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# Corporate Governance – from a Danish perspective

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# Karen Larsen

- Law degree Copenhagen University (1977)
  - Partner Kyed & Jybæk since 2005 –
    - Corporate-commercial
    - International contracts / cross-boarder transactions / projects
    - Financing, Construction, Broadcasting (Media)
    - Mediator
  - Experience as in-house counsel (3 years)
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# Historical Background

- Hafnia Holding and Nordisk Fjer bankruptcies
- The Cadbury Report (1992)
- .dk21 business strategy – the Government's description of its vision for risk-taking Denmark (2001)
  - 6 focus areas: Knowledge and competences, global outlook, committed venture capital, well functioning markets, quality of regulation, the social accountability of businesses
  - Reaching the boardrooms to ensure that Danish companies are prepared for the competition on the global market

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# Company Structure

- Two main types
    - A/ S (public limited company) – may be listed
    - ApS (private limited company) -
  - Two tier system for A/ S
    - Supervisory Board (Board of Directors)
    - Management Board (executive – day-to-day management)
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# The Nørby Committee (2001)

- ❑ Evaluate the need for recommendations
- ❑ Create the recommendations
- ❑ Objectives defined in the report:
  - Make it more attractive to invest in Danish listed companies and improve access to funds
  - Inspire board members and managers to tackle the strategic challenges resulting from globalisation, and strengthening the competitiveness
  - To promote good corporate governance by stimulating the debate

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# The Nørby recommendations – characteristics:

- ❑ Soft law
- ❑ Voluntary
- ❑ Only listed companies (but useful for other companies as well)

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# The Nørby recommendations (2001)

- The role of the shareholders and their interaction with the management of the company
- The role of the stakeholders and their importance to the company
- Openness and transparency
- The tasks and the responsibilities of the board
- The composition of the board
- Remuneration to the directors and the managers
- Risk management

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# The Copenhagen Stock Exchange Committee :

- ❑ Monitor the development in corporate governance
- ❑ Monitor general trends in corporate governance
- ❑ Collect and analyze information and experience from companies
- ❑ Evaluate the need for revised recommendations



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# The Copenhagen Stock Exchange Committee – findings:

- ❑ Corporate governance enhances trust in companies and their integrity
- ❑ Major shareholders are more efficiently attracted
- ❑ Little conviction that corporate governance enhances competitiveness
- ❑ Overwhelming preference for soft law

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# The Copenhagen Stock Exchange Committee – topics raised:

- ❑ The use of committees
- ❑ Audits and the role of external auditors
- ❑ Remuneration and transparency
- ❑ Employee elected members of the board of directors

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# The revised recommendations (2005)

- The role of the shareholders and their interaction with the management of the company
- The role of the stakeholders and their importance to the company
- Openness and transparency
- The tasks and the responsibilities of the supervisory board
- The composition of the supervisory board
- Remuneration to the members of the supervisory board and the executive board
- Risk management
- **Audit**

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# Amendments

- ❑ Implementation of the comply or explain principle
  - Equally acceptable
  - Let the market decide
- ❑ Less "specific"
- ❑ General rationale and Comments

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## The role of the shareholders and their interaction with the management of the company

- Exercise of ownership and communication
  - Capital and share structure
  - Preparation for the general meeting, including notice of meeting and proxy
  - The duties of the supervisory board and the rights of the shareholders in the event of takeover bids
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## The role of the stakeholders and their importance to the company

- Policy in relation to the stakeholders
  - The role of the stakeholders and their interests
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# Openness and transparency

- Information and publication of information
  - Investor relations
  - Annual report
  - Quarterly reports
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## The tasks and the responsibilities of the supervisory board

- The overall task and responsibilities of the supervisory board
  - The tasks of the chairman
  - Procedure
  - Information from the executive board to the supervisory board
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## The composition of the supervisory board

- Recruitment and election of members
  - Training and introduction for members
  - The number of supervisory board members
  - The independence of the supervisory board
  - Supervisory board members elected by staff
  - Meeting frequency
  - Time allocated to supervisory board work and the number of directorships
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## The composition of the supervisory board (cont.)

- Retirement age
  - Election period
  - Use of supervisory board committees
  - Assessment of the supervisory board's work
    - Procedure for regular (yearly) and systematic self-evaluation of the work, results and composition of the board (also the individual members)
    - Yearly assessment of the work and results of the executive board according to previously established explicit criteria
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## Remuneration to the members of the supervisory board and the executive board

- Remuneration
  - Remuneration policy
  - Openness about remuneration
  - Principles for establishing incentive schemes
  - Information about the introduction of incentive schemes
  - Severance schemes for the members of the executive board
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# Risk management

- Identification of risks
  - Plan for risk management
  - Openness regarding risk management
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# Audit

- The supervisory boards nominations of an auditor candidate
  - Agreement with the auditor
  - Non-audit services
  - Internal control systems
  - Accounting policies and accounting estimates
  - Result of the audit
  - Audit committee
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# Do you want to know more?

- [www.corporategovernance.dk](http://www.corporategovernance.dk)
- [www.cse.dk](http://www.cse.dk)

**BUT DON'T EXPECT A WORD ABOUT  
WOMEN**

Thank you for your attention

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