

NUES Norsk utvalg for eierstyring og selskapsledelse/
NCCGB Norwegian Corporate Governance Board
Postboks 460 Sentrum
0105 OSLO
Att.: Halvor Sigurdson

Oslo, 6 June 2018

Response to the proposed changes to the Norwegian Code of Practice for Corporate Governance

We welcome the opportunity to respond to this consultation.

ABOUT US

FutureBoards AS is a project-driven company that aims to raise awareness, drive the debate and develop good practice for HOW and by WHOM companies should be governed in the future. We bring together global voices and thought leaders, investors, CEOs, board chairs, politicians, regulators and academics to exchange insight, thoughts and ideas on how business owners and governing bodies can best respond to expectations and scrutiny from stakeholders and society, while ensuring long-term value creation for the company's shareholders and other stakeholders.

PARADIGM SHIFT IN THE CORPORATE WORLD

While the challenges and opportunities of the 4th industrial revolution are still top of the agenda, geopolitical unrest, climate change and financial instability are also deeply affecting the corporate world. The scope of change is massive, the pace is extremely rapid, everyone is affected, and huge expectations are firmly placed on the shoulders of company owners, boards, and management. Meanwhile, flying in on the banners of sustainability, responsibility and long-term value, along come new perspectives on the nature and purpose of the company, and how it should be governed.

A GLOBAL CORPORATE GOVERNANCE AGENDA

In times of great uncertainty and rapid change, we need strong standards. Corporate governance codes provide good guidance. But while companies and capital markets become more and more globalized and integrated, standards for good corporate governance remain shaped by local ownership structures and founded on national legislation, culture and traditions. In this increasingly globalized world, we not only need to ask whether such differences in practice are necessary, but also if they are sustainable in a world where much corporate activity reaches across borders almost all the time. We also need to ask how the codes address the company's role in global society and the board's responsibilities to stakeholders other than shareholders. Thus, the proposed changes of Section 1 and Section 2 are the main concerns of our response to the consultation. Specifically, the following (quote from the proposal):

- *“The board of directors should define clear objectives, strategies and risk profiles for the company’s business activities such that the **company creates value for shareholders.**”*
- *The board of directors should define the company’s basic corporate values and **ensure that the company has ethical guidelines and guidelines for corporate social responsibility in accordance with these values.**”*

OUR REFLECTIONS ON THE PROPOSED CHANGES

A company needs to have effective leadership with an ethical culture. By ethical culture is meant that the board should ensure that it acts with integrity, competency, responsibility, accountability (clear, concise and understandable language), fairness (understanding the needs, interests and expectations of the various stakeholder groups pertinent to the business of the company), and being transparent, reporting it as it happens not highlighting the positives and downplaying the negatives.

Ethics is a question of your inner self. A lot is determined the way one is brought up, your schooling etc. That is why it is better to have a code of conduct in a company than a code of ethics because a code of conduct can be specific as to what conduct is expected of a person when it enters the portals of a company in Oslo. This is not only more particular than a code of ethics but is equitable because everybody will come from different religions, different cultures, different ethical upbringings, different levels of education, but when they enter the portals of this company, this is how you are expected to conduct yourself.

The board should finalise such a code of conduct because they have to apply their minds to what is relevant from a conduct point of view in the business of that company in the community in which it operates.

INTEGRATED THINKING

With an integrated approach, in order to have sustainable development the business model of a company should incorporate how the company makes its money having a positive impact on the three critical dimensions for sustainable development, namely the economy, society and the environment.

In doing so the corporate social responsibility issues pertinent to the business of that company such as conserving water is critical to the beverage manufacturer in Oslo would built into its business strategy viz. the conservation of water which is a very important corporate social responsibility today with water being the scarcest natural asset on planet earth. Corporate social responsibility and corporate social investment are issues which have been incorporated today with integrated thinking and building a business model which creates sustainable development into a company’s business strategy.

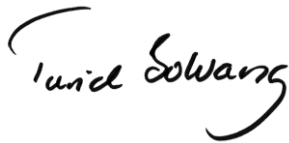
SHAREHOLDERS VS STAKEHOLDERS

The board should not focus on the maximisation of shareholder wealth. It should rather focus on the long-term health of the company. This means it should focus on ensuring that the company is and is seen to be, a good corporate citizen in the sense that it carries on business in a manner where it has a positive impact on the three critical dimensions mentioned in the Sustainable Development Goals of the economy, society and the environment. Logically if you build a company that is carrying on business and making its money with a positive impact on those three dimensions, that is in the long term better interests of the shareholders and all the stakeholders.

To focus on the shareholders takes one back to the primacy of the shareholders which is yesterday's thinking, that is why - in our view - NUES is going down the wrong pathway. That pathway will join up with the old primacy of the shareholder road rather than looking at the creation of value long term in the best interests of the company and consequentially in the better interests of all its stakeholders including its shareholders.

We hope our reflections will be considered valuable to the Norwegian Corporate Governance Board. We wish you all the best with your important work, keeping Norway and Norwegian companies on the front foot of what is considered good corporate governance.

Kind regards



Turid Elisabeth Solvang,
Founder/CEO, FutureBoards AS

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