

June 11, 2018

**To: Norsk utvalg for eierstyring og selskapsledelse**

**RE: Høring: Forslag til endringer i Norsk anbefaling for eierstyring og selskapsledelse**

Glass, Lewis & Co. ("Glass Lewis") appreciates the opportunity to comment on the amendments to the Norwegian Code ("the Code") proposed by Norsk utvalg for eierstyring og selskapsledelse ("NUES").

Glass Lewis is the leading independent provider of global governance services, helping institutional investor understand and connect with the companies in which they invest. Glass Lewis is submitting this comment as an interested industry advisor, not on behalf of any or all of its clients.

Following our perusal of the consultation document, we have identified certain proposed amendments on which we would like to comment, as well as current provisions of the code to which we believe that expansion or additional clarification would be of particular benefit to market participants:

#### **Section 4 §1 - Share classes**

We welcome the commitment from NUES to the one-share one-vote principle. We believe that the introduction of multiple share classes will provide issuers with more flexibility regarding their capital structure, while the one-share one-vote principle ensures equal treatment of shareholders.

#### **Section 6 - General meetings**

Generally, we believe that simplifying Code provisions is a broadly positive development. Additionally, the requirement for the text of proposals and supporting information to be specific will provide additional clarity to market participants. However, we believe that there is further room for improvement. Currently, the information provided by Norwegian issuers on certain issues related to capital management, and mergers and acquisitions tends to emphasise technical details while remaining comparatively vague as to background and reasoning. We believe that this type of contextual information is vital for shareholders to make an informed decision on these matters. Therefore, we believe a requirement to include this kind of information would be in the best interest of all stakeholders, and bring the Code in line with international equivalents.

While we acknowledge that the Norwegian Public Limited Liability Companies Act has a requirement for issuers to give notice of at least 21 days before the meeting, we do not consider the removal of this requirement from the Code to be in the best interests of shareholders. As is stated in point 14 of NUES' consultation paper, the Code includes sections that are covered by Norwegian law as not all issuers are incorporated in Norway. In our experience, international shareholders often are only able to participate in the voting process via proxy and often have voting deadlines that are much earlier than those of domestic shareholders. Therefore, late disclosure of the notice creates a time constraint for international shareholders who wish to participate in the voting process. Therefore, we believe maintaining a requirement in the Code for the notice to be served at least 21 days before the meeting to be appropriate to ensure that all shareholders have the reasonable opportunity make informed decisions on all issuers traded in Norway.

#### **Section 7 – Nomination committee**

It has been our experience that in many cases market participants did not have what we would consider to be adequate information to make informed decisions on matters proposed by the nomination committee. Specifically, information on the nomination of new board members and the affiliations of the nomination committee is often insufficient. Therefore, we believe the requirement for increased disclosure by the nomination committee to be in the best interest of shareholders.

Generally, we believe that members of the board of directors should not serve on an external nomination

committee to ensure an independent nomination process. However, the requirement for the nomination committee to be majority independent of the board mitigates our concerns in this case.

### **Section 8 – Corporate assembly and board of directors: composition and independence**

We welcome the removal of the corporate assembly. Glass Lewis believes that electing directors by individual proposals increases the board’s accountability to shareholders and allows shareholders to express concerns on an individual basis.

However, we believe further improvements could be delivered in this section. The introduction of a requirement for the board to disclose in the annual report the independence status of each director would provide shareholders with information that is crucial to assessing the appropriateness of the board and committees’ composition.

### **Section 12 - Remuneration of executive personnel**

Information such as payout limits, metrics and their weightings, and targets used to determine payouts is key for shareholders to determine whether the remuneration awarded to executives is appropriate and in line with the performance of a company. In our experience, this information is often absent from public filings, which makes it difficult for shareholders to evaluate remuneration structures. Consequently, we often see the remuneration proposals receive much higher against votes by shareholders than any other proposal on the agenda at the annual general meeting. Therefore, we believe that both companies and shareholders would benefit from requirements for greater disclosure regarding the remuneration structure implemented by a company.

Glass Lewis welcomes the opportunity to comment on the proposed amendments to the code and is available to provide further clarification as to our comments above. Additionally, Glass Lewis raises no objection to these comments being published on NUES’ website.

Respectfully submitted,

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