



Statement on consultation on board responsibilities and improving financial and corporate governance information

Key: No reason to diminish responsibilities for anyone.

Firstly, we would like to express our grateful thanks to the Commission that let us send forward our statement regarding board responsibilities and improving financial and corporate governance information after our steering committee meeting last Friday.

We copy and pasted the questions from the on-line questionnaire and use that for our response. This gives us the opportunity to expand our answers with some comments and explanations. We try to keep them as short as possible.

Our answers and comments are written with *italics*.

2. Clarification of responsibility for board members for financial and key non-financial information

2.0 Should the term "responsibility" be defined at Community level?

Yes

NFU think this would help to standardise information in the European Market and that is a desired value.

2.1 Should the responsibility be differentiated between management board members and supervisory board members?

Yes

2.2 Should the responsibility be differentiated between executive and non-executive board members?

No

In the Nordic context there is no difference in responsibility between any of the members in the company board in our one tier system. This includes both board members appointed by the government as representatives for the costumers and the persons from the Finance inspection authorities and the employee representatives. It is important for the employee influence systems that they can act as fully responsible members of the company boards.

2.3 Should board members be allowed to limit their responsibility by disclosing their disagreement with the documents prepared under their responsibility?

Yes

NFU states that it is important that all members can register a reservation against a decision. This is important both for the means of exercise actual influence and to protect minorities in important decisions in the company board. From our perspective a reservation is a way to take responsibility for positions and conflicts and not a way to sneak out of a minority position.

If so, should they disclose the reasons for their disagreement?

Yes and No.

The right to give a written motivation to the registered reservation is important. But this right should not be compulsory. Re registered reservation should be documented in the minutes from the meeting but they should not be made public. The right to register a reservation and motivate it in writing is important for the

possibilities to take on high levels of responsibility. But it might cause extra pressure on the board members in the minority position if a registered reservation would mean an automatic publication of the fact that there is a minority. We do not to create a system where company secrets will be publicised.

2.4 What kind of non-financial information should board members' responsibility also cover?

- *company's risk management system*
- *investment plans*
- *strategies in technical, organisational and human resources areas*
- *corporate governance statement*
- *other: Corporate Social Responsibility*

There is no reason to exempt any area from the collective responsibility in the company board.

2.5 Should board members be responsible towards...

- *all stakeholders (ie. employees, creditors, ...)*

2.6 Should there be common sanctions at Community level for board members who do not comply with their responsibilities regarding financial statements and key non-financial information?

Don't know

This is a complicated judicial matter. To introduce a pan EU judicial procedure for individuals will interfere with national laws and system of courts in a way that we are not capable to overview.

2.7 Should board members be responsible for providing all relevant information to the auditors?

Yes

Why not?

3. Transparency in intra group relations and transactions with related parties

3.0 Should disclosure of transactions with related parties in the financial statements take place only at group level?

3.1 Should Community law provide for common definitions for:

Related party

Material transactions

Special Purpose Vehicles

Other concepts referred to in this section

3.2 Should equivalent requirements apply for listed and unlisted parent companies?

Yes

Some of the non listed companies are as big as the listed ones and operate as competitors. Therefore they should apply to the same rules.

3.3 Should companies drawing up individual accounts disclose their material transactions with related parties such as special purpose vehicles and companies incorporated offshore, including their precise economic purpose?

Yes

Anything that can be done to prevent creative book keeping should be considered.

3.4 Should material transactions with related parties that are directly or indirectly controlled by the parent company of a group be disclosed?

Yes

The experience from the Swedish insurance industry says that it has been very good that transactions between parent companies and life saving institutions can be object for public debate since the transactions are related to many pre-pensioners.

3.5 Should material transactions with related parties that are significantly influenced by board members of the parent company or any other company of the group be disclosed?

Yes

Yes both the transactions and the relation and involvement by board members in both companies.

3.6 Should the key financial figures of the most important group companies be disclosed?

Yes

3.7 Should the parent company of a group disclose relations with related parties such as special purpose vehicles or companies incorporated offshore, including their precise economic purpose, regardless of a duty to include these in the scope of the consolidation?

Yes

3.8 Should any company of a group disclose relations with related parties such as special purpose vehicles, companies incorporated offshore, including their precise economic purpose?

Yes

3.9 Should any company of a group disclose significant sales of assets to another company within the group or to a third party which are directly or indirectly influenced by the group or board members?

Yes

3.10 Should the nature and extent of cash management agreements (e.g. cash pooling) be disclosed?

Yes

3.11 Should the disclosure of the above described intra group relations and transactions with related parties be done in the notes to the accounts?

Yes

3.12 If not disclosed in the notes to the accounts, should the disclosure of the above be done in the annual report?

Yes

3.13 What other specific transactions, if any, do you think should be disclosed? Please specify.

4. Disclosure about corporate governance practices by listed companies

4.1 Do you agree that the corporate governance statement should ...

- *require listed companies to disclose whether they apply a code on corporate governance or not and, if they do apply one, in what aspects they deviate from the provisions of the corporate governance code*

It's important not to overload with information otherwise you can not see the forest in spite of all the trees.

4.2 Do you agree that, with respect to other elements of corporate governance than mentioned in question 4.1, like for instance the operation of the board, the committees and the shareholders' meeting and the channels of information, the corporate governance statement should...

- *inform about those corporate governance elements which differ from or go beyond national laws and provisions*

4.3 Do you agree that the corporate governance statement should inform about shareholder rights in the case of cross-border investments?

Yes

4.4 Do you agree that the corporate governance statement should contain information on controlling shareholders?

Yes

4.5 Should the Statement contain the names of the controlling shareholders and a description of their voting rights and special control rights?

Yes

4.6 Should the Statement contain an overview of significant transactions between the controlling shareholders and the company in case they are not disclosed in the annual accounts or group accounts?

Yes

4.8 Should the corporate governance statement be disclosed...

- *in the annual report*

4.9 Should the corporate governance statement also be published on the company's website?

Yes

Facts on NFU

The Confederation of the Nordic Bank, Finance and Insurance Unions (NFU) is an organisation for co-operation between trade unions that organise employees in the banking, finance and insurance sectors in the five Nordic countries. The NFU was founded on 1 January 1999 through the merger of the Confederation of the Nordic Bank Unions (NBU) and the Confederation of the Nordic Insurance Unions (NFU). These were two trade union confederations with a long tradition of Nordic co-operation, the NBU was founded in 1923 and the old NFU in 1944. The new NFU therefore has a solid foundation and a long tradition on which to base trade union co-operation now and in the future.

At present, eight trade unions are affiliated to the NFU, two in Denmark, two in Sweden, two in Finland and one in each Iceland and Norway. Through these trade unions, the NFU represents 165 000 employees on the Nordic financial market. Some 135 000 of these employees belong to the banking sector, while the remaining 30 000 belong to the insurance sector.