

**The Danish C25 companies and
how they comply with good
corporate governance of board
evaluations.**

Topline conclusions

Date:
April 2020

Introduction

To be among the companies with top class boards of directors, Danish companies should be evaluating their boards **annually** and with a **high quality process**. They should use Recommendation 3.5.1 of the December 2017 guidelines from the Committee on Corporate Governance (CCG) as inspiration, until updated guidelines are released at end of 2020. These latest guidelines strongly recommend the following:

- That the board of directors establish an evaluation procedure for an annual evaluation of
 - the board of directors
 - the individual members' contribution and results
 - the cooperation with the executive board
- Among other factors, the evaluation should include an assessment of
 - the Chairman's leadership
 - the composition of the board of directors (including competencies, diversity and number of members)
 - the work in the committees and the committee structure
 - the organization and quality of the material submitted to the board of directors
- External assistance should be obtained at least every three years
- The evaluation procedure and the general conclusions should be described in the management commentary and on the company's website
- The Chairman should be accountable for the evaluation of the board of directors, including the process and general conclusions at general meetings before the election of the board of directors.

Based on the above, Leadership Advisor Group has analyzed in depth **how well the Danish C25 companies meet these recommendations**. We have used systematic desk research, reading the C25 companies' management commentary and researching their websites, then commenting on each of the companies' written descriptions. As our assessment is based purely on what the companies have described in writing, we have not included the last criterion (whether the Chairman is accountable).

Our analysis includes the **extent to which the C25 companies comply** with the current recommendation, and **the standard (quality)** with which these evaluations have been carried out. It is our intention that this document will not only shed light on the challenges associated with these recommendations, but also **inspire boards that would like to comply with the recommendations**. The use of these recommendations would increase the overall effectiveness of the board, which would benefit the company, the stakeholders, and the community.

Conclusion

Overall

Very few of the C25 companies comply with the recommendations of the CCG in relation to evaluating the performance of the board of directors, as per Recommendation 3.5.1 dated December 2017.

Although the recommendations on corporate governance are less specific on qualitative measures, we have assessed against general best-practice and can conclude that **few of the C25 companies' board evaluations are described in a way that indicates the evaluations are of a high standard.**

While some companies have complied with the recommendations, they have **not necessarily conducted high-quality board evaluations.** And while others appear to have carried out best-practice board evaluations, they have **not necessarily reported correctly** and are therefore not in compliance with the recommendations.

In detail

In terms of compliance, **only about 20% of the C25 companies' available information complies with the CCG's recommendation on board evaluations (Recommendation 3.5.1).** Five companies fulfill all the requirements of the recommendation in terms of **describing the procedure and conclusions of the board evaluations in the management commentaries (annual reports) and including this information on the companies' respective websites.** About 25% of the C25 companies partially comply, and more than half of the C25 companies are non-compliant with the requirements of the recommendation.

Interestingly, it appears that **most companies comply with the requirement to report the procedure and conclusions** of the board evaluation in the management commentary. **However,** while most companies produce information on their board evaluation in the management commentary, **many of them fail to report the procedure satisfactorily,** with some companies **failing to include any details on the general conclusion.** Notably, **few companies describe their procedure and general conclusions on their company website** (33% and 25%, respectively).

In reference to the **quality** of the board evaluations, **only two** (that is approximately 8%) **of the C25 companies appear to conduct high-quality board evaluations.** These two companies have implemented a robust procedure, used external assistance in 2019, and made explicit assertions on the strengths of the board as well as areas for development. **Three** of the C25 companies conducted board evaluations **of moderate quality,** whilst **eight** of them performed evaluations that **can be improved on.** Despite the deficiencies, around 21% still communicated a robust procedure, and approximately 29% revealed clear conclusions in terms of disclosing strengths and areas for development.

When comparing compliance and quality of the board evaluations, it appears that **none of the five compliant companies demonstrate board evaluations that are of a high-quality**. Instead, the quality is either moderate or can be significantly improved upon. Interestingly, most of the board evaluations of the partially compliant C25 companies can be improved on in terms of quality, whereas the non-compliant companies are predominantly associated with low-quality board evaluations. The latter suggests that when a company does not comply with Recommendation 3.5.1, the quality of the board evaluation can be improved on or appears to be of low quality.

=====

For further information, including full statistics and a company-by-company detailed analysis, please contact

Nina Naerby at +45-24 88 87 35

nina@leadershipadvisorgroup.com or reception@leadershipadvisorgroup.com website <http://leadershipadvisorgroup.com/>

The Leadership Advisor Group delivers bespoke leadership services for board and senior executives. The breadth of our associates enables us to service clients globally. Our core services are

- Board evaluation and board recruitment
- CEO-succession
- Leadership assessment
- Senior team effectiveness
- On-boarding
- Organizational structure and design

We also provide tailor-made advisory and executive search services, typically as an integrated part of our core service