



# The Nordic Corporate Governance Model

## ICGN Mid-Year Meeting

Gothenburg 2008-03-05

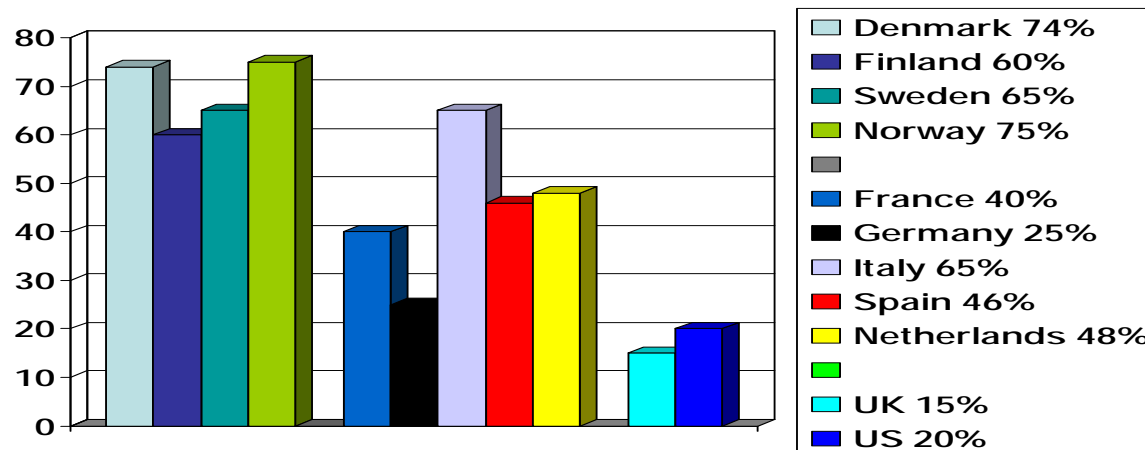
**Per Lekvall**

**The Swedish Corporate Governance Board**



## Some institutional preconditions

- ❑ Common heritage of company legislation
- ❑ Concentrated ownership structure



**Presence of significant shareholders (> 20%) among ~20 largest listed companies**

**Sources:** *EU countries:* European Commission Study on Proportionality between Ownership and Control, 2007  
*US, Norway:* La Porta, Lopez-de-Silanes & Shleifer: Corporate Ownership Around the World, 1999

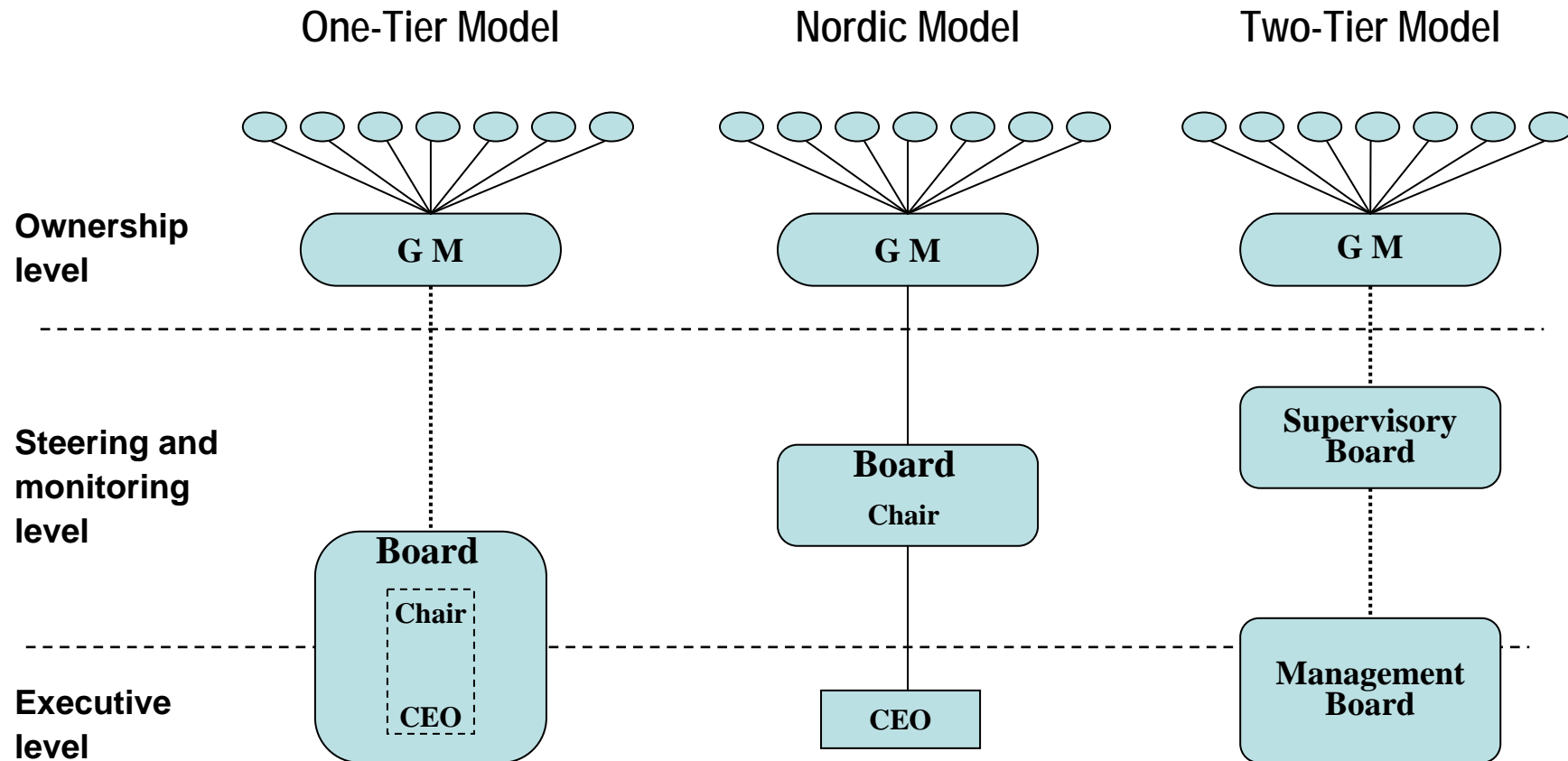


## Some institutional preconditions

- Common heritage of company legislation**
- Concentrated ownership structure**
- Small countries - small business communities**
- Employee board representation (except Finland)**



## A different governance model





## Key features of Nordic corporate governance

### 1. STRICTLY HIERARCHICAL GOVERNANCE STRUCTURE

- ❑ **Formal chain-of-command throughout the governance process**
- ❑ **Entirely/predominantly non-executive Boards**
- ❑ **Statutory separation of roles of Chair and CEO**



## 2. THE OWNERS IN COMMAND

- ❑ **Strong General Meeting powers**
  - Sovereign to decide on all company affairs
  - Board fully subordinate to the GM - and can at any time be dismissed without stated reason
  - Auditors appointed by and accountable to the owners
  
- ❑ **Availability of CEM's (Control Enhancing Mechanisms)**
  - Freedom of Contract prevails
  - Prime technique = multiple voting rights
  
- ❑ **Major owners taking active role in governance process**
  - Exercising ownership power at the GM
  - Taking seats in boards - can make up board majority
  - Owner-controlled nomination committees (Norway and Sweden)



### **3. STRONG MINORITY PROTECTION**

- ❑ Extensive individual shareholders' rights**
  - **Strict legal provision of equal treatment of shareholders**
  - **A single share suffices to exercise all shareholder rights at the GM**
  - **Most EU Shareholders' Rights Directive provisions already in place**
  
- ❑ Minority of various sizes can block major GM decisions**
  - **Amendments of Articles of Association**
  - **Mergers / de-mergers**
  - **Changes in capital structure**
  
- ❑ Minority of 5-10% can force certain decisions**
  - **Summon extraordinary GM**
  - **Call for minority auditor and/or "special examination"**
  - **Minimum profit distribution**



## In short - slightly oversimplified...

**“US/UK corporate governance is all about protecting weak owners against strong boards & managements”**

*whereas*

**“Nordic corporate governance is all about protecting small owners against big owners”**