Amrop
Board Series

Raising the Bar For the Nominations Committee

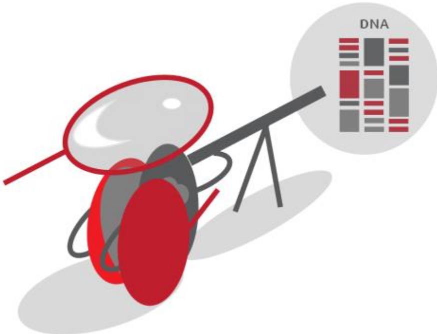
A Hub for Strategic Human Capital Management

By
Dina MEDLAND

Amrop
Leaders For What's Next

Raising the Bar For the Nominations Committee

A Hub for Strategic Human Capital Management



Executive Summary

Multiple Forces in Play

Boardrooms all over the globe are facing a changing emphasis on the role of their internal committees. Whereas 'Audit' and 'Remuneration' have traditionally claimed company focus as well as outside attention, it is the purpose and role of the 'Nominations' Committee that is now under heightened external and internal scrutiny.

Both regulatory and shareholder pressure on any Nominations Committee may well depend upon its company's listed status or on its geographical location. This may influence the need for independent directorships for example, or an emphasis on gender diversity. But other pressures are dictated beyond geographical boundaries. They include the 'growing pains' of business linked to growth and globalization, for example. And no business today is exempt from shifts in technologies and markets increasingly identified as 'game changing.'

Amid such a backdrop, the 'refreshing' of the board and senior management is increasingly seen as essential. Its purpose: to guard against any risk of the business becoming stale in its approach, or prone to 'groupthink' from those who have been familiar with one another for too long.

Whatever the context, the outcome is undeniable. Businesses must constantly address the process that dictates by whom they are governed if they are not only to survive, but also to flourish. Resentment in any boardroom of outside pressure on appointments – on the need for gender diversity for example – can merely exacerbate internal issues for any listed business. For publicly listed businesses worldwide are facing rising demands from stakeholders in a key area: succession planning.

What's Next : Is the UK Leading the Way?

The UK's Corporate Governance Code leads the way for much of the thinking on international corporate governance. In recent guidance around the Code the independent watchdog the Financial Reporting Council (FRC) also stresses the importance of succession planning. The need to pay attention to the broader themes of board evaluation, investor engagement, talent management and diversity has also been addressed publicly in recent months by the UK government's Department of Business, Innovation and Skills (BIS). It has echoed the call from David Styles, Director of Corporate Governance at the FRC on the need for companies to have a "clear and consistent policy" for appointments – not only to the board, but also with regard to senior management positions.

Mind The Gap: Between Vision and Action

Institutional investors in the UK may have become much more vocal regarding succession planning and greater attempts at engagement with boardrooms. But it is too soon to measure the extent to which businesses are listening. The reality of day-to-day listed business announcements, from Marks & Spencer to Tesco, reveals unexpected high-profile departures and a last-minute recruitment response.There is less evidence of long-term contingency planning.

Governance Across Borders

Concerns around issues of succession are increasingly on the agenda of businesses around the globe - from South America, to South Africa. In South Africa, where corporate governance is modelled on the original King report on corporate governance, the country is now on King III. It requires shorter tenure of board directors with a view to maintaining their independence – clearly one for all businesses and their Nominations Committees to consider.

In the United States, a recent investigation by professional services firm PwC into investor attitudes signalled dissatisfaction in a series of tasks related to Nominations Committees. Not only was improvement deemed necessary in succession planning and talent management, but also in executive performance metrics and compensation.

Another PwC report looked at director and investor attitudes on board governance. It found that although there was unity around putting succession planning at the top of the agenda (alongside strategic planning and risk management), there were differences in viewpoints at a deeper level.

For example, 94% of investors surveyed by PwC saw obstacles to replacing underperforming directors, but only 53% of directors agreed. So there is also considerable room for improvement in communication and engagement between boardrooms and institutional investors..

Growing Pains

Burberry plc in the UK stands out as an example of a FTSE 100 business with a seemingly wide-ranging, consultative and proactive Nominations Committee. But there are far younger organizations which have undergone rapid growth and globalization that have been struggling, from Yahoo and American Apparel, to Tesla.

Having founder-CEOs in a business can be particularly problematic. Noam Wasserman, author of *The Founder's Dilemma*, revealed that four out of five entrepreneurs are forced to step down from the CEO post. It is a revelation that will not have been lost on many Nominations Committees - and their recruiting agents.

Meanwhile,'*Welcome to the Flight Deck'* a global C-suite study conducted recently by Amrop and IMD confirmed the preoccupation of growing and globalizing mid-caps with succession planning. Some were encountering the issue for the first time. Others confirmed the need for succession planning to extend beyond the CEO. Real challenges in Board succession also emerged.

Echoing Wasserman's research, the Amrop/IMD study found lingering historic power issues related to ownership, and in one or two cases the need for a younger board was a sensitive topic.

Board succession is also a complex issue for mid-caps. Deciding between family or non-family members, internal or external talent, can present dilemmas. Internal talent - often the obvious choice for succession - may run out of steam within the organization, which may then lack the

Amrop

capacity or vision to take it into uncharted territory. The unpredictability of the fast-changing mid-cap environment can also lead to defections of the best-equipped high potential talent.

But mid-caps are finding ways to compensate for pitfalls in Board recruitment that is internally focused. Independent board members are playing a vital role in challenging home grown assumptions, and in widening perspectives beyond traditional horizons.

Missing Links

As Nominations Committees move center stage and succession planning faces calls to become more robust, strategic and wide-ranging, how can businesses move forward? Constant changes in regulation, technology and markets, (especially in phases of rapid growth and globalization) mean it is not always obvious where and when to begin the search for talent. Succession planning is complicated by the need to keep Boards lean.

Given these challenges, one critical area of expertise is clearly needed – strategic human capital development. Businesses of all sizes can only gain from increased rigour and transparency in their processes, a more open dialogue regarding their human capital management, and integrated and forward-looking thinking. Yet such expertise is clearly missing from many a boardroom table.

A Clear and Present Opportunity

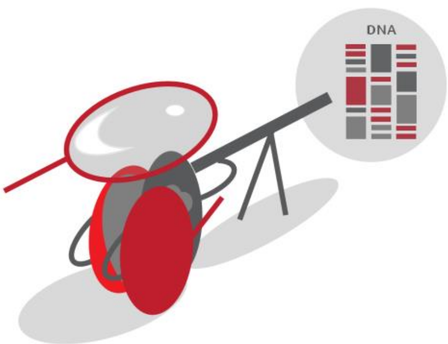
We argue that corporations should design and deploy their Nominations Committees as strategic, human capital think-tanks, rather than as seeing them as mere guardians of compensation and CEO nomination.

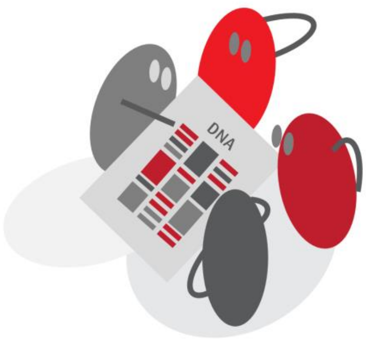
Nominations Committees hold the potential to be a highly-effective interface between needs assessment, and action – resulting in the appointment necessary to achieve a goal. This interface needs to take into account several perspectives, from the demands of investors, to the human capital function at its highest strategic level, within the framework of a changing governance code. In turn, the human capital function should be wired into two critical dimensions – the organization's talent circuit board and also, its corporate strategy.

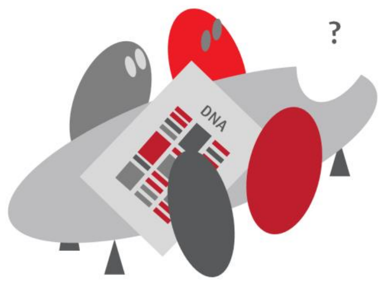
As yet any such interface remains fragmented. Furthermore, it is not enough for a Nominations Committee to simply be *connected* to the Human Capital Function - one or more of Committee members needs to have *first hand experience* in the area.

Even then, installing and composing the interface is only the beginning of the story. Human capital and related experts must learn how to deliver compelling counsel to board members who may not be used to receiving it. This means that onboarding and coaching for new Board members is critical.

Contents

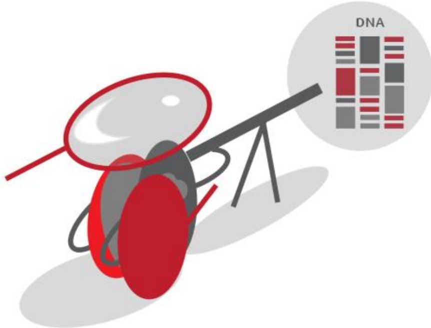






Raising the Bar For the Nominations Committee

A Hub for Strategic Human Capital Management



Boardrooms all over the globe are facing a changing emphasis in the role of their internal committees. Whereas 'Audit' and 'Remuneration' have traditionally claimed company focus as well as outside attention, it is the purpose and role of the 'Nominations' Committee that is now under heightened scrutiny.

Stakeholder pressure on boardroom Nominations Committees can depend upon the listed status or the geographical location of a business. Such pressure may include an emphasis on gender diversity, for example, or the need for independent directorships. But other pressures are borderless. They include growing pains linked to growth and globalization and shifts in technologies and markets which are 'game changing.'

In general, a progressive "refreshing" of the board and senior management is widely being seen as essential to guard against any risk of the business becoming stale in its approach, or prone to 'groupthink' from those who have been familiar with one another for too long.

Does the UK Lead the Way?

Businesses must address the way they are governed if they are not only to survive, but to flourish. Sometimes this is easiest to observe when a company significantly changes direction. Burberry plc, the FTSE 100 global luxury goods group, which has successfully embraced mobile commerce as well as social media, is a good example. In a "Dear Shareholder" note as part of its online investor relations communications, Burberry spells out its view of the role of the nominations committee. It says it is to:

- "review the balance and composition of the Board and its Committees, ensuring that they remain appropriate;
- be responsible for overseeing the Board's succession planning requirements including the identification and assessment of potential Board candidates and making recommendations to the Board for its approval; and
- keep under review the leadership needs of, and succession planning for, the Group in relation to both its executive directors and other senior executives."

This also "includes the consideration of recommendations made by the *Chief Creative and Chief Executive Officer* for changes to the executive membership of the Board." At Burberry, management's expectations of its Nominations Committee seem to be wide-ranging, consultative and proactive. However, businesses and Nomination Committees in general may resent outside pressure on the way in which they make appointments - particularly when it comes to gender diversity. Yet that pressure is likely only to intensify, and not be restricted only to gender diversity.

Although institutional investors have recently become much more vocal in the UK, both on the importance of succession planning and greater engagement between boardrooms and investors, the reality of day-to-day listed business announcements reveals unexpected high-profile departures - and hectic recruitment operations.

Internationally, businesses are facing rising demands from regulators and institutional investors in another critical area - succession planning. The UK Corporate Governance Code, which leads the way for much of the thinking in international corporate governance, stresses the importance of succession planning. "The board should satisfy itself that plans are in place for orderly succession for appointments to the board and to senior management, so as to maintain an appropriate balance of skills and experience within the company and on the board *and to ensure progressive refreshing of the board.*" (italics added).

Since late 2014, the UK government's Department of Business, Innovation and Skills (BIS) has been working on a research project on board succession planning. It includes the broader themes of board evaluation, investor engagement, strategic planning for future board appointments, talent management and diversity.

BIS is working with the UK watchdog, the Financial Reporting Council (FRC), which oversees the UK Corporate Governance and Stewardship Codes. "The FRC's stated aim for the project is to identify and spread good practice in succession planning and on the effectiveness of board nomination committees. We expect that this will include consideration, as part of the investor engagement theme, of how companies can effectively consult shareholders on board appointments" said BIS.

David Styles, the FRC's Director of Corporate Governance, has made it clear that the idea is for companies to have a "clear and consistent policy" in place for appointments not only to the board, but also for senior management. "Board succession planning and the quality of management are very important, and it is not just at chief executive level but throughout companies," he said recently.

Mind The Gap: Between Vision and Action

Although institutional investors have recently become much more vocal in the UK, both on the importance of succession planning and on the need for greater engagement between boardrooms and investors, it is too soon to measure the extent to which businesses are listening.

The reality of day-to-day listed business announcements reveals unexpected high-profile departures - and hectic recruitment operations. There is less evidence that businesses have put into place any form of long-term contingency plan. Not long ago, Marks & Spencer was criticized for the time it took to replace Executive Chairman Stuart Rose, and Lloyds Banking Group were forced to ask their Finance Director to step in when its CEO took sick leave, despite having already given notice of his own departure.

Retailer Tesco – facing multiple investigations on the way it conducted business – has also faced public criticism in the media for having had no Finance Director in place between the departure of Laurie McIlwee in April and Alan Stewart's taking up the role in September 2014.

Governance Across Borders

While geographical location may have its own bearing on any company's perception of its level of risk, it does not make the reality of that risk any less acute.

Brazil – family matters and the ascent of the HR Counselor

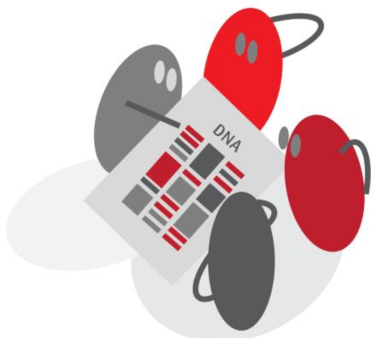
Professor Luiz Cabrera is a Founding Partner of Amrop in Brazil and former Chairman of the Brazil National Committee of AESC (Association of Executive Search Consultants). He explains: "particularly in Latin America, dynastic organizations face succession planning challenges when it comes to a CEO or Board Chairman position because of the great dilemma surrounding the replacement of a family member by a professional, executive non-family member. This typically occurs when family members do not have the skills - or the desire - to occupy those positions.

"In Brazil, **90%** of listed companies have no nominating committee. Of these, **70%** instead have a Human Resources or Remuneration Committee.

"It is important to note that 448 companies are listed on the Brazil Stock Market. Of those, only 12 can really be described as corporations. Some 128 companies are owned by Brazil's Government (Federal and States). Another 308 have a defined shareholder control: by one family, two or three families, or by a family and the Brazilian National Social Development Bank (BNDES). Taking this specific context into consideration, these companies (some of which are 80 or 90 years old) are facing an enormous succession planning challenge.

There is a major trend of hiring a specialist as a counsellor of the HR Committee, which works to influence the Board."

"Another point: 90% of listed companies have no clearly defined Nominations Committees as such. We observe that discussions on CEO succession and assessment, Chairman succession, or indeed, the replacement process of any Board member, are increasingly being developed by the Human Resources Committee. Some are doing a good job. An HR Committee is normally composed of three board members plus the Chairman of the Board. The CEO and the HR Director are always invited guests. There is now a major trend of hiring a specialist as a counselor of the Committee, which works to influence the Board.



"This said, only 56% of the listed companies have Independent Board Members. At least one, sometimes two, are members of the HR Committee. Whilst independent Board Members are increasingly being invited into the Boardroom, we see two main profiles – firstly to support the globalization process, and secondly, (as an experienced, retired CEO), to support best Management practice."

"Board tenure in South Africa reduced from some 15 years in 2005 to 5 years now. Developing new non-executive directors is a critical issue for Nominations Committees, with governance implications."

South Africa – as board tenure drops, engagement and forward planning must rise

In South Africa, corporate governance codes demand shorter tenure of board directors in order to refresh the board and encourage independence. "Board tenure has been reduced from some 15 years in 2005 to 5 years now. Developing new non-executive directors is a critical issue for Nominations Committees, with governance implications," says Sandra Burmeister, Managing Partner of Amrop Landelahni, South Africa. Ms Burmeister confirms that the need for proactivity in succession planning is also an issue in South Africa: "Too often board appointments are made at the last moment. Instead the chairman and Nominations Committee should consider the shape and form of a winning board that can set the company's strategy for future success.

"Boards need to appoint directors who are engaged enough with the business to add value, and independent enough to make decisions in the company's best long-term interests. There needs to be sufficient independent thought and diversity to challenge the status quo. Directors need a balance of experience, skills and personal qualities. Serving on the board demands a sound understanding of commercial and financial risk, human resources expertise and a broad social agenda. We must go further than looking at skills. We need board members who are engaged, can ask the right questions, challenge decisions and participate in robust debate. Independence and diversity also guard against 'groupthink' and brings objective judgement and a challenging mind-set to assessing risk."

Significant progress is being made, however. South Africa's transformation agenda has broadened the director base and increased diversity, and the country compares favorably in terms of number of women on boards. Women hold 17.1% of board seats, compared with the UK at 20.7% and the US at 16.9%.

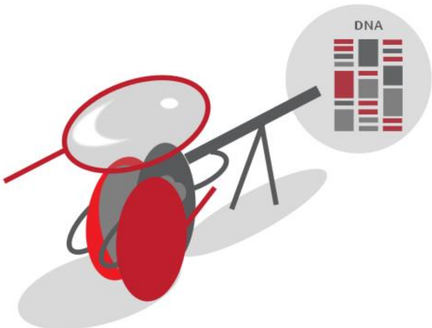
"Appointing a diverse range of directors enables the board to advance as a forward-looking unit, concerned with developing strategy, rather than devoting its time to analyzing past performance," says Ms Burmeister. "Boards hold an oversight role and a strategic one. It should be in their DNA to question, debate and consider alternatives, and nowhere is this more important than in the working of the Nominations Committee. That is the only way to avoid blind spots in board thinking. Only by considering different perspectives and being able to evaluate risks in a shifting business environment, can boards plan an effective succession strategy to ensure long-term sustainability and profitability."

In summary, while South Africa has well-established corporate governance guidelines, there is now a greater awareness everywhere on an acute need for businesses to think longer-term, with clear implications for their Nominations Committees.

The role of the Nominations Committee is only going to become more visible as it comes under further scrutiny around the globe.

US – investors are raising questions on Nominations

In the US, a recent investigation by PwC[1] into investor attitudes signalled clear room for improvement in a series of tasks related to Nominations Committees. In response to the question: 'How are Boards doing?' these areas scored the highest levels of dissatisfaction of all the areas surveyed. Top of the list was the assessment of director performance, with over 60% of investors expressing concern.



A significant minority also had doubts about the assessment of *wider* management performance. This suggests that Nominations Committees must broaden their focus beyond the CEO. Here again, as in the UK, South Africa and Brazil, succession planning emerged as important – it was an area of attention for 35% of US investors.

When it came to investors' views on what board priorities should be in the coming yea, Nominations Committees clearly need to raise their game. Executive performance metrics, compensation,succession planning and wider talent management should be at the top of the agenda.

If these are the views of US *institutional investors*, how do their views compare with those of *corporate directors*? A further PwC report[2] found unity regarding the need for succession planning to be top of the agenda (alongside strategic planning and risk management). But drilling deeper, it noted significant differences between the perceptions of investors and directors, highlighting a need for better communications about board composition. For example, whilst 94% of *investors* said there were obstacles to replacing underperforming directors, only 53% of *directors* agreed.

On challenges related to board diversity, 85% of *investors* saw impediments to increasing gender diversity, compared to just 14% of *directors*. *Investors* identified the main impediment to diversity as the reluctance of directors to change their board composition in order to create a position for a diverse candidate. *Directors*, on the other hand, put it down to a lack of awareness of qualified candidates.

These findings make it clear that the role of the Nominations Committee is only going to become more visible as it comes under further scrutiny around the globe.

---

[1] Investor perspectives: How investors are shaping boards today...and into the future, 2014
[2] What Matters in the Boardroom 2014: Director and Investor Views on Trends Shaping Governance and the Board of the Future

Noam Wasserman, author of The Founder's Dilemma, revealed in 2008 that four out of five entrepreneurs are "forced to step down from the CEO's post...well before they want to abdicate."

For Wasserman, groupthink is a further difficulty related to the Founder's presence at the helm: "The founder hires people to build the business... and develops close relationships with those first employees."

Changing Times Put Succession Top of the Agenda

If Burberry is an example of a high-functioning Nominations Committee, it has the benefit of being a long-established business experiencing many changes. What of younger organizations which have experienced rapid growth and globalization?

Growing Pains

In a case of faulty succession planning, Yahoo hit the headlines after the resignation of CEO Scott Thompson was demanded by Daniel Loeb, an activist shareholder who signalled a fatal discrepancy in Thompson's CV. It had been missed all the way up to his appointment as CEO.

Before he was suspended in 2014, Dov Charney, CEO and founder of the Canadian multinational American Apparel had been running the business without a Chief Financial Officer until he was asked to fill the gap in 2007. Even then, other key C-suite seats remained vacant. But by the time of Mr Charney's forced exit, some lessons appeared to have been learned. American Apparel took only six months to find his replacement.

If succession planning in Brazilian family businesses can be dilemma-ridden, the problem is not limited to Latin America. For companies like American Apparel, whose founder still has a board seat, succession planning can be particularly delicate. Writing in the Harvard Business Review in 2008, Noam Wasserman, author of The Founder's Dilemma, revealed that four out of five entrepreneurs are "forced to step down from the CEO's post… well before they want to abdicate." This can be problematic when employees loyal to the founder are against the change. Wasserman revealed a further difficulty related to the founder's presence at the helm of the enterprise – 'groupthink.' "The founder hires people to build the business according to that vision and develops close relationships with those first employees," he wrote.

Auto manufacturer Tesla is another relatively young business that has experienced rapid expansion since its creation in 2003. Elon Musk, its CEO and co-founder, was cited by Tuck Professor Sydney Finkelstein as one of the five best CEO's of 2014. Yet only a month after Finkelstein's report appeared, not only did the Financial Times (Lex) report a plunge in Tesla's enterprise value by a third in four months, but other sources suggested that the company had no

CEO succession plan and had been seeking a Chief Operating Officer for several years. It is interesting to note that of the three members of the Nominating and Governance Committee of Tesla, two are also members of the company's Audit Committee. Could this be a case of over-stretching, in terms of time availability, and even know-how?

'Welcome to the Flight Deck' a global C-suite study conducted recently by Amrop and IMD, confirmed the preoccupation of growing and globalizing mid-caps, in particular, with succession planning. Some were encountering the issue for the first time. An HR Global Head in Northern America noted that the board has "played a deeper role – this focus on senior executive talent and key succession initiatives has been closely linked to the company's growth and globalization. This specifically led to the attraction and appointment of a new President and potential CEO successor."

As this example suggests, and as we have seen, succession planning must extend beyond the scope of the chief executive. A CEO in South America confirmed that: "our main focus is on forming successors… we must have a succession plan *for all*."

Some growing and globalizing mid-caps signalled real challenges in board succession. Echoing Mr Wasserman's research, the Amrop/IMD study found lingering historic power issues related to ownership and in one or two cases the need for a "younger board" was clearly a sensitive topic.

It is also a complex topic. Not only in Brazil but globally, the study further confirmed the presence of dilemmas in deciding between family or non-family members.

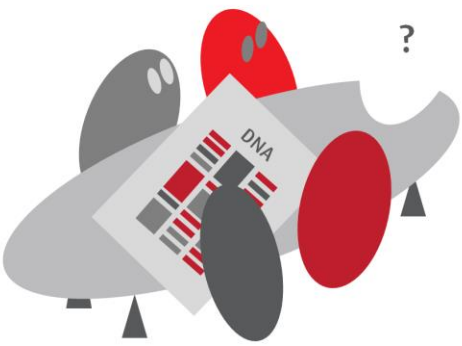
In general, (not only for family businesses) dilemmas between internal or external talent were a further issue. Internal talent - often the obvious choice for succession - may run out of steam within the organization, or lack the capacity or vision to take it into uncharted territory. Furthermore, the unpredictability of a fast-changing mid-cap environment may cause defections of those high potentials best equipped to take the organization to its next phase.

A recent global C-suite study conducted by Amrop and IMD confirmed the preoccupation of growing and globalizing mid-caps, in particular, with succession planning. Some were encountering the issue for the first time.

"Our main focus is on forming successors... we must have a succession plan for all," said one CEO in South America.

“The time is now right for corporations to use their Nominations Committees as strategic, human capital think-tanks which set the agenda for the next steps for the business.

Gone are the days when Nominations Committees were considered as merely the guardians of compensation and CEO nomination. Instead, they can be the critical interface between needs assessment, and action – the appointment necessary to achieve that goal.”



But mid-caps continue to find ways to compensate for pitfalls in internally-focused Board recruitment. Independent board members, for example – as suggested by Sandra Burmeister – can often play a vital role in challenging home grown assumptions and widen perspectives beyond the traditional horizons.

Missing Links – and a Clear and Present Opportunity

As Nominations Committees move center stage in boardrooms and succession planning faces increasing calls to become more robust, strategic and wide-ranging, what is the best way forward?

In the face of constant changes in regulation, technology and markets, and especially when firms are in phases of rapid growth and globalization, it is not always obvious where and when to begin the search for the talent required.

The importance and complexity of succession planning is complicated by the further need to keep Boards lean. A critical area of expertise is clearly needed – that of *strategic human capital development*. It is clear that businesses of all sizes can only gain from increased rigour and transparency in their processes, a more open dialogue regarding their human capital management, and integrated and forward-looking thinking.

Yet this expertise seems largely to be missing from the equation.

“Human capital is ultimately the main source of energy for any business,” says Federico Cuneo, Amrop Executive Board Member and Managing Partner of Amrop in Peru. “There is an acute need for boardrooms to demonstrate that they understand the importance of replenishing all their talent. While the Remuneration Committee has always been seen as critical in that it is responsible for deciding compensation, the role of the Nominations Committee must also not be underestimated. It begins the entire appointment process, and needs to see the cycle through all the way to succession planning.”

“We believe that the time is now absolutely right for corporations and their boardrooms to use their Nominations Committees as strategic, human capital think-tanks.” says Fredy Hausammann, Amrop Executive Board Member and Managing Partner of Amrop Switzerland. “Gone are the days when Nominations Committees were considered as merely the guardians of compensation and

CEO nomination. Instead, they can be the critical interface between needs assessment, and action – the appointment necessary to achieve that goal," he adds.

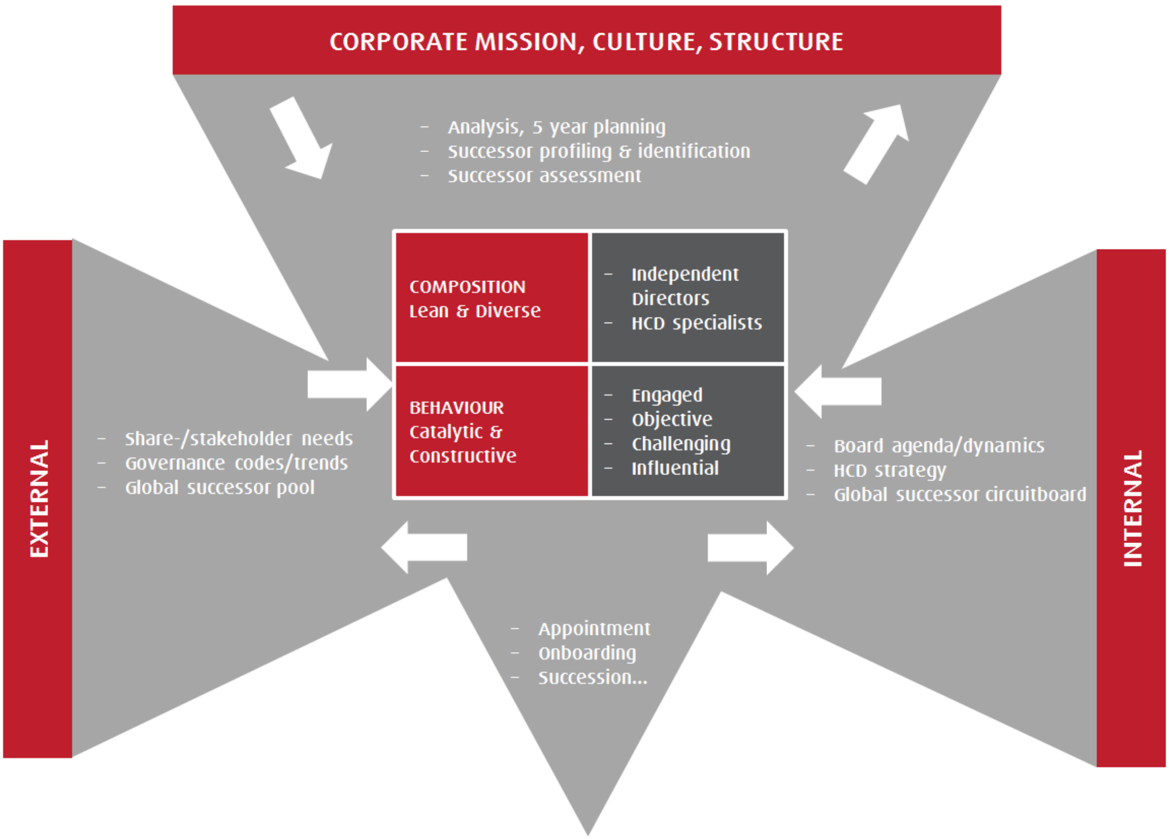
"Such an interface needs to take several perspectives into account – all within the framework of changing governance codes. Firstly, and as we see from the PwC research, the demands of investors. Secondly, the human capital function at its highest strategic level. This in turn should be wired into two critical dimensions: the talent circuit board of the organization, and corporate strategy. Our interactions with Boards worldwide clearly show us the extent to which this interface is currently fragmented – and the opportunities that lie in store."

"What is also clear is that the Nominations Committee should not simply be *connected* to the Human Capital Function. It's more a matter of composition - one or more Nominations Committee members needs *first hand experience* in the area" says Mr Hausammann.

"Installing the interface is only the beginning of the story" concludes Preety Kumar, Managing Partner of Amrop India. "It is not enough to get the right people on the bus. They must learn to deliver their counsel in an environment that has been typically unused to be on its receiving end. Onboarding is critical – not just regarding board agendas, but board dynamics."

The Nominations Committee

A Hub for Strategic Human Capital Development (HCD)

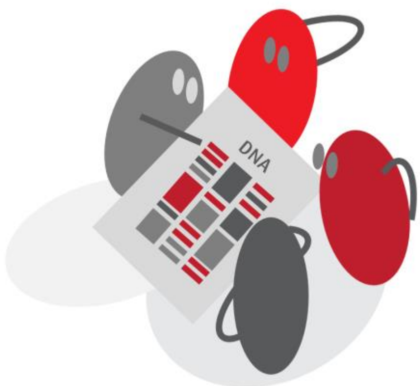


Sources and Further Reading

Investor perspectives: How investors are shaping boards today… and into the future, PWC, 2014
What matters in the boardroom? Director and investor views on trends shaping governance and the board of the future, PWC, 2014
The Founder's Dilemma, Noam Wasserman, Harvard Business Review, February 2008
Welcome to the Flight Deck, the Human Dimension of Globalizing Mid-Caps, As Seen By Their Leaders, Amrop/IMD, 2014

Authors

Dina Medland, Fredy Hausammann and Steffi Gande



Appendix

Nominations Committees Around the World – Uneven Ground. But For How Long?

A tour of codes and regulations governing Nominations Committees reveals unevenness not only between geographic regions but within them: for example, in Europe. However, there are signs of change. In May 1999 and revised in 2004, the OECD released its Principles of Corporate Governance –currently under review. It states that these "are evolutionary… and should be reviewed in light of significant changes in circumstances." It also recognizes that: "To remain competitive in a changing world, corporations must innovate and adapt their corporate governance practices so that they can meet new demands"

India

The Companies Act 2013 states that the "Board of Directors of every listed company and such other class or classes of companies shall constitute the Nomination and Remuneration Committee consisting of three or more non-executive directors, out of which not less than one-half shall be independent directors. Provided that the chairperson of the company may be appointed as a member of the Nomination and Remuneration Committee but shall not chair it. The Nomination and Remuneration Committee shall (our numbering):

1 Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down
2 Recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.
3 Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees."

http://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf

Brazil

According to Latinlawyer.com, "there is no legal requirement for the existence of a Nomination Committee. However, the guidelines of the IBGC (Brazilian Institute for Corporate Governance) recommend the adoption of such a committee, with independent members.

This is auxiliary to the board of directors. Many major corporations in Brazil such as financial institutions have Nomination Committees. Corporations Law provides for certain requirements for persons to be eligible for nomination as officers, directors or members of the Fiscal Council.

These include not being convicted of crimes related to bankruptcy, bribery or violation of capital market rules."

http://latinlawyer.com/reference/topics/69/jurisdictions/6/brazil/

Peru

According to Good Corporate Governance (GCG) Principles, the Board of Directors is in charge of conforming special committees, including the Nomination and Compensations Committee (NCC). The NCC should be preferably conformed by Independent Directors. Under the Code, this NCC together with the Audit Committee, are the minimum requirements for GCG. In this regard, the Board of Directors approves the bylaws and operating rules of the NCC.

The NCC is a support mechanism for the Board, and its functions are (our numbering):

1 To approve the compensation and incentives system of the C-suite.
2 To nominate candidates to be proposed to the General Shareholders Meeting.

Additionally to these functions, some companies have added (our numbering):

1 The function of a Supervisory of GCG Committee.
2 Evaluate Good Corporate Governance practices within the company.
3 Others as Board of Directors deems necessary and appropriate.

http://www.smv.gob.pe/Uploads/CodBGC2013%20_2_.pdf

South Africa

In its 2011 report: *The board of directors and committees – a comparison between the new Companies Act and King III*, PWC highlights that King III (the third King Report on Governance for South Africa, 2009) specifically recommends that the board appoint a nomination committee to assist with appointments to the board and of audit committee members. While the Act does not require the appointment of a nomination committee, it permits the board to appoint such a committee, except to the extent that the MOI (the company's Memorandum of Incorporation) provides otherwise. The general provisions regarding membership of board committees also apply to nomination committees.

http://www.pwc.co.za/en/assets/pdf/companies-act-series-3.pdf

USA

In its Commentary to its rules for Listed Companies, the NYSA states that a Nominating/Corporate Governance committee is central to effective board functioning. "New director and board committee nominations are among a board's most important functions. Placing this responsibility in the hands of an independent Nominating/Corporate Governance committee can enhance the independence and quality of nominees. The committee is also responsible for taking a leadership role in shaping the corporate governance of a corporation. As such, listed companies must have a Nominating/Corporate Governance committee composed entirely of independent directors. This must have a written charter that addresses the committee's purpose and responsibilities. These, at minimum, are (our numbering):

1 Identify individuals qualified to become board members, consistent with criteria approved by the board, and to select, or to recommend that the board select, the director nominees for the next annual meeting of shareholders
2 Develop and recommend to the board a set of corporate governance guidelines applicable to the corporation; and oversee the evaluation of the board and management; and an annual performance evaluation of the committee.

The Nominating/Corporate governance committee charter should also address (our numbering):

1 Committee member qualifications, appointment and removal
2 Committee structure and operations (including authority to delegate to subcommittees)
3 Committee reporting to the board.

In addition, the charter should give the Nominating/Corporate governance committee sole authority to retain and terminate any search firm to be used to identify director candidates, including sole authority to approve the search firm's fees and other retention terms. This is the case unless a listed company is legally required to provide third parties with the ability to nominate directors. Boards may allocate the responsibilities of the Nominating/Corporate Governance committee to committees of their own denomination, provided that the committees are composed entirely of independent directors. Any such committee must have a committee charter."
http://nysemanual.nyse.com/LCMTools/PlatformViewer.asp?selectednode=chp_1_4_3_4&manual=%2Flcm%2Fsections%2Flcm-sections%2F

Russia

"The new Corporate Governance Code is a result of the joint efforts of the market regulators, the Moscow Exchange, international organisations, such as the OECD and the EBRD, investors and issuers, international and Russian corporate governance experts.," according to PWC ('Corporate Governance Approved, 2014). PWC state that the Code's recommendations are primarily aimed at public, and major government-controlled companies. "It has resolved several issues related to the composition and activities of the board of directors and its committees. Functions of the committees of the boards of directors have also been substantially expanded and clarified: notably, the functions of the Remuneration Committee and the Nomination Committee have been segregated. In the light of the new Code, the companies should analyse and assess the following key aspects of corporate governance:

1. Composition of the board of directors to balance the professional experience, expertise and independence of the members
2. Structure and functions of the committees of the board of directors
3. Board members and executive management remuneration system
4. Amount and quality of information provided on the corporate web-site and the annual report
5. Approach to organizing a system of risk management, internal controls and internal audit function
6. Dividend policy
7. Procedure of preparing and holding general meetings of shareholders."

http://www.pwc.ru/en/governance-risk-compliance/governance_new_code.jhtml

France

According to the MEDEF Corporate Governance Code of Listed Companies, (2013) "each Board should appoint, from its members, a committee for the appointment or nomination of directors and executive directors, which may or may not be separate from the compensation committee. However, unlike the provisions governing the compensation committee, the Chief Executive Officer shall be associated with the appointments or nominations committee's proceedings. In the event that the offices of Chairman of the Board of Directors and Chief Executive Officer are separate, the Chairman may be a member of this committee. Duties include:

Selection of new directors: submitting proposals to the Board after reviewing in detail all of the factors that it is to take into account: desirable balance in the membership of the Board with regard to the make-up of and changes in ownership of the corporation's stock, balance between men and women on the Board, identification and evaluation of potential candidates, desirability of extensions of terms. Organise a procedure for the nomination of future independent directors and perform its own review of potential candidates before the latter are approached.

Succession planning for executive directors: The appointments or nominations committee (or an ad-hoc committee) should design a plan for replacement of executive directors in order to be able to submit solutions in particular in the event of an unforeseeable vacancy. This is one of the committee's main tasks, even though such a task may, if necessary, be entrusted by the Board to an ad-hoc committee. It is natural for the Chairman to be a member of the committee for carrying out this task, but while his or her views should be considered, it is not desirable that he or she should chair this committee, since he or she is not independent. The annual report should contain a statement on the appointments committee's activity during the relevant financial year."
http://www.medef.com/fileadmin/www.medef.fr/documents/AFEP-MEDEF/Code_de_gouvernement_d_entreprise_des_societes_cotees_juin_2013_EN.pdf

Switzerland

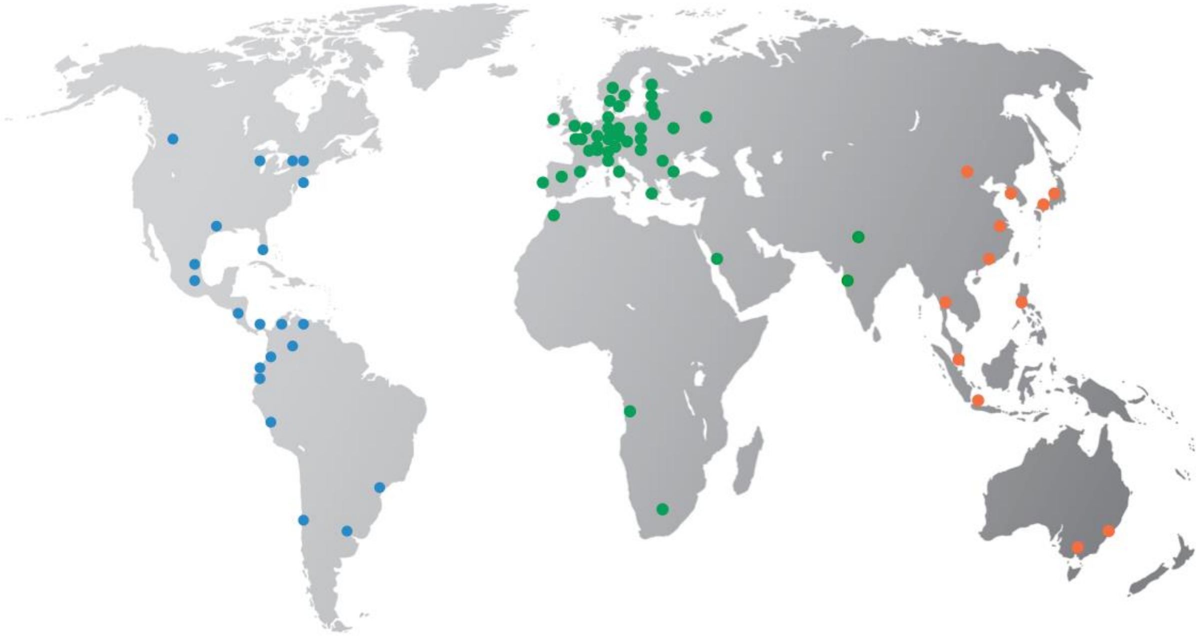
The "Swiss Code" was published by economiesuisse (the Swiss Business Federation from all sectors of the economy) in July 2002 and supplemented with an appendix containing recommendations on the remuneration of Boards of Directors and Executive Boards in 2007. Its intention is to provide companies with recommendations on designing their corporate governance and information that "go beyond what is stipulated by law and ensure that companies retain their organisational flexibility.
This has proven to be an important locational advantage of Switzerland. Each company should retain the option of putting its own ideas on structuring and organisation into practice. However, if their corporate governance practices deviate from the recommendations of the "Swiss Code", they now have to provide a suitable explanation (principle of "comply or explain").

The Nomination Committee should consist predominantly of non-executive and independent members of the Board of Directors. It should lay down the principles for the selection of candidates for election or re-election to the Board of Directors and prepare the selection of candidates in accordance with these criteria. The Nomination Committee may also be assigned responsibilities in connection with the selection and assessment of candidates for top management."
http://www.economiesuisse.ch/en/Documents/swisscode_e_web.pdf

About Amrop

With 77 offices in 55 countries, Amrop provides services in Executive Search, Leadership Assessment and Board Consulting. It is the largest partnership of its kind.

Amrop advises the world's most dynamic organizations on finding and positioning Leaders For What's Next: top talent, adept at working across borders in markets around the world.



www.amrop.com/offices

Amrop