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Confédération Européenne des Associations d'Administrateurs
European Confederation of Directors' Associations

14 November 2008,

Report on a round table discussion organised by ecoDa * on executive remuneration:

Structures of remuneration are more important than the amounts per se

Looking at the issue of executive remuneration only in terms of amounts might respond to the public fears for a while but does not solve the entire problem on a long term perspective. Directors, institutional shareholders, issuers and remuneration consultants brought together by ecoDa at a round table discussion on executive remuneration agreed that good structures for remuneration is the key point to address for a good mix between short and long term interests.

Even if transparency is a prerequisite, it leaves directors with uncertainties regarding the construction of the remuneration package; how to make sure that you reward long term performance? How to make sure that the board has a true and fair picture? Would it be possible to ask executives who did not deserve their bonuses to give them back?

As underlined by Lutgart van den Berghe, Chairwoman of ecoDa's policy committee, *"the disclosure of performance criteria might raise serious problems of confidentiality"*. Furthermore, the idea of increasing transparency might run counter to its objectives, *"it invites every company which believes that it performs better than the others to pay above the average"*, as added by Lutgart van den Berghe.

Need to reconsider the duties of shareholders and directors

It is now time to provide the right incentives to make dialogue between shareholders and companies better work.

According to the proxy adviser RiskMetrics, remuneration is a hot topic for the general meetings, *"it was the second of the top 3 items that happened to receive the higher level of dissent during the general meetings of 715 big European companies in 2008"*.

Giving shareholders a "say on pay" is essential. Better information of shareholders before the votes on remuneration schemes is key. Securing and strengthening their rights will enable shareholders to exert their responsibilities. If the shareholders' meetings should set the line of the remuneration policy, its application is part of the board' duties. As expressed by Peter Montagnon, the remunerations committee's members *"should account for what they have decided"*. They have to be accountable for their decisions but their members shall be empowered to stop demands.

The question of remuneration is complex enough to embrace also the need for a code for ethics for remuneration consultants that ensures their independence or the review of severance pay limits already in place in some member states.

As Miles Templeman concluded, *"if the current times have shown the need for a more regulated approach, people should not completely repudiate voluntary initiatives to achieve this goal, providing an adequate monitoring"*.

***Executive pay, getting it back on tracks*", 22 October 2008, Miles Templeman, chairman of ecoDa, director general of IoD, Lutgart Van den Berghe, chairwoman of the policy committee of ecoDa, executive director of Guberna, Jean-Nicolas Caprasse, head of Governance Services, EMEA, RiskMetrics Group, John Carney, managing principal of Towers Perrin's executive pay practice in Europe, Peter Montagnon, director of investment affairs, Association of British Insurers (ABI).

Notes for editors

Our members:

The European Confederation of Directors' Associations (ecoDa) is representing the views of ten national institutes of directors the *Institute of Directors* (IoD), the Belgium *Guberna* (AB), the *Institut Français des Administrateurs* (IFA), the *Institut Luxembourgeois des Administrateurs* (ILA), the *Finnish Association of Professional Board Members* (Hallitusammattilaiset ry), the *Instituto de Consejeros – Administradores* (IC-A), the *Czech Institute of Directors* (CloD), the *Slovenian Association of Supervisory Board Members* (ASBM), the Polish Institute of directors and the *Croatian Association of certified supervisory board members*.

Through its member-base, ecoDa represents individual board members from all kind of companies, small and bigger, public and private.

Our Chairman:

Miles Templeman is the Director General of the British Institute of Directors (IoD). Alongside his IoD role, Miles is non-executive Chairman of Shepherd Neame, the Kentish family brewer; non-executive at restaurant chain YO! Sushi; and a non-executive director of Melrose plc, the buy-out specialist.

Our Board:

ecoDa's Board members are Miles Templeman, Daniel Lebègue (former Chairman of ecoDa and President of the IFA), Pierre Klees (Former Chairman of ecoDa), Patrick Zurstrassen (Chairman of ILA), Juan Alvarez- Vijande (Director of IC-A), Olli Virtanen (Chairman of Hallitusammattilaiset ry) and Irena Prijovic (Secretary General of ASBM).

Our Policy Committee:

Our Policy Committee is chaired by Lutgart Van den Berghe (executive director of Guberna). The other members are: Roger Barker (IoD), Fernando Igartua Arregui (Instituto de Consejeros-Administradores), Borut Bratina (ASBM), Peter Callens (Guberna), Philippe Hoss (ILA), Juhani Mäkinen (Hallitusammattilaiset ry), Marie-Ange Andrieux (IFA), Hana Horak (HUCNO), Philippe Declaire (observer - Guberna/IFA), and Béatrice Richez-Baum (SG ecoDa)

Our sponsor:

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Our website:

<http://www.ecoda.org>

And for more details, our contact point:

Béatrice Richez-Baum, Secretary General, ecoDa
Tel: +32 2 231 58 11
Fax: +32 2 231 58 31
Email: beatrice.richez-baum@ecoda.org or contact@ecoda.org