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## **Comments to Norwegian Corporate Governance Board Consultation Paper**

### ***Introduction***

Constructive Capital makes investments with a long term horizon in publicly listed Northern European companies. We work very actively and behind the scenes whenever possible, in order to improve the companies in which we invest. Corporate governance issues are a critical element of our investment decisions.

On balance we commend the working group on the large number of sensible suggestions put forth. We have two comments, both in regards to Section 7, Nomination Committees.

### ***Comment 1 - Board members on the nomination committee***

We believe having a board member on the nomination committee is problematic and should not be recommended. Principles of impartiality as well as misalignment of incentives means that it generally would not be in the interest of shareholders to have someone who is being evaluated be part of the decision process leading up to board changes.

Hence we recommend that NCGB (NUES) should clearly that:

*The nomination committee should not have any member who is also a board member.*

This view is independent of whether or not the board member is stepping down from the board.

### ***Comment 2 - Selection of the nomination committee***

Our experience with nomination committees in Norwegian publicly listed companies is that we often find ourselves wishing they had a stronger *owner's mindset*, as this would lead to more focus on long term shareholder value creation.

Our observation is that frequently nomination committee members are neither significant shareholders, nor are they put forth as candidates by an owner. As a result, nomination committees often consist of highly accomplished individuals who are not thinking deeply about what their company needs to do differently to create more value.

The purpose of the nomination committee is to serve the interests of the shareholders. A process for selecting nomination committee members that would serve shareholders better and would be more democratic than the current process is the Swedish model for nominating committee selection. Hence we propose that:

*The nominating committee should consist of members put forth by the company's shareholders.*

Yours Sincerely,

Lars Odin Mellemseter, Partner  
Constructive Capital