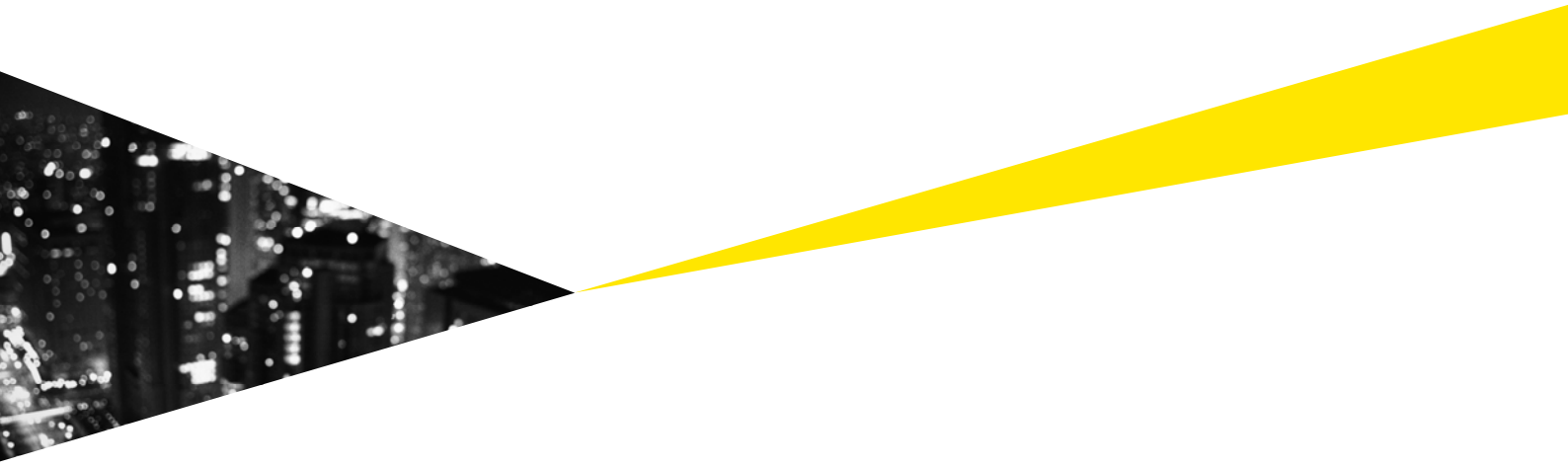


# The governance challenge



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## Introduction

The financial crisis has once again put corporate governance reform at the top of investor, regulator and board agendas. Financial and non-financial institutions alike face the prospect of new governance rules and higher expectations. Investors are calling for more rights to hold directors accountable for their performance against these expectations.

In the midst of the drive to reform, boards are reflecting on how best to improve their performance by implementing changes proactively. Directors believe strongly that the quality of governance starts with the quality of directors. Questions are being asked about directors' experience, understanding, time commitment and performance. The support and advice provided to directors is also being reviewed. In each of these areas, leading companies are innovating new best practices.

For this issue of *InSights*, Tapestry Networks interviewed a range of corporate governance professionals, representatives from institutional investors and investor groups, and directors from companies in the United States and across Europe to determine how boards are addressing performance questions and the new governance challenges being presented to them by investors and regulators. For a complete list of research participants, please see the appendix on page 11.

# Governments respond to the “failure of governance”



With many media commentators and the public blaming the perceived greed of the banking sector for the financial crisis, many groups, including governments, are placing at least a portion of that blame on poor corporate governance. As the International Corporate Governance Network (ICGN), a group of institutional investors with \$9.5 trillion in assets under management, stated, “It is now widely agreed that corporate governance failings were not the only cause of the crisis but they were highly significant, above all because boards failed to understand and manage risk and tolerated perverse incentives.”<sup>1</sup>

## Governance reform proposals and reviews

In the United States and the United Kingdom, where many of the largest financial institution failures occurred, governments are reviewing and, in some cases, already changing, governance standards. In the United States, politicians and regulators are vying to outdo each other with reform proposals. In the United Kingdom, governance is under review via multiple initiatives: Sir David Walker is leading a review of bank governance, and the Financial Reporting Council is reviewing the Combined Code on Corporate Governance.

Continental Europe, too, is focused on governance reform. President Nicolas Sarkozy of France and Chancellor Angela Merkel of Germany have expressed the need for a new “moral capitalism”. In a meeting with directors in April, Jean-Pierre Jouyet, chairman of the French Autorité des Marchés Financiers (AMF), said, “Our priority is first to see about the extension of our remit over governance. The legislature has to do that ... The governance of boards - such as the frequency of meetings, composition, risk controls - all the rules should be strengthened to protect the companies.”<sup>2</sup>

The European Commission’s European Corporate Governance Forum is reviewing pan-European governance codes and principles. It has also commissioned a review of the “comply-or-explain” governance codes in Europe, with a remit to “evaluate the effectiveness of enforcement mechanisms in the Member States and provide recommendations ... [that] will lay the groundwork for informed decision making by the European Commission.”<sup>3</sup> One European governance expert predicted “a wave of revisions of codes across Europe ... perhaps with greater emphasis on the manner in which risk governance can be strengthened ... and on director expertise.” Another European corporate governance expert explained, “We are seeing general principles being required by law ... The enthusiasm for codes ... has fallen significantly.”

## A rush to more rules and more compliance

Some experts are concerned that the current enthusiasm for reform will produce more rules without making changes that will truly improve governance. One participant said, “In effect, all [more mandatory rules] are going to do is enhance the problem. They will drive a higher level of compliance with rules rather than [with] the spirit behind those rules.” Another participant cautioned, “My worry is that you’ll have a Sarbanes-Oxley response. Politically, it’s seen as a need to do something. There is a shift to more regulatory requirements for compliance.”

One participant foresees an acceleration of convergence in governance standards: “What you’ll see, but [it] won’t be apparent for a couple of years, is much greater convergence of standards. You’ll have more litigious, more mandatory things in the UK and Europe and more elements of UK [and] European governance in the US.” Another participant observed, “One dynamic I find interesting is the influence of the European Union versus different individual country laws. There has been a big shift ... I think we’ll see a move toward a more consistent [prescriptive] approach.”



# A proactive approach to effective governance starts with directors

Directors know change is coming, and it presents boards with significant governance challenges. One director asserted, *“Boards need to be accountable for the lack of oversight and monitoring that allowed some bad business practices to take place, and there is an argument to be made that boards need to enact new procedures to ensure they do a better job than in the past.”* Although acknowledging that macro-economic imbalances beyond boards' control were certainly the main drivers of the financial and economic crisis, this director said, *“In the end, we're talking about the loss of several trillion dollars of shareholder equity value. The primary responsibility of the board is to protect that.”*

In this context, participants see an opportunity for non-executive directors to proactively take responsibility for improving the way corporate boards operate. Several participants contend that effective corporate governance cannot be implemented by external fiat. There is no *“single solution”* that will make boards more effective, and different solutions may work for different companies in different industries. One participant emphasised, *“There is nothing really new in any of this ... I think it depends on what you expect boards to do. What do you want from these directors? There are no general rules. Corporate governance is a tailor-made suit.”*

## Boards should seek more knowledgeable, yet independent, directors

Several participants fear that new processes and policies will be implemented at the expense of ensuring boards have the highest-quality people. As one participant put it, *“People are the starting point. You can have all the rules and tools in the world, but it doesn't matter if the people are [not good].”*

But what is the profile of a good non-executive director? Some believe directors need increased industry expertise and experience. Some leading company boards are now rigorously cataloguing the skills and experiences of existing board members so as to better inform their director search activities, with a number emphasizing sector experience gaps more than in the past. However, this has the potential to run contrary to more board independence, which has been a central tenet of new governance requirements in recent years.

Participants differ on the importance of independence among non-executive directors:

- ▶ **Competence should be valued over independence.** Industry experts can still be independent, but the pool of available people with industry expertise is limited by independence requirements. One participant stated, *“I would much rather have a competent director who may not be independent. Independence has never been the Holy Grail. I would much rather look at the structure and effectiveness of the board and committees than focus on whether the company has more than 50% independent directors.”*
- ▶ **Independence is essential.** Another participant countered, *“The key characteristic remains independence. We must not put too much emphasis on expertise.”*

It may come down to what kind of independence is required to be an effective director. A participant clarified, *“To jettison the whole concept of independence is a mistake. By independence, you want people who are independent in mindset. It's not that we don't need independence, it's that independence is not enough.”* Many directors advise against over-reliance on either independence or industry expertise as a deciding factor: these directors say having both specialised and broad management experience and perspectives from across industries is more important.

Several participants also note, more broadly, there is a need to consider the overall balance of board composition - in the end, there is a need for independence and expertise, tailored to the company's specific circumstances.

**Questions for audit committees:** How might changes in required experience of directors impact the audit committee? Would a bias toward industry expertise mean less diversity of thought on the audit committee? How might this impact risk oversight? What are the characteristics of a good audit committee member? Should these be reflected in all board members so that all non-executive directors could serve on the audit committee?

## Directors must commit more time to their duties as directors

One participant stated simply, *“Boards need to be filled with directors who have the time and inclination.”* Some directors have been criticised for not fully understanding the businesses they oversee. A participant observed, *“The main view, of people in the [UK Financial Services Authority] for example, is ‘We don’t buy the idea that organisations are too complex to manage.’ Directors should be able to understand what products they’ve got, services they offer, markets they operate in, etc. We have senior individuals unable to explain strategy, products and markets. It’s a fundamental problem in terms of the ability of directors to do their job. Directors are not showing enough rigour in understanding their own organisations.”*

The concern about directors not spending enough time on their roles extends beyond financial services. In Europe and the United States, investors are focusing more attention on over-boarding, that is, over-commitment on the part of directors. One institutional investor would like to see board candidates go *“beyond the boilerplate, two-line bio,”* in the selection process and be required to answer questions about whether they are prepared to commit the time necessary for effective oversight. A participant recommended that directors *“reduce the number of boards they’re on. The pool is too small; as a result people are on six or eight boards. That’s absolutely crazy. You can’t spend sufficient time, particularly if an organisation is in difficulties.”*

According to participants, some corporate governance and investor groups, but also some directors’ organisations, have recommended something approaching a full-time commitment from non-executive directors. One participant said that for large, complex companies, this could mean several days a month for most directors and as much as two to three days a week for committee chairs and independent chairmen. Whether realistic or not, these estimates show the degree to which some participants believe there has been a significant change in expectations.

Some large-company boards have adapted their approach to director education. Orientation programs have been expanded, with new directors meeting a larger number of executives, including business unit heads. Site visits are becoming more common. Some boards and audit committees are also implementing ongoing educational activities, within and between board and committee meetings. One audit chair noted that his board insists that all new board members join the audit committee, and they are encouraged to accompany the chair on one-on-one meetings with finance and business line executives.

**Questions for audit committees:** How much time should non-executive directors commit to their board and committee roles? Does pressure to make a greater time commitment have any implications for the functioning or composition of the audit committee? Do audit committee members need to commit more time than other non-executive directors? Do audit committee chairs need to commit more time than other audit committee members? How should director pay reflect these differences?

## The non-executive chairman adds special value

A participant commented, *“One positive thing coming out of the crisis [is] that chair[men] know that they’re on the hook. They can’t blame others. It’s a small community, and people know they can’t hide behind collective board decisions – individuals will get asked about their responsibility.”* Another participant observed that this means that *“the role of the chairman in managing the non-executives and the executive board will become a more onerous function.”* Participants generally expect the separation of the role of chairman and chief executive to become more common, either by regulation or by choice, in countries where it is not yet required.

Two participants suggested that the role of the chairman has been under-appreciated and will become increasingly important in the new governance environment. One stated, *“I think we grossly underestimate the role the non-executive chairman has to play. They have to have a close relationship with the CEO, need to understand how the CEO makes decisions, how they think, how they preside over strategy meetings, how to make decisions with the board.”* Another said, *“The role of the chairman is not discussed enough. Channelling non-executive input is the role of the chairman. You can have extremely competent members of the board, but if the chairman is not coordinating that in the right way, it’s no good. It’s not the same skills as the CEO. For the CEO, you want a doer who drives things through, gets things done. The chairman’s skill is to manage the board.”*

**Questions for audit committees:** How is the role of the board chairman evolving? What are the chairman’s key roles in ensuring the board is functioning well? What role, if any, does the chairman have in the operations of the audit committee?



## Directors and boards should subject themselves to rigorous performance evaluations

In the past, enlightened boards adopted evaluation processes voluntarily to improve their functioning. In some rare cases, boards even evaluated individual directors.

More recently, institutional investors have recognised that board evaluations are a valuable tool for ensuring more effective boards and improved director selection. As one investor who participated in this research put it, *“In its simplest form, the board has three roles: (1) to make robust strategic decisions; (2) to manage the risks; and (3) to play its role in the accountability chain. In that context, if you had a board evaluation, if done well, it would help unearth problems, such as a domineering CEO, an inability of board members to express their views and so on.”*

The ICGN emphasised board evaluations in its policy statement to the G20 earlier this year: “Competence and board dynamics must be tested through independent evaluation, and the process for this should be evident to the market.”<sup>4</sup> With an independent evaluation, the process and outputs would be recorded and boards would have to do something about the problems that are identified. To strengthen that further, companies should have to disclose: (1) that they have an evaluation process in place and that they are committed to rectifying any problems it reveals; and (2) the mechanics of the

evaluation. See *“Participants’ views on how directors can improve board performance”*, on page 6.

Participants in this research are generally supportive of the notion of rigorous board evaluations in the context of director nominations, which would make it easier for directors *“to evaluate and replace directors we thought were not up to the job.”* Some participants suggested increasing peer-to-peer evaluations are one way to supply investors with an independent perspective. One participant stated that a director-level evaluation is important because that is *“when non-executive directors can really evaluate the performance of the [non-executive] chairman.”*

Some leading company boards have adopted robust board and director evaluations as a non-confrontational means to facilitate the removal of under-performing directors. A small minority are using outside advisers to facilitate the process, so as to make it as objective and anonymous as possible.

**Questions for audit committees:** What process would be most effective for evaluating the overall performance of the board and that of its directors individually? Who evaluates the effectiveness of the audit committee? Does the external audit firm play a role? Are there elements of the audit committee evaluations that could help guide board evaluations?

“The days of annual reports from the treasurer on treasury and funding policy may take a long time to return.”

### Participants' views on how directors can improve board performance

- ▶ **Challenge management to simplify and explain the business.** A director and retired bank executive said that one of the best directors he had known had little business or finance experience, but was willing to keep pushing management to simplify their explanations until they were understood. This director said, “[The director] was quite prepared to look stupid, but wasn’t prepared to make a stupid decision.” One research participant suggested non-executive directors must increase the level of analysis and scrutiny of company decisions, performance and projections: “Few non-executive directors ask for real discounted cash flow, [internal rate of return] or risk assessments of decisions. They use simple methodologies to decide when something is approved or not.”
- ▶ **Improve oversight of risk management.** Audit committees in particular have spent significant time focusing on risk management in recent years. A participant suggested that there is a sense among the public and among regulators that “directors failed in their risk oversight responsibility ... They should be doing more scenario analysis, identifying the vulnerabilities.” Another noted, “One area companies really have to think about [in terms of] corporate governance is risk oversight. [Should there be] a CRO [chief risk officer] on the board? A risk committee on forward-looking risk instead of focusing on internal controls?” Directors must ensure risk management approaches highlight key business risks, that the board understands those risks and that oversight is spread among the appropriate committees, but the full board remains engaged, as appropriate. One audit chair now insists that the CEO, CFO and general counsel meet quarterly with the audit committee to discuss the current risks facing the company and how these executives are adapting their day-to-day activities in light of these risks. Another insists that business line executives attending committee meetings explicitly discuss the risks facing their business, as well as the opportunities.
- ▶ **Carefully evaluate remuneration schemes.** Misaligned incentives in financial institutions received some of the blame for the financial crisis, and scrutiny of executive remuneration will likely extend to all listed companies. One participant suggested that “there needs to be significant change” in the way the board oversees and structures compensation programmes to ensure they do not encourage unnecessary risk taking. Some leading company boards have changed their committee schedules so that audit committee members can attend - and in some cases, be members of - compensation committees.



# Corporations should provide more resources for directors

If non-executive directors are to spend more time delving into the business, participants say they will require more resources and greater support. One said, *“Non-executive directors have insufficient independent support. They require some form of secretariat to manage, analyse and work through information if they are to be independently minded.”* Several suggested the logical way to provide this support is through the corporate secretary: *“The corporate secretary should play a much bigger, more explicit role in providing resources: office space, employees for research etc., and a budget. The right person should at least have joint reporting to the chairman.”* Several participants noted that British Petroleum now has the company secretary report not to the CEO but to the independent chairman, but few other examples exist, and none provide the level of support participants recommend.<sup>5</sup>

Participants acknowledge that providing a secretariat or building out a staff under the company secretary to serve non-executive directors could be complicated. One commented, *“Clearly, it presents challenges. It needs to be properly managed. Plus, non-executives have to push for it. Management will not request that such a group be set up; it’s not in their interests.”* Yet, if non-executive directors are expected to engage at the level some stakeholders now recommend, a secretariat may be necessary.

**Questions for audit committees:** Should companies provide more analytical or logistical support to non-executive board members? Do any of the key advisors to the audit committee (e.g., internal audit, finance organisation, external auditor, or outside counsel) offer a model for support to the board as a whole?

## Additional external advice

Although independence is a valued trait in non-executive directors, they often lack significant sources of independent information and advice. The United Kingdom’s Combined Code on Corporate Governance states, *“The board should ensure that directors, especially non-executive directors, have access to independent professional advice at the company’s expense where they judge it necessary to discharge their responsibilities as directors.”*

Committees should be provided with sufficient resources to undertake their duties.”<sup>6</sup> While most countries’ corporate governance codes do not state this explicitly, several participants expect a move toward more external advice and information for non-executive directors. *“Substantially, the board’s main source of information is what management is telling them. This has proven not to be very effective,”* stated one participant.

The extent to which external advisers could or should be used is unclear. Standing outside counsel is becoming more commonplace. At least one participant suggested the use of external advisers would need to be done *“in consultation with management”* if non-executives are dissatisfied with the answers they get from management. *“What’s less helpful is behind the backs of executives, [non-executive directors] undertaking their own independent research.”* Other participants expect more use of advisers at the committee level. Said one, *“There has been much more reliance on audit committees, remuneration committees and risk committees ... [but directors] have not realised how important those discussions and recommendations to the board are ... I would see these committees receiving budgets ... to appoint specialist advisers. Some issues are so sophisticated that I don’t think any part-time, independent director can understand them enough to make decisions.”*

Providing external support and advice, like providing support within the corporate structure, presents challenges. A participant warned, *“This comes with significant costs ... There will be big fees to advisers.”* Another participant expressed concerns that only the largest companies would make proper resources available to directors: *“I’m worried that you’ll have four or five top teams with the resources. It’s like the Premier League in the UK: there will be an ever-widening gap between [the largest companies and] ... the broader majority of companies, for example between the FTSE 100 in relation to the FTSE 350.”*

**Questions for audit committees:** In what areas must the board have access to external advice in the normal course of business? What advisers does the audit committee need to have in place, beyond the external auditor?

**“The external auditor may need to become more proactive in providing comparative or benchmark advice to the audit committee.”**

### **More expectations of the external auditor**

Audit chairs recognise that the external auditor remains the main source of external advice on the company’s risks and processes. As one participant in this research put it, *“Often, the ... auditor is the only independent source of information [non-executive directors] get today ... This crisis is telling us the financial statements were right, but unfortunately, companies went bankrupt ... Should the report to shareholders move to more forward-looking statements? The approach would be completely different. Is historical information relevant ... in an environment where things are evolving very rapidly? ... In the future, [the external auditor] might provide ... a much more strategic view ... [The external auditor] needs to communicate on the business in a very simple way, [saying] what management very often may not communicate.”*

The external auditor may need to become more proactive in providing comparative or benchmark advice to the audit committee and to other committees (such as risk or remuneration) or the board, as appropriate. One audit chair stated, *“The compensation consultant proactively tells us what our peers are doing; the auditor should be doing the same.”*

Proactive audit chairs are spending more time with their auditors in between meetings, to build better relations and help identify issues the auditor feels the audit committee should be pressing with management.

### **Current areas in which audit committees are seeking advice**

- ▶ **Funding and liquidity.** This issue is central to audit committee and board discussions. The days of annual reports from the treasurer on treasury and funding policy may take a long time to return, if at all. Committee members want outside input on the credibility of management’s cash flow projections and on potential issues with debt/bank covenants or credit ratings.
- ▶ **Risk management.** Despite emerging conventional wisdom among audit chairs outside the financial sector that enterprise risk management (ERM) as a service offering has failed, there continues to be an intense discussion about how companies can improve the management and oversight of risk. Fraud and corrupt practices are an emerging concern among some audit committees.
- ▶ **Accounting changes.** Audit chairs say that goodwill/asset impairment and fair value will remain hot topics throughout the year. More broadly, the pace of technical accounting changes coming out of the International Accounting Standards Board challenges audit committees to keep abreast of the issues and the impact on the company’s financial statements.
- ▶ **Corporate governance changes.** Audit chairs are starting to address broader corporate governance changes they believe may emerge from the current crisis. These include potential regulatory changes to corporate governance standards, including the addition of new board committees to cover risk.

**Questions for audit committees:** In what areas should the external auditor provide additional insight to the audit committee? Are there specific areas in which the auditor could provide value-added input to other committees (e.g., remuneration or risk) or the full board?



# Directors have an opportunity to engage more with shareholders

The interaction between shareholders and non-executive directors is increasingly a topic of consideration among policymakers. As one participant put it, the emphasis of research in the field of corporate governance is increasingly coming down to the question, “Do you have major investors involved in corporate governance or not?”

Currently, the involvement of investors in corporate governance varies across markets. A director noted that in Sweden, the largest shareholders form the nominating committee with some company representatives to nominate new directors. In the United Kingdom, there are frequent interactions between leading institutional investors and directors, whether it is the non-executive chairman on broad issues or the remuneration committee chair on pay matters. By contrast, in the United States, shareholders have a much more limited ability to influence corporate governance, which has increased the influence of proxy advisers such as RiskMetrics who advise less engaged shareholders on how to vote.

## Shareholder rights and representation

Policymakers have focused some reform proposals on increasing the rights and roles of shareholders. In the United States, proxy access (the right of shareholders to nominate directors) seems set to be implemented in some form. In the United Kingdom, the Financial Services Authority has focused attention on a more active role for investors: “Shareholders must also take responsibility to be active individually and, more importantly, in collaboration with other investors, to engage with senior management and non-executive directors in companies and question the effectiveness of the construct of their boards.”<sup>7</sup>

Several participants in the research noted that shareholder rights are stronger in Europe, so there is less need for reform. One participant commented, however, “Many Europeans point to strong rights for shareholders, in contrast to the US. Yet, even with say on pay, we now see Europeans rushing to regulate pay. The powers clearly failed.” Moreover, one participant questioned whether shareholder rights are that relevant: “Why in the UK, where there is no shortage of shareholder rights, and the US, which has limited shareholder rights, did banks fail most spectacularly? This participant said this suggests either that shareholder rights were unrelated to failures in bank governance, or that shareholder rights would have to work differently in the US to be more effective than they proved to be in the UK.”

Several participants, however, believe that director selection would benefit from more active shareholder involvement. One

suggested that increased proxy access for shareholders in the United States could open up the pool of potential directors. This participant also stated that corporations need direct shareholder representatives among the non-executive director group because these individuals can “dampen the risk appetite.”

Some audit chairs are concerned that shareholder involvement could be detrimental. One expressed concerns about short-term activists gaining too much control, observing, “The goal is long-term shareholder value. That conflicts with a lot of our shareholders. We have to consider risks more than activist shareholders might.” Other directors expressed concerns that it is often difficult in widely held companies to know to whom they should listen because there are so many voices expressing opinions.

## More active dialogue with shareholders

Regardless of one’s view on the effect of more shareholder involvement in director selection, investors are likely to seek deeper engagement with boards, and many corporate governance experts and non-executive directors see opportunities to better engage with long-term shareholders. One participant declared, “There needs to be better dialogue between boards and shareholders, particularly long-term shareholders ... Companies should cultivate a very strong consensus on the long-term strategy and governance of the institution. If this consensus is known in the market, there will be less short-term pressures.” Another participant said that investors have as much responsibility for engagement as corporations and non-executive directors do: “Investors failed along with all the other actors ... The governance of investment institutions themselves don’t [provide] sufficient incentive to really engage boards ... Corporate governance people are often ... not the right discussion partners for the [company] chairman.” Both in Europe and the US, a handful of large companies have been experimenting with formats to enable non-executive board members and large institutional investors to discuss governance and other corporate issues.

**Questions for audit committees:** In what way should investors be more involved in corporate governance? How might non-executive directors better engage with shareholders? How can boards balance the varying needs of investors? Will audit committee chairs find themselves likely to be more engaged in shareholder dialogue than other board directors?

# Conclusion



Virtually every thoughtful analysis of the financial crisis cites macro-economic imbalances and regulatory failures as major culprits, but boards of directors do not escape blame. Politicians and regulators are moving rapidly to make changes to governance codes and put changes into law. The expectations of directors may never have been higher.

Proactive boards are considering their governance approaches and adapting as appropriate. Boards are re-examining their composition and non-executive directors are being pressed to commit more time to board duties and to improve their understanding of the businesses they oversee. At the same time, both directors and investors are asking significant questions about the resources and advice available to directors. Investors are demanding more control over, and interaction with, non-executive board members. Together, these pressures create significant governance challenges for boards and audit committees that could take years to resolve.

## About this document

*InSights* is produced by Tapestry Networks to provide assessments of key issues of interest to audit committee members in Europe. Initially, *InSights* will be distributed to members of the European Audit Committee Leadership Network who, in turn, will share it with colleagues on audit committees and boards, and their advisers. It will be distributed by Ernst & Young to the partners of its member firms. Anyone who receives *InSights* may share it with those in their own network. The ultimate value of *InSights* lies in its power to help all constituencies develop their own informed points of view.

*The views expressed in this document represent those of the participants interviewed. They neither reflect the views nor constitute the advice of participants' companies, Ernst & Young, or Tapestry Networks.*



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# Appendix A: Research participants

Subject-matter experts interviewed for this research include:

- ▶ Philip Armstrong, Head, Global Corporate Governance Forum
- ▶ Roger Barker, Head of Corporate Governance, Institute of Directors
- ▶ Marco Becht, Executive Director, European Corporate Governance Institute, and Professor of Finance and Economics, Université Libre de Bruxelles
- ▶ Eric Buchen, Business Development Assurance Leader, EMEIA, Ernst & Young
- ▶ Shade Duffy, Head of Corporate Governance, AXA Investment Managers
- ▶ Richard Ferlauto, Director of Corporate Governance and Pension Investment, American Federation of State, County and Municipal Employees
- ▶ Paul Frentrop, Head of Corporate Governance, APG Asset Management
- ▶ Peter Montagnon, Director, Investment Affairs, Association of British Insurers; Former Chairman, International Corporate Governance Network
- ▶ Felice Persico, Partner, EMEIA Assurance Chief Operating Officer, Ernst & Young
- ▶ Chris Pierce, Chief Executive Officer, Global Governance Services
- ▶ Damon Silvers, Associate General Counsel, AFL-CIO; Member, Congressional Oversight Panel
- ▶ Ann Simpson, Senior Portfolio Manager for Corporate Governance, CalPERS, and former Executive Director, International Corporate Governance Network
- ▶ Daniel Summerfield, Co-Head, Responsible Investment, Universities Superannuation Scheme
- ▶ Ann Yerger, Executive Director, Council of Institutional Investors

Perspectives were also drawn from numerous discussions with audit committee chairs and other non-executive directors in Europe and the United States.

# Appendix B: End notes

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- <sup>5</sup> BP Annual Report and Accounts 2008, BP Board performance report, page 69. Available at [http://www.bp.com/liveassets/bp\\_internet/annual\\_review/annual\\_review\\_2008/STAGING/local\\_assets/downloads\\_pdfs/BP\\_annual\\_report\\_accounts\\_2008.pdf](http://www.bp.com/liveassets/bp_internet/annual_review/annual_review_2008/STAGING/local_assets/downloads_pdfs/BP_annual_report_accounts_2008.pdf).
- <sup>6</sup> Financial Reporting Council, Combined Code on Corporate Governance (London: Financial Reporting Council, 2008), Section A.5.2, page 11. Available at [http://www.ecgi.org/codes/documents/combined\\_code\\_june2008\\_en.pdf](http://www.ecgi.org/codes/documents/combined_code_june2008_en.pdf).
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EYG No. AU0346

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