



2020  
Supervisory Board Survey

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## Table of Contents

<b>A. Preface</b> .....	<b>3</b>
<b>B. Survey</b> .....	<b>4</b>
1. Good level of information available to supervisory boards, with listed company boards feeling better informed than those of non-listed companies	4
2. No lack of resources for the clear majority, even during a crisis	5
3. Communication in most companies' boards works	6
4. In principle, the organisation of supervisory boards is prepared for times of crisis	7
5. Measures to strengthen communication are appreciated	8
<b>C. Conclusions</b> .....	<b>12</b>
<b>D. Methodology and demographics</b> .....	<b>13</b>
<b>E. The authors</b> .....	<b>14</b>

## A. Preface

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The global Covid-19 pandemic is putting many companies through an unparalleled crisis due to the disruption to markets and supply chains, loss of sales, and accompanying financial challenges. It is in such a difficult environment that the cooperation between the executive board and the supervisory board must prove itself in order to avert lasting damage to the company. In particular, the involvement of the supervisory board in decision-making processes and having detailed information about the current situation of the company is crucial. But how do supervisory boards themselves view the crisis resilience of their board, and its ability to act in the given situation?

To find out, Hengeler Mueller has conducted an empirical study together with the German Working Group Association for Supervisory Board Members (Arbeitskreis deutscher Aufsichtsrat - AdAR e.V.). More than 500 supervisory board members were surveyed - with sometimes surprising results.

We hope you find our results to be beneficial and informative.

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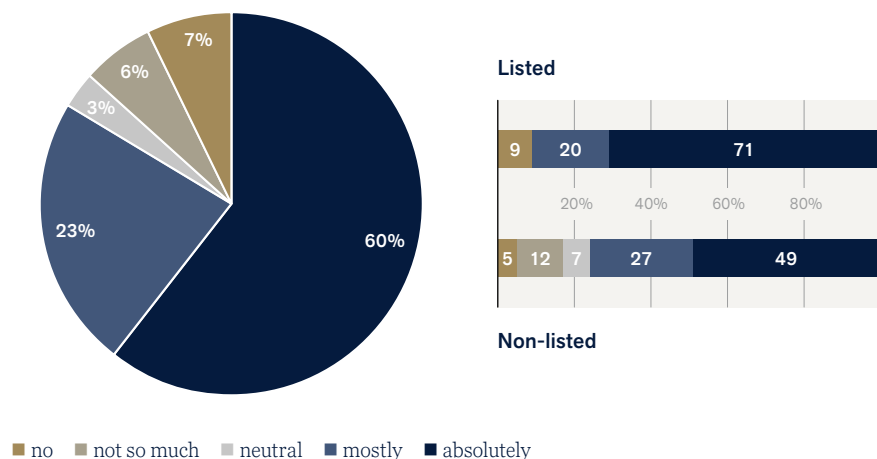
Partner LLR, Board Member of AdAR e.V.

## B. Survey

### 1. Good level of information available to supervisory boards, with listed company boards feeling better informed than those of non-listed companies

The good news is that more than three-quarters (83 percent) of the supervisory board members surveyed feel that they are promptly and appropriately informed about the current situation and the measures being taken by the executive board (Vorstand) to overcome the crisis. There is, however, a slight difference between listed and non-listed companies. Among the listed companies, 91 percent were satisfied with the information sharing practices of the executive board, while the approval rate for non-listed companies was only 76 percent, which in itself is a respectable level of approval.

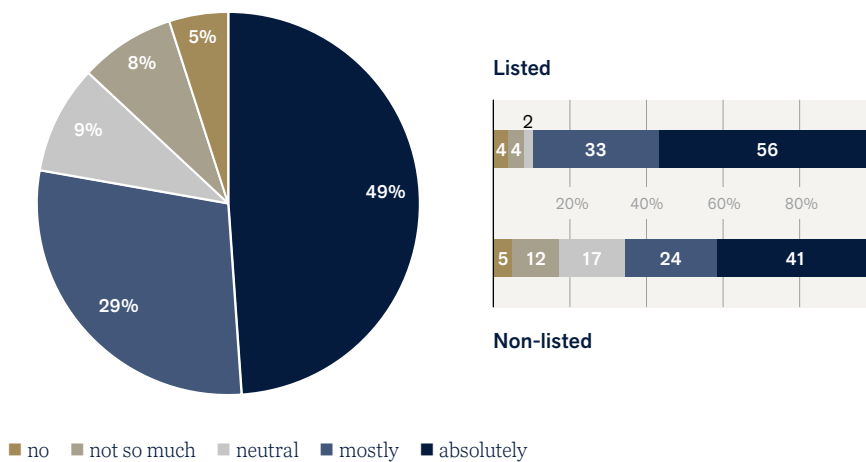
*Do you feel you are promptly and appropriately informed of the current situation of the company and the measures being taken by the executive board to overcome the crisis?*



## 2. No lack of resources for the clear majority, even during a crisis

The majority of the supervisory board members surveyed believe they have adequate resources to fulfill tasks at hand. More than three quarters (around 78 percent) consider it “correct” or “absolutely correct” that they currently have sufficient resources at their disposal. However, about 13 percent do not see it that way. This means that at more than one in ten companies, the supervisory board does not have sufficient resources in the crisis to perform its duties in the best possible way. Once again, listed companies are better positioned: With an approval rate of 89 percent, representatives from listed companies rate their resources better than their colleagues from non-listed companies (65 percent). This means that one in three supervisory boards of non-listed companies rated their resources as currently inadequate – a significantly higher proportion of respondents than those dissatisfied with the level of information provided to them.

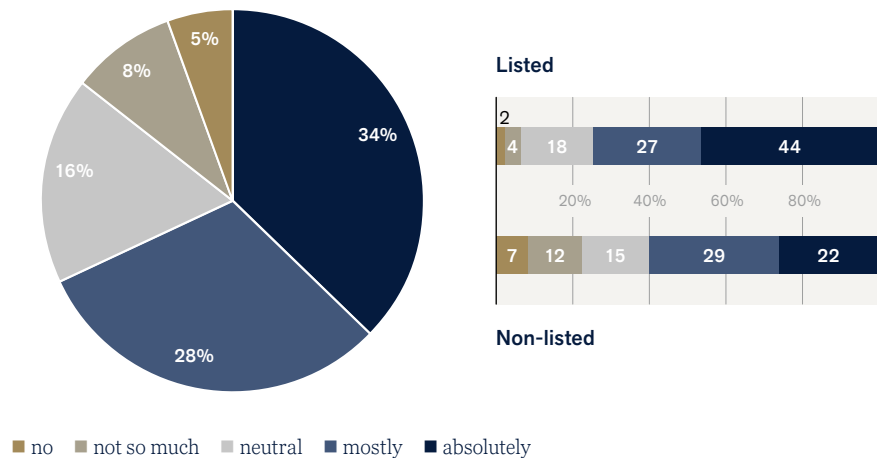
*Does the supervisory board currently have sufficient resources to fulfill its tasks?*



### 3. Communication in most companies' boards works

The approval of the quality of communication within supervisory bodies, although at a high level, was somewhat lower. Still, two-thirds of the supervisory board members surveyed (62 percent) feel that there is sufficient discussion of the work and results from the committees, especially insofar as they involve crisis management. Here, too, approval is significantly higher for listed companies (71 percent) than for non-listed companies (51 percent). Overall, 13 percent of the supervisory boards feel the need to catch up in terms of communication. Non-listed companies stand out with around 19 percent (compared to only 6 percent for listed companies).

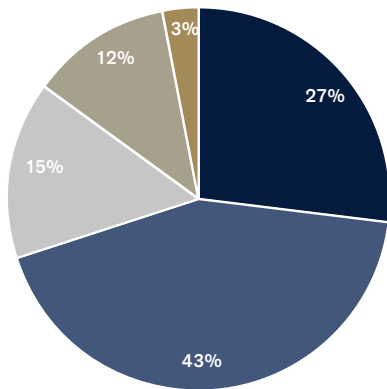
*Are the work and the results of the committees currently being sufficiently discussed in the supervisory board, especially insofar as they are also involved in crisis management?*



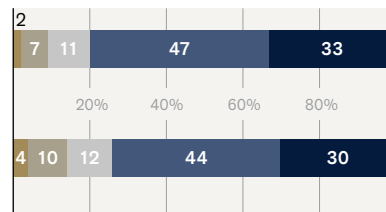
#### 4. In principle, the organisation of supervisory boards is prepared for times of crisis

Almost 70 percent of responding supervisory board members think that the organisation of their supervisory board is optimally geared to crisis management. However, 15 percent cannot agree with this and see a need for action in their companies.

*Is the organisation of your supervisory board optimally geared for crisis management?*



**Listed**



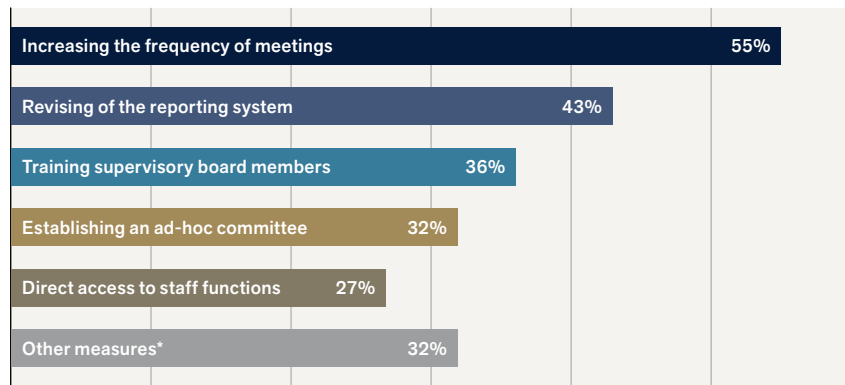
**Non-listed**

no not so much neutral mostly absolutely

## 5. Measures to strengthen communication are appreciated

The survey also asked the supervisory boards about their assessment of possible measures to improve control in the context of crisis management:

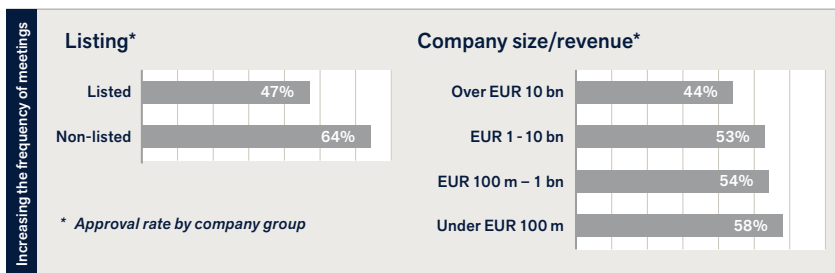
*In your opinion, what measures would be useful to improve control in the context of crisis management?*



*\* In the case of "other measures", respondents suggested measures to improve communication within the supervisory board or at interfaces.*

Slightly more than half of the respondents (approximately 55 percent) consider an increase in the frequency of meetings of the supervisory board to be useful. However, there are differences depending on company size and stock exchange listing. Only 44 percent of the surveyed supervisory board members from companies with a revenue of over EUR 10 billion feel a need for more frequent meetings. Within the group of all listed companies, the proportion is slightly higher, at 47 percent of those surveyed. In contrast, almost two thirds (64 percent) of the supervisory board members of non-listed companies support this measure.





On the other hand, almost 43 percent of those surveyed would support a revision of the reporting system. However, only 31 percent of the supervisory board members from listed companies indicate a necessity for this measure (compared to 56 percent of those from non-listed companies). The requirement of such a measure also finds less approval among larger companies. For example, 62 percent of the supervisory board members from companies with a revenue of EUR 100 million - 1 billion would approve such a measure, a rate almost twice as high as that of large companies with a revenue of more than EUR 10 billion (33 percent); however, these companies can be assumed to have better board organisation and support as more resources are available.



Approximately one third of those surveyed (around 36 percent) believe training the supervisory board members specifically for crisis situations would be effective. Supervisory boards of listed companies (38 percent) are slightly more in favor of additional training than those of non-listed organisations (33 percent).



The establishment of an ad-hoc committee for crisis management is also considered sensible by almost a third of the supervisory board members surveyed (just over 32 percent). However, with 47 percent, a lot more respondents from companies with a revenue of less than EUR 100 million agree with this measure than of those from larger companies; only 22 percent of respondents from companies with a revenue of more than EUR 10 billion support this measure. A similar difference can be seen when considering the stock market status. While 38 percent of the surveyed supervisory board members from non-listed companies are considering the establishment of an ad-hoc committee as an option, this figure is only around 27 percent for listed companies



A similar situation applies to the recommendation for the supervisory board to have direct access to staff functions such as Head of Legal, Head of Risk, Head of Controlling, etc. More than a quarter (around 27 percent) of the supervisory board members surveyed consider this to be meaningful. In the case of listed organisations, however, the approval rate for this measure is only 22 percent, whereas it is one third (33 percent) for non-listed companies. Respondents from smaller companies also see a much greater need for such an ad-hoc committee than those from larger corporations (around 42 percent of respondents from companies with a revenue of less than EUR 100 million versus zero percent for companies with an annual revenue of more than EUR 10 billion).



## C. Conclusions

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Our study paints a mostly positive picture with regard to the resilience of the supervisory board function in the current stormy environment. One factor that certainly played a role here was that many business models were not questioned per se. However, it also shows that large companies and in particular listed companies tend to be better prepared for the crisis. There has been a professionalisation of the supervisory board function in recent years, partly due to compliance requirements, which is now paying off. Smaller and unlisted companies have more catching up to do. The current crisis is highlighting the gap between these companies and the advanced professionalisation of supervisory boards of listed companies. Non-listed companies have to follow quickly because the outcome and duration of the current crisis are uncertain - and even after the crisis, the demands on supervisory boards remain high and are likely to increase even further in the future as a result of further legislative measures, such as the German Act on Sanctioning Criminal Offenses by Associations (Verbandssanktionengesetz).

## D. Methodology and demographics

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The survey was carried out from 18 May to 10 July 2020. More than 500 supervisory board members were contacted via e-mail with the request to complete an online questionnaire.

86 supervisory board members took part in the survey.

The average revenue of the companies whose supervisory board members took part in the survey is EUR 4.3 billion (75 revenue details), the median is EUR 1.5 billion. 46 percent of the companies supervised by the responding supervisory board members are listed on the stock exchange. 20 percent of these are represented in the German stock index DAX, 28 percent in the M-DAX, in both indices together almost half (48 percent) of the companies of the participating supervisory board members.

Due to rounding differences, 100 percent is not always reached as the sum of percentages in the presentation.

## E. The authors

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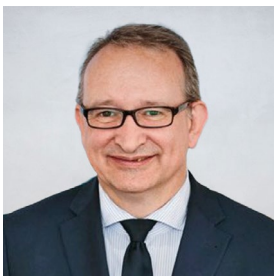
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