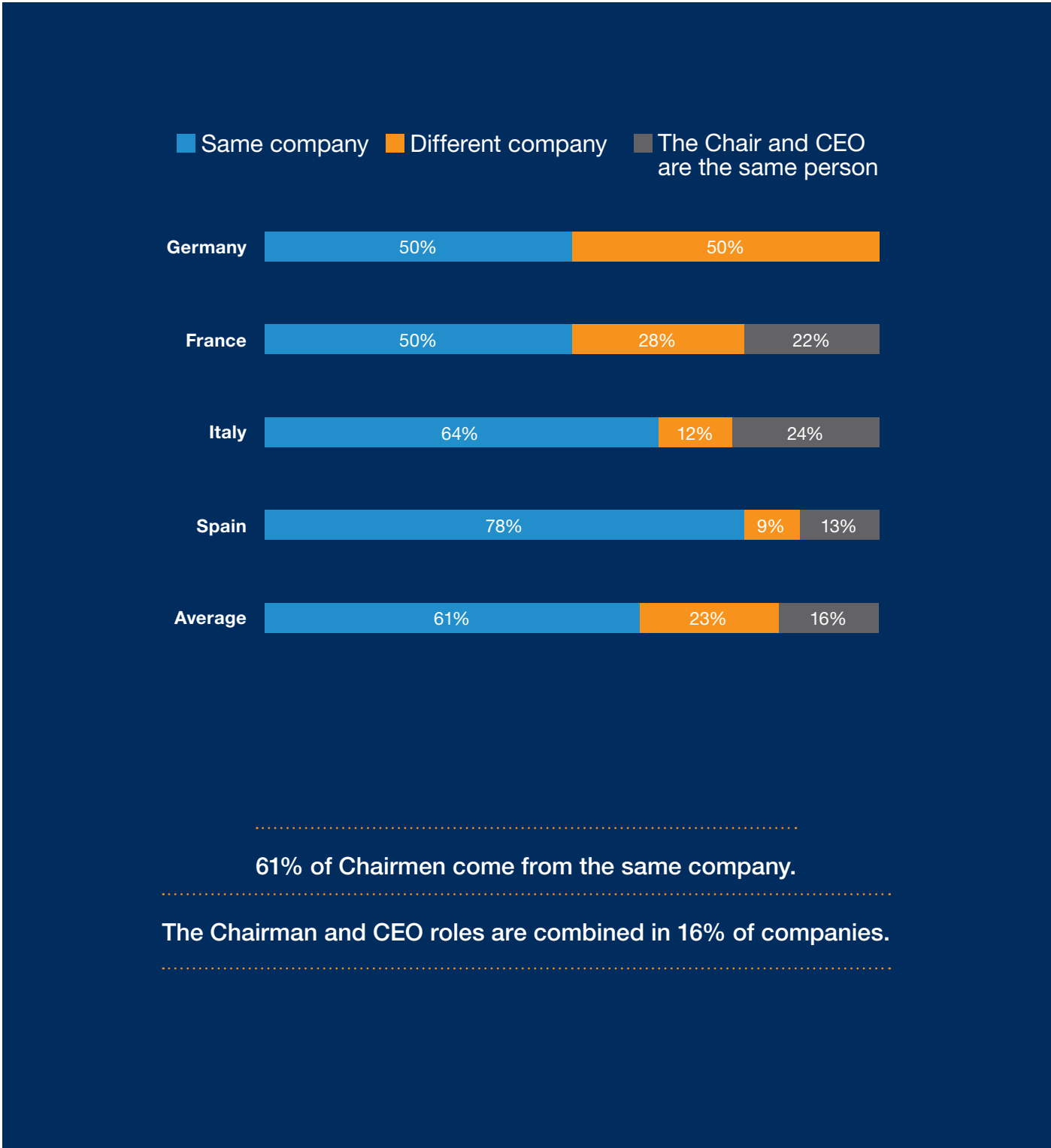
Average



When a CEO comes from a different company, they are most likely to bring experience within the same industry, from either a listed company or foreign multinational.

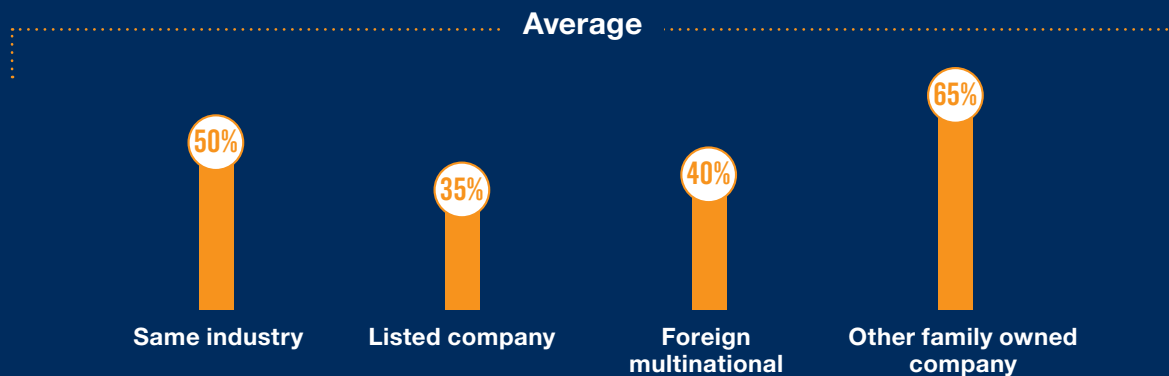
Interestingly only 20% of external CEO hires come from another family-owned company.

23. Chairman's background



24. Chairman's background when he/she comes from a different company

	Germany	France	Italy	Spain
Same industry	50%	20%	75%	100%
Listed company	10%	60%	50%	100%
Foreign multinational	30%	60%	25%	100%
Other family owned company	80%	60%	50%	0%



When a Chairman comes from a different company, they are most likely to bring experience with another family-owned company.

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Russell Reynolds Associates is a global leader in assessment, recruitment and succession planning for chief executive officers, boards of directors and key roles within the C-suite. With 350 consultants in 44 offices around the world, we work closely with both public and private organizations across all industries and regions. We help our clients build boards and executive teams that can meet the challenges and opportunities presented by the digital, economic, environmental and political trends that are reshaping the global business environment. www.russellreynolds.com.

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