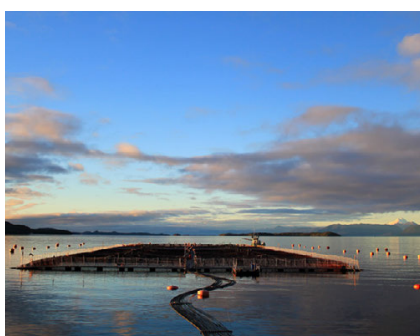




NORWEGIAN MINISTRY OF TRADE,  
INDUSTRY AND FISHERIES

Meld. St. 27 (2013–2014) Report to the Storting (white paper)

# Diverse and value-creating ownership





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*Recommendation of the Ministry of Trade, Industry and Fisheries of 20 June 2014,  
approved in the Council of State the same day.  
(The Solberg Government)*

## 1 Introduction and summary

### 1.1 Background to the report

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One of the government's most important priority areas is to boost competitiveness in Norwegian business and industry, to create more secure jobs and strengthen the financing of the welfare schemes.

Our competitiveness is influenced by how efficiently we utilise the country's resources, and our ability to innovate and restructure. The government aims to implement a broad set of measures to strengthen competitiveness and increase overall value creation in Norway. One of these measures is to facilitate diverse and value-creating ownership. Good ownership, by both the private and public sectors, is important. Our competitiveness and value creation depend on the establishment, development and operation of profitable enterprises, and the restructuring or phasing out of unprofitable ones. Good management and good ownership are key contributors to this aspiration. Diverse, well-developed and competent owner communities are a prerequisite for national competitiveness and value creation.

The government will shape the policy to make it possible for everyone to save and invest and, through their ownership, participate directly in and reap the rewards of the value creation that takes place in Norway. The objective is increased

competitiveness, value creation and more secure and productive jobs. Against this background, the government will strengthen private ownership in Norway.

The government believes that there are a number of good reasons why the state should exercise ownership in different companies. These will vary from company to company, from an initial premise that state ownership may help provide economic and social safeguards. Accordingly, for the foreseeable future, Norway will have considerable state ownership.

At the same time, state ownership in Norwegian business and industry is currently very extensive. In order to contribute to a more diverse and productive ownership, and to reduce the potential challenges entailed by extensive state ownership, the government wishes over time to reduce direct state ownership.

The government believes that it is crucial for state ownership to be administered professionally and predictably, and the government will conduct its state ownership policy in a responsible manner that provides space for both diversity of ownership and value creation as a contribution to boosting Norwegian competitiveness.

Against this background and based on its political platform, the government is submitting a report to the Storting on ownership in Norwegian

business and industry, with a main emphasis on the framework and policies relating to the state's direct ownership.

Part I of the report is a presentation of how ownership and different types of owners can contribute to value creation; part II outlines the principle direction of the government's policies for promoting diverse ownership in Norwegian business and industry; and part III, the main section of the report, presents the government's policy for direct state ownership.

The presentation in chapters 2 and 3 of the report and parts of chapter 8 are based on work performed for the Ministry of Trade, Industry and Fisheries by the McKinsey & Company consultancy firm.

## 1.2 Summary

### 1.2.1 Ownership – significance for value creation

Ownership can be highly significant for companies' competitiveness and value creation. Owners and investors have a fundamental role in facilitating profitable business activity by contributing risk capital for the establishment of new companies or for expanding established companies. What constitutes a good composition of enterprises and owners will vary in line with market trends, with an enterprise's development and nature, and with the owners' prerequisites and attitudes to risk. A diversity of owners, owner types and owner communities will therefore be able to enhance the combination of enterprises and owners, prompt desirable restructuring and innovation, and hence increase competitiveness.

An increased rate of change in business and industry means that the importance of enterprises' ability to adapt and innovate is increasing. This places greater demands on the owners, who set policies for the companies' activities, and make critical decisions in the event of major changes in the companies. For example, this would relate to restructuring, investments, business start-ups and to the acquisition, divestment and winding up of businesses. In such a business climate, competent owners, with the ability to understand markets and a company's situation and opportunities, are important for realising the company's potential for value creation.

In the capital market, those who want to save are connected with those who want to lend and invest. In this way, capital is channelled to potentially profitable investments, and risk is distributed

between the participants. As a result, the capital market streamlines the use of resources in the economy.

Ownership is important for how companies are governed and run. Owners can be involved in companies in different ways and to different extents, depending on the ownership model. At one extreme are owners who allocate capital through small shareholdings, and who are easily able to liquidate positions if the company does not perform and deliver returns as expected. At the other extreme are owners who get involved in operational activities with an aim to develop profitability over time and exploit inter-company synergies. Good owners with a low level of active involvement will primarily ensure that companies follow principles of good corporate governance and management in order to protect their own interests. With a greater degree of involvement, owners can create added value by supporting and following up the companies.

The owner composition and owner types may be significant for value creation in companies in that they may create different incentives for exercising good corporate governance. Accordingly, different combinations of owner concentration, owner type and duration of ownership may affect the quality of the exercise of ownership.

How ownership is exercised has changed in recent years. There has been a gradual trend towards more fragmented ownership in listed companies. Companies must take into account increasingly more rapid changes in their surroundings and greater uncertainty and volatility in the global markets. This makes it more challenging to sustain strategic competitiveness and the ability to create value over time, and makes greater demands of management, boards and owners to make good decisions quickly. The focus on owners' and companies' social responsibilities has also increased and, in the wake of the financial crisis, there has also been a trend towards increased awareness of the long-term performance of companies, and the emergence of activist investors. Another trend is recognition that good board work has become a more important competitive factor for the companies.

### 1.2.2 Prerequisites for private ownership in Norway

In the government's view, private ownership should be the main rule in Norwegian business and industry. The government intends to boost private ownership as part of its measures to



strengthen the competitiveness of Norwegian business and industry.

Private ownership is a diverse concept covering different types of holdings, for example family ownership, employee ownership, institutional ownership and ownership by private individuals. Owners have different expectations and can contribute to companies' value creation in different ways, and the extent of owner involvement varies from highly active owners, taking an operational role in the companies' businesses, to passive financial owners with small shareholdings.

Although there is great variation between private owners, in the government's opinion, private ownership is characterised by certain fundamental factors that make it essentially well-suited to contributing to value creation and improving Norwegian competitiveness.

Private owners can often more directly look after their own preferences and assets, and exercise more direct personal ownership than the state, which performs its role as an owner on behalf of the community. In the case of a personal owner, there will normally be fewer decision-making steps between owners and management than if ownership is administered by institutions. This indicates that personal (private) owners may have stronger incentives for safeguarding their own ownership interests. This can produce better corporate governance, higher profit expectations and more appropriate risk management in line with the owners' interests.

Private owners may often be closer to and better informed about the markets. This applies both to active private owners who are operationally involved in the companies they own, for example on the board, and to passive, more financial, owners who follow the companies' developments closely on the basis of thorough financial and industrial analyses.

Private owners are likely to have stronger incentives for efficient operation and high returns. This may be an argument for boosting private ownership. It may also be an argument for bringing private co-owners into companies where the state is a dominant owner and where there are good grounds for state ownership.

The government would also like to point to some potential challenges associated with state ownership which suggest limiting the extent of direct state ownership in commercial companies and strengthening private ownership. These relate to potential conflicts between the state's different roles, the risk of a concentration of powers,

and the state's limited industrial expertise as an owner.

The government has an objective of strengthening private ownership in Norway and organising policies to make it more profitable to establish businesses, work, save and invest. The government aspires to reduce direct state ownership over time, which may help boost private ownership.

The government will strengthen private ownership through a broad set of measures.

What is most important for ensuring healthy economic growth in Norwegian business and industry is for the general economic policy to contribute to stable and predictable framework conditions. The policy must therefore be structured so as to promote predictable and healthy trends in prices, wages, interest rates, exchange rates and tax levels. This will also have the effect of reducing uncertainty in the economy, lowering capital costs and improving access to capital. Good, general framework conditions that are not biased towards individual industries benefit all enterprises, employees and owners. This allows for a better functioning capital market, more vigorous competition, strengthened private ownership, healthy restructuring and innovation, improved competitiveness and better value creation.

The tax system is a crucial economic framework condition having great significance for Norwegian business and industry and for private ownership. The government will use the tax and duties system to finance public goods, facilitate social mobility, achieve more efficient utilisation of resources, and create better conditions for Norwegian business and industry. Private ownership must be strengthened and it must be profitable to work, save and invest, and start up, operate and develop companies.

The government took the first steps in growth-promoting tax reductions which will strengthen private ownership, among other things, in the national budget for 2014. Total tax reductions in the adopted budget came to in excess of NOK 7 billion. The general tax rate for individuals and companies was reduced to 27 per cent, the wealth tax rate was reduced to 1 per cent, while the minimum allowance was increased to NOK 1 million, and inheritance tax was abolished. The government also refers readers to the Scheel Committee which is reviewing corporate taxation. In line with the boost to growth-promoting tax reductions and a lower tax level, the Scheel Committee will also assess proposals for net tax reductions.

Work on streamlining bureaucracy for business and industry and private individuals is a key area for the government. This may help businesses and owners spend fewer resources on reporting and purchasing of administrative services. This will make it easier to start up, run and grow a business in Norway. Over time, this will result in more private ownership. The government aims to reduce the annual cost of to business and industry of complying with statutes and regulations by NOK 15 billion by the end of 2017, compared with the cost level in 2011, which represents a reduction of 25 per cent. The government also seeks to promote an entrepreneurial culture. Over time, this will result in greater capacity for restructuring and innovation, value creation and private ownership.

The government will use the national budget in the years ahead to implement further tax changes to stimulate labour, saving, entrepreneurship, business activity, private ownership and investment. The government will work for a simpler, more growth-promoting tax system and will continue to prioritise tax cuts that enhance Norwegian competitiveness and help secure productive and value-creating Norwegian jobs. The government will also assess other measures to strengthen private ownership, including measures to increase private savers' ownership of Norwegian companies and measures to stimulate employee ownership.

Furthermore, the government is committed to making it attractive for foreign investors to invest in Norway. Foreign owners add to the competency and diversity of ownership. They may also boost knowledge transfer and expertise among Norwegian companies and private owners. It is therefore beneficial that foreign companies and investors want to invest in Norway, which is reflected, for example, in the relatively high level of shareholdings of foreign investors on the Oslo Stock Exchange. This shows that Norwegian employees, owners and industries are competitive.

### **1.2.3 The state's ownership administered directly by the ministries**

In the government's view, private ownership should be the main rule in Norwegian business and industry. Direct state ownership should have a special justification.

In the government's view, there are a number of reasons why the state should exercise ownership of different companies. These relate, for exam-

ple, to corrections of market failures, the maintaining of important companies, head offices functions and key competence in Norway, the management of common natural resources and sectoral-policy and societal considerations. Beyond there being good reasons for state ownership, the state also possesses specific characteristics which may make it a good owner in a broader perspective. These include the fact that the Norwegian state is a long-term and financially strong, owner which is able to make a positive contribution to long-term ownership. Along with other long-term investors, the state can contribute to stability and stimulate growth of Norwegian companies and competence building over time. This means that, for the foreseeable future, the state will have considerable direct ownership.

In the government's assessment, the governance of direct state ownership is handled in a professional and responsible way. Through transparency concerning corporate governance principles, acceptance of the division of roles and responsibilities in corporate legislation, governance through general meetings and an emphasis on choosing competent and independent boards of directors, the exercise of Norwegian state ownership can be seen as advanced, including in an international context.

Since 2006, the state's portfolio of companies has been divided into four different categories. The categorisation has been based on the state's justification and objectives for direct state ownership. The government believes that the categorisation system has helped clarify the state's objective for ownership of the individual company and that the current four categories are an appropriate classification of ownership. The government therefore intends to maintain this categorisation.

Over time, the government wishes to reduce the state's direct ownership. This will particularly apply to companies where the state has no particular reasons for being an owner, but it may also be appropriate to reduce the state's holdings in other companies, assuming this can be done within a framework that safeguards the objective of the ownership.

The government believes that the state should not have a long-term ambition of ownership in companies where the state's objectives are purely commercial. In the government's opinion, over time, other owners will often be better able to increase the value of such companies. On this basis, in the budget proposal to the Storting for 2015, the government will ask parliament for a mandate to fully or partially divest the state's

ownership of companies in category 1. For some of these companies, the government already has such authority. The government emphasises that even though the state should not have a long-term ambition of owning such companies, any changes in the state's holdings will be made only if it is considered to be financially beneficial to the state. Furthermore, there may be corporate or market-related factors entailing that the state should delay use of these powers.

The companies in category 2 are commercial companies where the objective of state ownership, beyond a return on invested capital, is to retain head office functions in Norway. This is achieved through a holding that gives negative control, i.e. more than one-third. The government's premise will therefore be that it will not be appropriate to reduce the state's holdings in these companies to below 34 per cent. There may be special factors dictating why the lower threshold for the state's holding in individual companies in category 2 deviates from 34 per cent. In the budget proposal to the Storting for 2015, the government accordingly intends to ask for a mandate to possibly reduce the state's holdings in Kongsberg Gruppen ASA and Telenor ASA, down to 34 per cent.

Category 3 includes companies where the state has a commercial objective in its ownership, and where there are other justifications for state ownership than maintaining head offices in Norway. The government believes that there are sound justifications for the state to have holdings in these companies. Nonetheless, for companies in category 3, there may still be scope for adjustments to and changes in the state's ownership based on commercial considerations, and in a way that also takes into account the state's rationale for ownership in these companies.

The state's holdings in the sectoral-policy companies in category 4 should, as a rule, remain intact. This does not however prevent changes if the sectoral-policy interests no longer apply, or can be fulfilled in another satisfactory manner through the use of instruments other than ownership.

As an owner, in principle, the government will take a positive view of strategic initiatives and transactions that may be expected to contribute to value growth in the companies and that are also implementable within a framework that safeguards the objective of the state's ownership.

Only in very special circumstances will the government assess increasing the state's holdings in partly owned companies. Nor does the government consider it relevant for the state to be pro-

active in acquiring new strategic positions in companies subject to competition. Only in extraordinary cases will the government consider undertaking new state ownership positions. Such an undertaking would have to be carefully assessed and justified on the basis of economic profitability and broader considerations. The government is committed to state production activities being carried out efficiently, using an appropriate management and organisational structure. On this basis, the government may consider reorganisations of state-owned enterprises and the founding of new companies.

The government aims for the Norwegian state's ownership to be an example of best practice internationally. Ownership shall be administered professionally, and the government will conduct a responsible ownership policy characterised by predictability and established principles for state governance. In executing its ownership, the state will emphasise areas as, where an owner, it has good premises for adding value to the companies, including a continued emphasis on strengthening strategic and financial follow-up of the companies through analysis, strengthening work on recruiting board members and systematising assessments of board activities. The state will place emphasis on being a leading owner when it comes to promoting good corporate governance.

In this report, the government has made certain adjustments to the state's principles of corporate governance, in line with developments in corporate governance and established practice.

The primary purpose in the commercial companies is the return on invested capital. The government believes that various factors contribute to this. Accordingly, the government has clear expectations of the companies in terms of returns and dividends, board work, corporate social responsibility, executive remuneration, research and development, and diversity and equality.

Corporate social responsibility is an area that has garnered increased attention and importance in recent years, both in business in general and for the state as an owner. The government expects companies in which the state has a holding to work systematically on their corporate social responsibility and to be exemplary in their respective fields. The government would particularly like to draw attention to developments in the climate and the environment, and to the impacts these may have on society as a whole and on the development of companies in particular. The government expects companies to have a good

understanding of risk in terms of how climate change and climate policy initiatives may affect their activities, and for them to be at the forefront of work on the climate and the environment in their sectors.

In respect of the state's attitude to executive remuneration, the government signals certain changes in this report. In some areas, however,

the government believes that a more detailed review is required before it puts forward its new guidelines. The Storting will be informed appropriately when the guidelines are in place.

The company review in chapter 9 details the state's objectives of ownership in each individual company, based on the justifications for state ownership and the four ownership categories.

*Part I*  
*Ownership – significance for value creation*



## 2 Ownership – significance and development trends

This chapter describes the significance that ownership may have for value creation. It gives a portrayal of what characterises good owners and of key development trends in the exercise of ownership in recent years. The topics described relate primarily to commercial companies, but will be transferable to some extent to other types of companies.

### 2.1 The significance of ownership for value creation

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Ownership can be highly significant for value creation. Different phases of a company's development present different needs, and different owners may have varying preconditions for contributing to a company's development. These relate to, for instance, expertise, controllability, objectives, access to networks, preconditions for contributing to restructuring and innovation, and for contributing capital on the basis of risk appetite and capacity. What constitutes a good combination of company and owners may vary with the company's phase of development, growth and nature. A diversity of owners, owner types and owner communities will contribute positively to a good combination of company and owners, sound business development and economic value creation over time.

An increased rate of change in business and industry means that the importance of the company's ability to adapt and innovate increases. This places greater demands on the owners, who set policies for the companies' activities, and make critical decisions in the event of major changes in the companies. This may, for example, relate to the setting up of new businesses and to the acquisition, divestment and winding up of businesses. In such a business climate, competent owners with the ability to understand a company's situation, challenges and opportunities are important for realising the company's potential for value creation.

The owner can contribute to the companies' value creation in a number of ways. These are described in more detail below.

#### 2.1.1 The importance of capital allocation

Well-developed and competent owner communities are a prerequisite for value creation. Owners and investors have a fundamental role in facilitating profitable business activity by contributing risk capital for the establishment of new companies or for expanding established companies.

In the capital market, those who want to save are connected with those who want to lend and invest. In this way, capital is channelled to potentially profitable investments, and risk is distributed between the participants. In this fashion, the capital market streamlines the use of resources in the economy.

Sound decisions concerning financing are contingent on sufficient knowledge about expected profitability, risk, markets, sectors, companies and the position the company is in. Strong and competent owner communities and professional communities can be crucial for analysing and understanding risk and potential returns, and thereby ensuring the appropriate capital input.

#### 2.1.2 The importance of the exercise of ownership

Ownership is important for how companies are governed and run. Owners can be involved in companies in different ways and to different extents, depending on the ownership model. At one extreme are financial owners who allocate capital through small shareholdings, and who are easily able to liquidate positions if the company does not perform and deliver returns as expected. At the other extreme are owners who get involved in companies' operations and aim to develop profitability over time and exploit inter-company synergies.

Good owners with a low level of active involvement will primarily ensure that companies follow principles of good corporate governance and

commercial management in order to protect their own interests. With a greater degree of involvement, owners may try to create added value by supporting and following up the companies. Such owners may, for example, use networks and their own industrial expertise in order to complement the executive management, and also influence who is on the board and thereby also on the management. They are more prone to impose requirements on the board and management based on their own knowledge of relevant markets and sectors, and may become involved in companies' strategy formulation or giving direct operational support.

Private equity (PE) investors are an example of owners who have extensive involvement in the companies in their portfolios. These owners receive a lot of attention but they constitute a relatively small part of the overall ownership community.

The model for PE investors is to take over companies where they can realise a potential for running the company better or contributing to further growth. PE investors are also liable to make changes to management and/or provide direct operational support. In many cases, they contribute to both organic growth and growth through acquisition. Analyses indicate that returns on PE funds have been higher than for the rest of the market, including when adjusted for the gearing ratio. Since 1995, US PE funds have yielded returns three percentage points higher on average than the S&P 500<sup>1</sup>. There have typically been large differences in funds which perform well and those which perform badly, with traditionally great stability in respect of which participants perform well. This indicates that skill in exercising ownership creates value. The figures for recent years also indicate that the PE investors as a whole have gradually become more professional, that there is now less difference in performance between the participants, and somewhat lower stability as to which investors perform well over time. What creates high returns for the PE investors has changed over time. Formerly, the return was largely based on identifying and investing in the right companies and sectors («buying well»). In recent years, the trend is towards good ownership being increasingly taken to mean driving value creation («owning well»)<sup>2</sup>. This may

reflect the fact that the owners' expertise has become more significant.

The owners choose the company's board. A competent board is important if a company is to be operated prudently and profitably. Some owners sit on the board themselves, and through their board representation participate directly in the company's administration. Some owners also participate in the executive management in various ways.

The owners' primary aim will essentially be to maximise the return on invested capital at the desired level of risk. The company management may have incentives for pursuing other objectives. This is normally referred to as the principal-agent problem<sup>3</sup>. The relationship between the majority and minority shareholders, between management and employees, and between management and other stakeholders are other key agency dilemmas in the corporate context. The diminution of potential difficulties in such relationships is key to various principles for sound corporate governance, such as those of the OECD<sup>4</sup>. Such difficulties do not necessarily reduce value creation, but they may affect the risk and also redistribute the return between stakeholders. Conflicts of interest between the owners, where one or more owners attempt to enrich themselves at the cost of others, may however tend to reduce the total value creation in the company by wasting resources. The owner is often not able to observe or control the management's activities directly. The owners can also lack knowledge as to what the best operational decisions will be. Accordingly, the management often has an information advantage that they can use to pursue their own objectives, in preference to the owners' desire for the highest possible return on invested capital over time.

There is a comprehensive literature on the effect of good corporate governance on company value creation, but due to the complexity of the subject, conceptual ambiguities and regional differences, it is difficult to point to unambiguous results. There does however appear to be a broad sense that good corporate governance is important for value creation, and the literature is tending to provide empirical support for this view<sup>5</sup>.

<sup>1</sup> Harris, R.S., Jenkinson, T. and Kapland, S. N. (2013): «Private Equity Performance: What Do We Know?»

<sup>2</sup> Ghai, S., Kehoe, C. and Pinkus, G. (2014): «Private equity: Changing perceptions and new realities.»

<sup>3</sup> See, for example, Jensen, M. C. and Mecklings, W. H. (1976): «Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure.»

<sup>4</sup> OECD (2004): «Corporate Governance Principles.»

<sup>5</sup> See, for example, Switzer, L. N. (2013): «Perceptions of Board Alignment with Shareholder Interests and the Operational and Stock Market Performance of Firms.»



### 2.1.3 Owner composition and owner types

The owner composition and owner types may be significant for value creation in companies by creating different incentives for exercising good corporate governance. Accordingly, different combinations of owner concentration, owner type and duration of ownership may influence the quality of the exercise of ownership<sup>6</sup>.

The benefit of a high concentration of ownership is that large owners are likely to be better placed to assert their interests towards management than owners in a more fragmented shareholder structure. A high concentration of ownership can therefore reduce the agency costs. Conversely, a high concentration of ownership can make it more difficult for the minority shareholders to assert their interests. Furthermore, a high concentration of ownership will reduce liquidity in the shares. Liquidity is an important factor for investors, since a high liquidity lowers the cost of exiting a company. In addition, low liquidity provides poorer pricing data. Good pricing data can help discipline company management and reduce agency costs, especially in the case of a fragmented ownership structure or other circumstances where the owners have little direct control over the management. For example, the FTSE 100 index<sup>7</sup> operates with a minimum requirement of 25 per cent free float<sup>8</sup>, and it has been discussed increasing this further. On the Oslo Stock Exchange, profitability of companies with high concentration of ownership appears to be lower than for companies with low concentrations of ownership, whereas the relationship is more inconsistent internationally<sup>6</sup>.

A key distinction between owner types is between indirect and direct owners. Indirect ownership means that the ownership is administered through a third party, for example, a fund. Indirect ownership is therefore at two removes of agency from management instead of one. Institutional ownership can have positive effects in that, as a rule, an institution will be larger and possess more expertise than private individuals. On the other hand, direct owners, who administer their ownership themselves, have greater incentives for managing their ownership well.

Another distinction between owner types is between public and private sector. The literature provides no clear answer as to whether private ownership provides a better return than public ownership, but some research does support this perception<sup>9</sup>. The mechanisms behind this potential phenomenon are unclear, but one possible explanatory parameter may be that the public sector is an indirect owner<sup>10</sup>. Furthermore, a high public sector concentration of ownership in individual companies (which is often the case) may have an effect by reducing liquidity, which in turn may affect market prices. It is important to note that the conclusions will depend on factors such as which market the research was done in and when.

The duration of the ownership will have consequences for its exercise. Long-term owners can create value by financing strategies that produce long-term, but not necessarily short-term, gains. On the other hand, long-term ownership can lead to less pressure on the management. Research performed on Norwegian stock exchange data gives some indication that indirect long-term ownership yields lower returns, while direct long-term ownership yields higher returns. In listed companies, investors are typically divided into traders, mechanical investors and value investors, according to how they allocate capital. Traders attempt to achieve a return by picking the right time to move in and out of shares. Mechanical investors follow indexes and place capital passively in order to achieve the market return. Value investors are investors who seek to place their money in companies which they believe, over time, will produce a return due to the company's fundamental value. How the shareholder structure is defined by the different shareholder categories may be significant for the company's valuation, its liquidity and volatility, and may therefore affect the return.

## 2.2 What characterises good owners?

Value creation ensuing from capital allocation and corporate governance will vary between the different types of ownership models. The distinction here is between owners who primarily perform

<sup>6</sup> Bøhren, Ø. (2013): «Eierne, Styret og Ledelsen.»

<sup>7</sup> The FTSE 100 is a share index of the 100 most valuable companies listed on the London Stock Exchange. The companies on the FTSE 100 represent around 80 per cent of the market value of the exchange.

<sup>8</sup> Free float refers to shares that are actually available for trading.

<sup>9</sup> See, for example, Wolf, C. (2009): «Does Ownership Matter? The Performance and Efficiency of State Oil vs. Private Oil (1987–2006).»

<sup>10</sup> Shleifer, A. and Vishny, R. W. (1997): «A Survey of Corporate Governance.»

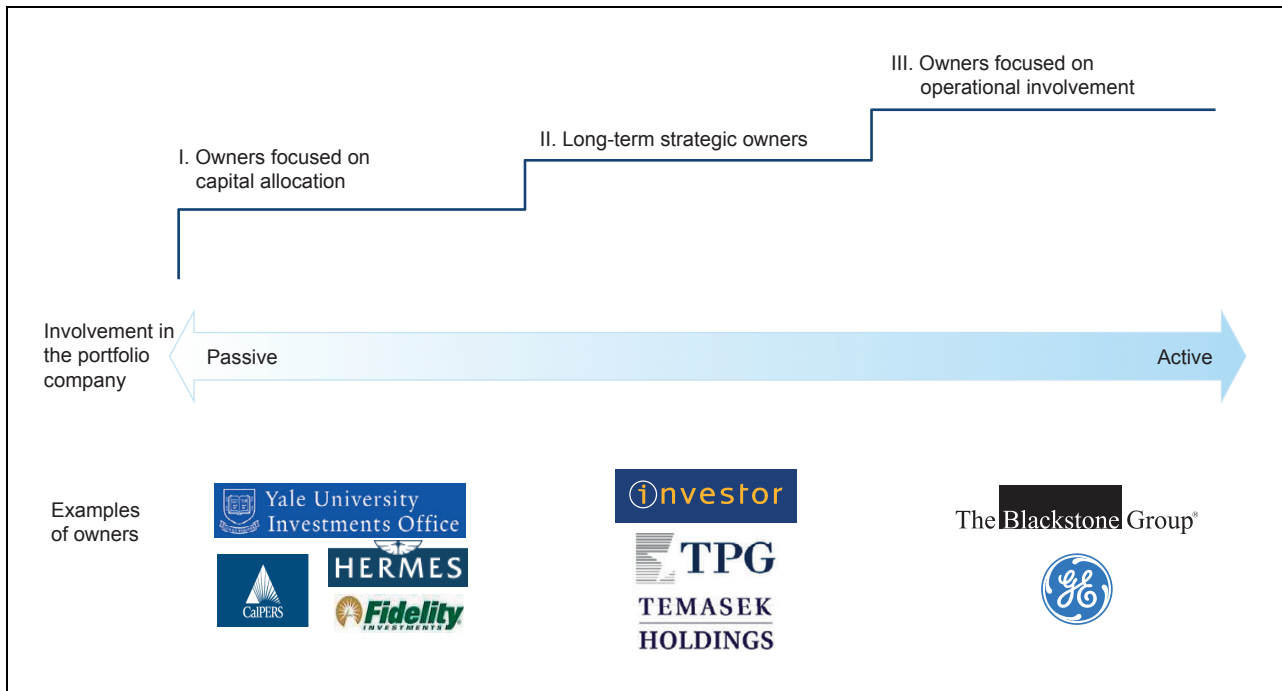


Figure 2.1 Three models of ownership.

capital allocation, long-term strategic investors and owners with operational involvement; see figure 2.1. The following expands briefly on what characterises the main owners within each model.

### 2.2.1 Owners focused on capital allocation

These are owners who primarily maintain a diversified portfolio, with small shareholdings in each company. They typically have investments of small shareholdings in 100–5,000 companies. The value-creation logic is centred around dynamic portfolio adjustments, with little involvement in the companies invested in. In order to ensure good diversification, the portfolio may well be spread over different geographical areas and different asset classes.

These owners create added value by performing capital allocation based on profound expertise and insight into financial and capital markets. The ownership is exercised by having clear criteria and guidelines for the requirements they have of the companies they invest in. Voting rights at general meetings are used actively in order to promote good corporate governance. These owners are often adept at working with other shareholders to achieve desired changes. If the companies they invest in prove not to meet the defined criteria or do not perform as expected, the shareholdings will be sold («voting with their feet»). In recent years, especially as a result of the financial

crisis, «tactical investments» have increased in scope. These are investments which try to evaluate market timing more actively and achieve a return on short-term investments.

### 2.2.2 Long-term strategic owners

These are owners who attempt to create value by adopting long-term strategic positions, and who support the portfolio companies' management and value creation. The typical long-term strategic investor usually has between 10 and 50 companies in the portfolio, and shareholdings between 10 and 100 per cent. The shareholding must be large enough for the investor to have direct influence in the companies, for example through board representation, so that it is possible to create added value by taking part in defining the individual company's direction.

With their profound knowledge of the industry and extensive familiarity with the individual companies, these owners seek to help improve long-term returns from the portfolio. This requires an independent sense of companies' strategies and business models. Good long-term strategic investors work proactively to influence key strategic decisions. These owners will typically be represented on the boards of the companies on the portfolio. As part of their strategy follow-up, good owners will participate in promoting major strategic initiatives in the portfolio companies and

will also provide support for strategy execution. The owners will typically set clear financial and strategic objectives and follow them up.

Some strategic owners have a selection of board members whom they follow up through board seminars and other forms of competence building. Furthermore, the board representatives may be rotated through the companies in the portfolio, both as part of capacity-building and knowledge-sharing, and also to ensure that at any time the boards have the right expertise for the challenges which the particular companies face.

Typical examples of long-term strategic owners are Investor and Industrivärden of Sweden and state holding companies such as Temasek (Singapore) and Khazanah (Malaysia).

To succeed with long-term strategic ownership, it is necessary to have a broad range of expertise, and it is crucial for the owners to have sufficient industry knowledge to follow-up the portfolio companies properly.

### 2.2.3 Owners focused on operational involvement

Owners focused on operational involvement try to create added value by concentrating on fewer companies and using their expertise to support companies at operational level. In order to capitalise on the expertise they bring to the companies, such owners will primarily be sole owners or, as a minimum, majority owners. The portfolio will typically consist of 10–50 companies.

Owners who are involved at operational level will actively undertake operational improvements in partnership with the management. The owners will ensure that there are regular reviews of value creation in the portfolio companies, and they will develop ambitious plans which they follow up closely. They will often drive functional thematic changes across the portfolio, for example through initiatives aimed at cost control, recruitment and so forth. These owners will also seek to create and exploit synergies between the companies in their portfolio, for example by having common procurement functions, IT solutions and other shared operational solutions. The best of these investors are good at building centres of excellence in different areas which the companies in the portfolio can benefit from.

Examples of such owners are the most actively involved private equity investors and large conglomerates such as General Electric.

The expertise required for good owners focused on operational involvement will vary greatly,

depending on how they choose to be involved and will depend on the individual company's situation and strategy.

## 2.3 Trends and developments in the exercise of ownership

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### 2.3.1 Polarisation between passive and active owners

Over recent decades, there has been a gradual trend towards more fragmented ownership in listed companies. Increased fragmentation of ownership means that the owners have fewer incentives (and reduced opportunities) for exercising active ownership.

The increasing level of passive owners is connected with the increase in institutional ownership. Institutional owners, such as pension funds, insurance companies and mutual funds, own a considerable share of the world's listed companies.

Companies with a fragmented shareholder structure and a predominance of institutional owners are often referred to as «ownerless» companies, since they lack major direct owners with incentives for exercising active ownership. In such ownerless companies, a lot of power may be concentrated with the management, and it may be difficult to verify whether the management is acting on the basis of its own, potentially short-term financial incentives, or on the basis of long-term value creation for the owners. Institutional owners have fewer incentives to work for long-term value creation due to generally shorter term positions.

It is natural to draw parallels between the development of ownerless companies and the emergence of very active ownership communities. Passive ownership and ownerless companies have also been suggested as a contributory factor in the financial crisis.

Active ownership requires resources and therefore entails a cost. Passive owners can thereby realise a gain by having other owners assume the costs of active ownership. Problems associated with passive ownership are reflected in a variety of guidelines for corporate governance and company management. The UK Stewardship Code, a set of corporate governance principles aimed at institutional investors in the UK, established in 2010, requires that institutional investors have clear guidelines for the use of voting rights and that they report on voting activity. The UK Stewardship Code is monitored by the UK's Financial

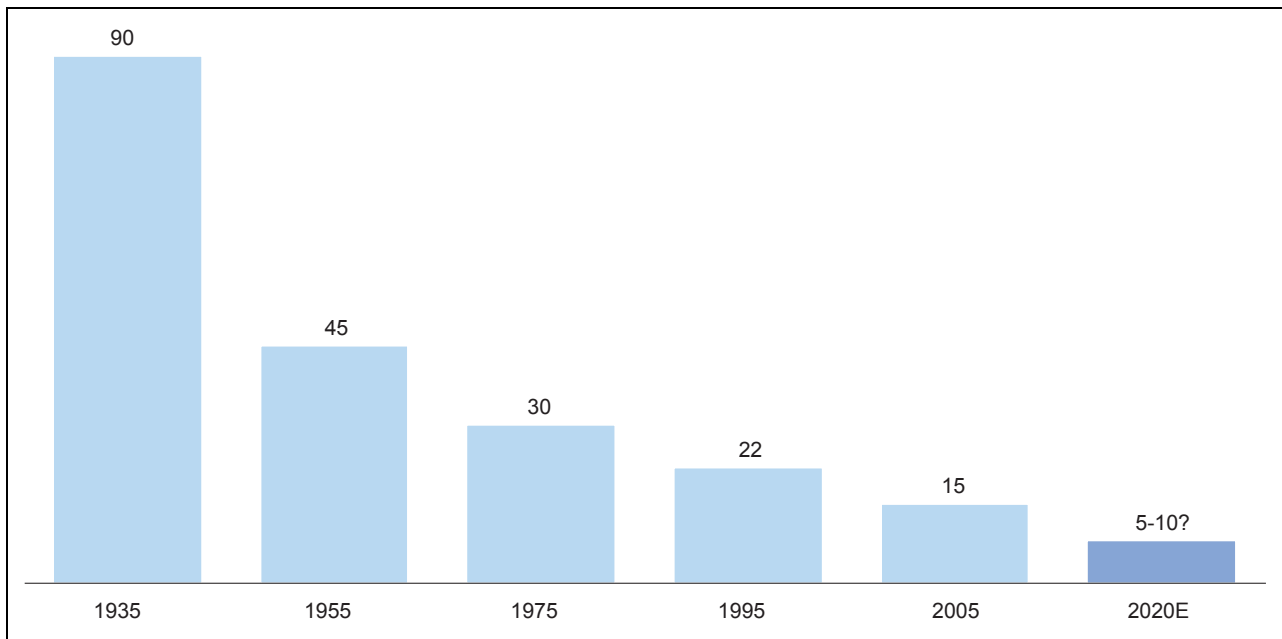


Figure 2.2 Average life time of companies on the S&P 500. Implied life time in number of years based on average loss of tenure over a 20-year period.

Source: McKinsey & Company.

Reporting Council which requires institutional investors to report on whether or not they adhere to the guidelines («comply or explain»). The problems are also reflected in, for example, the Hermes Responsible Ownership Principles from Hermes Fund Managers<sup>11</sup>, containing principles for what companies should be able to expect from investors, including a constructive dialogue with the board and management and a long-term view in the exercise of ownership, including the use of voting rights.

### 2.3.2 Faster global industrial and technological developments

Companies must take into account increasingly more rapid changes in their surroundings and greater uncertainty and volatility in the global markets. This makes it more difficult to maintain strategic competitiveness over time. For example, the companies' average life time on the S&P 500 has fallen considerably over the last century; see figure 2.2. This trend is powered by a number of different factors.

Firstly, technological changes are occurring more rapidly than before, and new technologies are gaining footholds in the market ever more

rapidly. This means that innovations can quickly alter the dynamics of a sector. Technological developments may make companies which are market leaders today unable to withstand competition tomorrow if the company does not adapt fast enough and act innovatively. A well-known example is Nokia, which was the world leader in mobile telephony but which saw the value of its share capital reduced from 110 billion Euro to 15 billion Euro over five years after Apple, with the introduction of the iPhone, changed the competitive landscape.

Secondly, it is increasingly the emerging economies which are driving growth in the global economy. The growth in demand in these markets is making them increasingly important, including for Western companies, and creating a need for new expertise and experience. At the same time, a gradual dismantling of trade barriers and increased integration in the global economy has ensured that more industries have been opened up to competition.

Thirdly, the financial markets still bear the marks of the financial crisis of 2008, and the ensuing debt crisis in Europe. In Europe especially, the financial sector remains weak, and with low expected future growth, there are reasons to believe that Europe faces considerable challenges<sup>12</sup>.

<sup>11</sup> Leading British investment firm established in 1983.

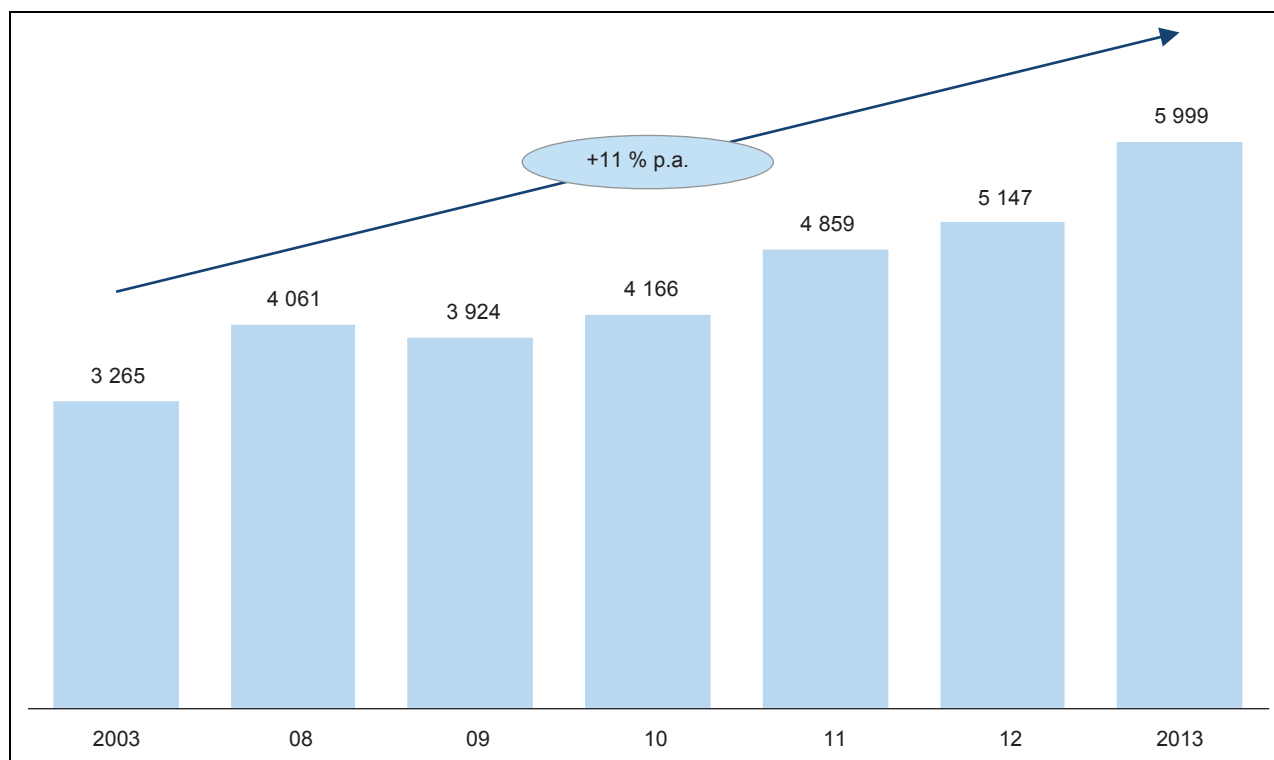


Figure 2.3 Sovereign wealth funds in the period 2007–2013. Capital under administration in USD billions.

Source: Sovereign Wealth Fund Institute.

In a world of keener competition and faster change, greater demands are made of management, boards, and owners to make good decisions quickly. The management should be able to evaluate operational opportunities and be more internationally oriented. The boards should be closer to the strategy process and have adequate international expertise and experience. The boards should, moreover, be able to represent the long-term perspective in a world where CEOs are replaced more frequently, and where greater unpredictability means that management has to concentrate more intently on short-term challenges. The owners should be prepared to assess decisive strategic changes, acquisitions and other major investments with less delay.

### 2.3.3 Growth in long-term state ownership with expansive agendas

Large distortions in the global balances of trade have led to substantial national wealth accumulation in individual countries and hence greater state ownership in commercial companies. Through large sovereign wealth funds, especially

in China and the Middle East, state agencies own an increasingly larger proportion of the world's share capital. The extent of sovereign wealth funds is shown in figure 2.3.

State ownership has also grown nationally, powered to a great extent by state acquisitions in connection with the financial crisis. This applies in particular to the financial sector where a number of insurance companies and banks have been placed under state control. Moreover, a number of large, substantially state-owned, companies have expanded globally. This scenario is especially evident among Chinese companies but is also illustrated through, for example, the expansions of Telenor and Statoil in the early 2000s.

State investment and pension funds are fundamentally organised in the same way as large private funds and often operated under similar principles. Many states also use state-owned enterprises to protect national interests, for example by safeguarding access to commodities or for promoting industrial development in their own countries. In Norway, the national maintenance of key functions in the country is an important argument for retaining majority or negative control (more than one third) in certain Norwegian companies.

In many countries, there has been a professionalisation of state ownership, with clearer division

<sup>12</sup> IMF (2013): «World Economic Outlook.»

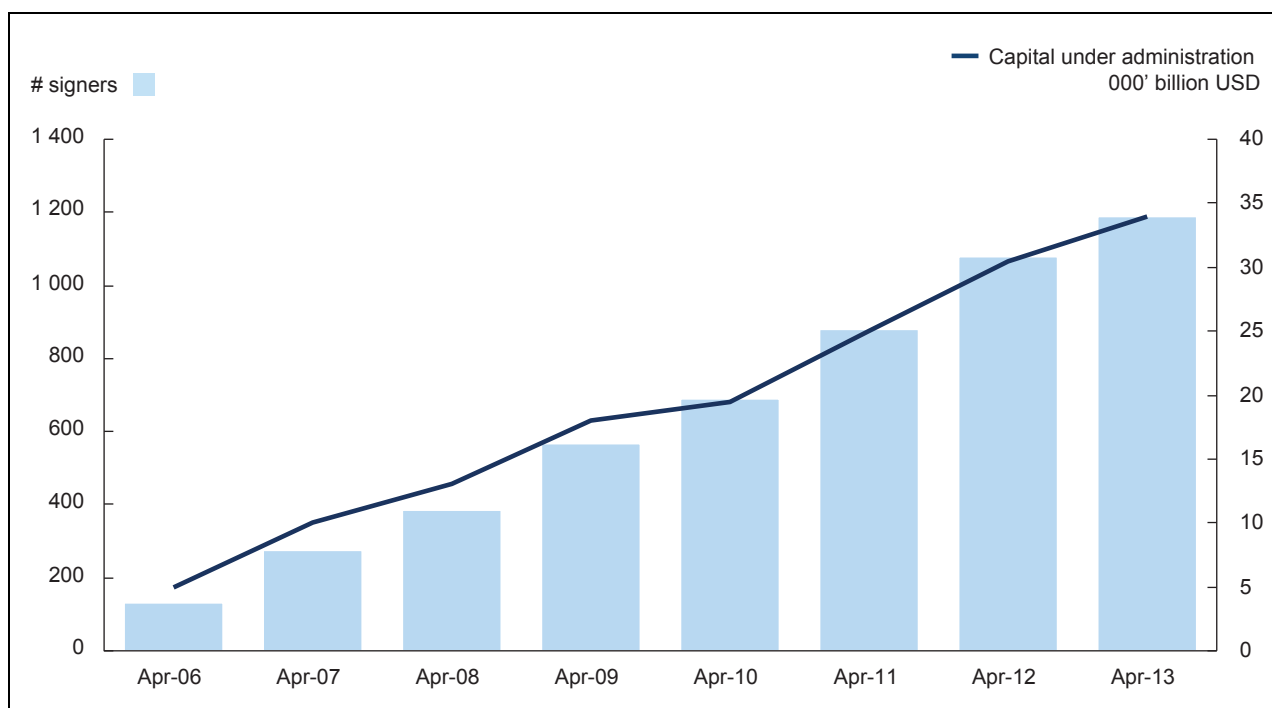


Figure 2.4 Number of investors who have signed up to the UN Principles for Responsible Investment.

Source: Principles for Responsible Investment.

of responsibilities between regulatory authorities and the state's exercise of ownership. Communication with the international investor market, in order to explain how state ownership functions, is hugely important for trust in state ownership. Even if state owners act professionally and transparently, it will still be increasingly more important for them to be open and clear about the guidelines which apply to their exercise of ownership and how these are adhered to.

### 2.3.4 Greater expectations of responsible ownership

In recent years, increasing attention has been paid to a number of problems associated with owners' and companies' social responsibilities. Environmental challenges, multinational companies' role in developing countries and corruption cases are areas which have received great attention.

At the same time, there has been a large increase in funds and other investors focused on sustainable investments. Examples of such funds are Osmoris MoRE World, Generation and GS Sustain. In addition, many investors who do not treat sustainable investments as a separate concept have introduced better systems for reducing risks relating to corporate social responsibility in their portfolios.

In 2006, the UN Principles for Responsible Investment were formulated. Adherence to the UN principles has increased to more than 1,200 investors who, combined, administer capital valued at more than USD 34,000 billion; see figure 2.4.

The fact that owners are increasingly emphasizing their social responsibility and associated improved routines for compliance, places more pressure on other owners to follow suit, as the reputational risk of not following the best example increases. For owners, there is therefore an increasing need to ensure they have good systems and routines for monitoring corporate social responsibility in different areas, and many trends indicate that this may become a competitive advantage for companies and shareholders in the future.

### 2.3.5 Increased awareness of the long-term value trend of companies

Many people have argued that the focus on short-term gains contributed to the financial crisis<sup>13</sup>. This crisis and the ensuing debt crisis in Europe have put a critical spotlight on short-term market

<sup>13</sup> OECD Insights (2010): «From Crisis to Recovery.»

participants. Such turbulence also goes to undermine confidence in companies and owners.

A survey<sup>14</sup> of business leaders across a number of countries shows that they experience pressure to produce short-term results, and 63 per cent of respondents stated that the pressure has increased in the last five years. Nearly half reported that they worked to a strategy with a time horizon of less than two years. At the same time, 73 per cent of respondents stated that the planning horizon should be three or four years or more. It is therefore the case that a majority of business leaders see the planning horizon as non-optimal due to pressure from outside or from greater competition.

The boards will therefore be increasingly more important for guaranteeing a long-term planning horizon. The best boards are also increasingly involved in strategy work and spend more than half their time on this.

### 2.3.6 Increase in activist investors

Activist investors represent a phenomenon that has grown strongly in recent years. Capital administered by activist funds grew more than sixfold in the period 2003–2013, and activist investors are taking positions in increasingly larger companies<sup>15</sup>. The growth has not shown any tendencies to flatten out, so it is reasonable to assume that this is a trend that will continue in the years ahead.

Activist investors are commercially oriented investors who acquire small shareholdings in a company and attempt to increase the value of the investment by trying to force through changes in the company's governance. The objective for activist investors is to buy into companies they believe have a large potential for improvement and with clear plans for measures to boost the companies. If their plans fail to make an impact, they will attempt to force through their agendas by initiating a campaign against the management. The value creation model of activist investors is to buy into companies they believe lack good corporate governance.

Typically in the USA, activist investors often prepare an in-depth analysis (a white paper) of the target company. Based on this analysis, detailed proposals or requirements are put forward which the management and board are requested to

implement<sup>16</sup>. The proposals might, for example, entail splitting of the business, the sale of subsidiaries, larger dividends, arranging for acquisitions and other transactions of a clear commercial and operational character. The proposals are often combined with communication campaigns, TV appearances, shareholder letters, newspaper articles, etc. Calculations by FactSet<sup>17</sup> show that activist shareholders succeeded fully or partially in their campaigns in six out of ten cases in 2013. According to *The Wall Street Journal*, this was the highest figure ever.

The activist investor trend is strongest in the USA, but has also spread to Europe. However, compared with the USA, the campaigns of activist investors in the EU and Norway have been less vocal. Activist investors have been active in the Nordic region for a number of years; for example, Stockholm-based Cevian Capital took a 16 per cent holding in Lindex in 2003 and replaced much of the management<sup>18</sup>. In the Nordic region, the frequency of activist actions looks set to increase, and Cevian is now the largest activist investor in Europe<sup>19</sup>. Internationally, there have also been cases where activist investors become involved in companies with few dominant owners.

Activist investors are a controversial topic, the term often has negative associations and they are often criticised for taking short-term gains. However, analyses indicate that activist investors generally have a positive effect on companies' returns, including in the longer term<sup>20</sup>. For management and boards, attacks from activist investors are likely to be unwelcome since they imply that the management should have done a better job. For other owners, this may potentially be a benefit. In some cases, activist investors will be invited in by other long-term investors or by concerned employees who are dissatisfied with the manage-

<sup>16</sup> Mellbye A. (2014): «Aksjonæraktivisme – et gode eller onde?» <http://www.wiersholm.no/publikasjoner/Pages/Aksjoneraktivisme.aspx>

<sup>17</sup> FactSet Research Systems is an American company which offers financial information and analytical tools to professional investors.

<sup>18</sup> Becht, M., Franks, J. and Grant, J. (2013): «The Returns to Hedge Fund Activism: An International Study.»

<sup>19</sup> Activist Insight (2014): «Activist investing: An annual review of trends in shareholder activism.»

<sup>20</sup> Bebchuk, L. A., Brav, A. and Wei, J. (2013): «The Long-Term Effects of Hedge Fund Activism.» Brav, A. Wei, J., Partnoy, F. and Randall, T. (2008): «Hedge Fund Activism, Corporate Governance, and Firm Performance.» *The Journal of Finance* 63(4). Becht, M., Franks, J. and Grant, J. (2013): «The Returns to Hedge Fund Activism: An International Study.»

<sup>14</sup> Canada Pension Plan Investment Board and McKinsey & Company (2013): «Looking toward the long term.»

<sup>15</sup> Hedge Fund Research Database.

ment<sup>21</sup>. In other situations, the threat of activist action may itself prompt change.

### 2.3.7 Effective board work has become a more important competitive factor

Before the financial crisis of 2008, there was a long period of stability and high economic growth in the global economy, often referred to as «The Great Moderation». Long periods under a favourable economic climate placed relatively less pressure on the boards than is the case today. The boards' duties and responsibilities were therefore often limited, and many boards essentially restricted themselves to approving the executive's proposals. The dot-com crisis, the financial crisis and a series of major bankruptcies contributed to considerably increasing the demands placed on the boards. In many jurisdictions, the formal requirements have also been strengthened. The board is increasingly being viewed as a crucial factor for the company's long-term success. The company's various support functions have gradually become more professionalised, and in many respects the board is the last link in this chain.

This development has been driven by a number of factors. As previously mentioned, the pace of technological development, globalisation and financial market turbulence have meant that companies need to deal with greater uncertainty and faster changes in the market than before. In addition, digitisation, globalisation and new busi-

ness models have made the companies more complex and therefore more difficult for the boards to control. More frequent changes to executive management mean that it falls to the boards to safeguard the long-term prospects of the companies to a much greater degree. Following the financial crisis, the media also scrutinised the boards more carefully in the event of irregularities in a company, with ensuing discussions of the boards' qualifications and what they spent time on.

McKinsey's Global Board Survey 2013 indicates that many directors continue to find that they have insufficient time, knowledge and the appropriate information to contribute effectively, but that this is changing. Over the last five years, directors have found that the boards have become more effective, and the time spent on strategy activities has increased. Nonetheless, the survey indicates that board members believe that a further increase in the time spent on strategy would produce greater value for the companies in the years ahead<sup>22</sup>.

The boards increasingly aspire to become more professional. At the same time, there are increased expectations of the boards taking an active role in order to be able to add value to the organisation. High-functioning boards, which operate as effective sparring partners and challengers to the management, will be increasingly more important components of well-run companies.

<sup>21</sup> Financial Times: (2014): «Executives take note: activists are sometimes right.»

<sup>22</sup> NYSE Governance Services (2014): «What Directors Think 2014 Survey.»



*Part II*  
*Prerequisites for private ownership in Norway*



### 3 Ownership in Norway

#### 3.1 The Norwegian capital market – overview and figures

The capital market is a collective term for the markets in equity and debt instruments (external capital). The market for external capital can be divided in turn into bank debt and bonds.

A well-functioning capital market contributes, through different functions, to efficient resource allocation over time and increased value creation. Among other things, the capital market facilitates the matching (of savings, consumption and investments) over time, by linking those who want to save with those who want to consume or invest, including in business and industry, and helps distribute risk between market participants. By issuing shares and bonds in the securities

markets, enterprises can finance projects and the risk can be spread across several investors and lenders.

The total capital stock of non-financial corporations<sup>1</sup> in Norway was around NOK 9,600 billion in 2012, of which NOK 5,600 billion was debt and NOK 4,000 billion was equity; see figure 3.1. Norwegian companies therefore have a larger share of their capital financed by external capital than by equity<sup>2</sup>. This proportion has been stable in recent years. There has been a moderate rise in the value of total balance sheet items, but given inflation

<sup>1</sup> According to Statistics Norway, «non-financial enterprises» includes all corporations and quasi corporations that undertake market-oriented non-financial activities.  
<sup>2</sup> The figures for the listed share of equity represent market value, while the unlisted share is book value.

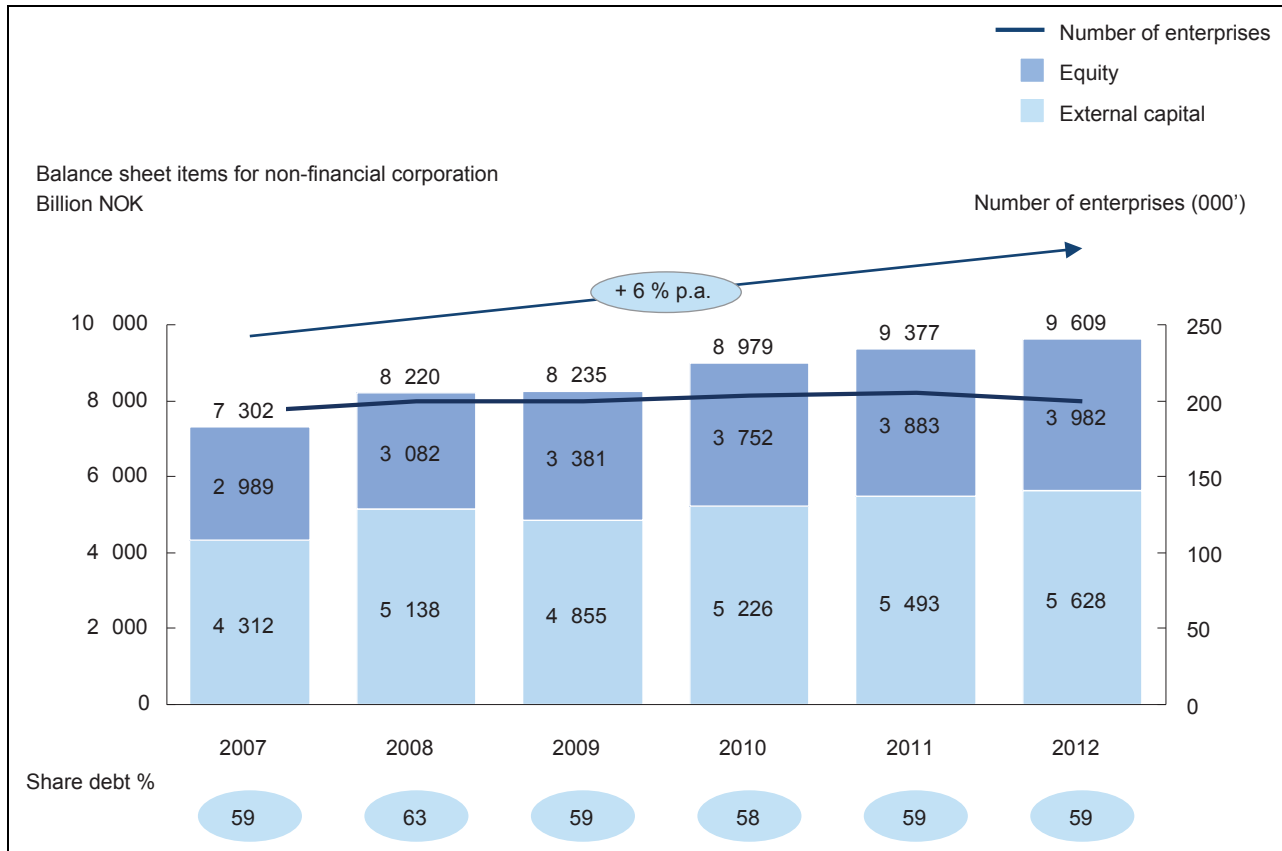


Figure 3.1 The allocation between equity and external capital among Norwegian corporations.

Source: Statistics Norway

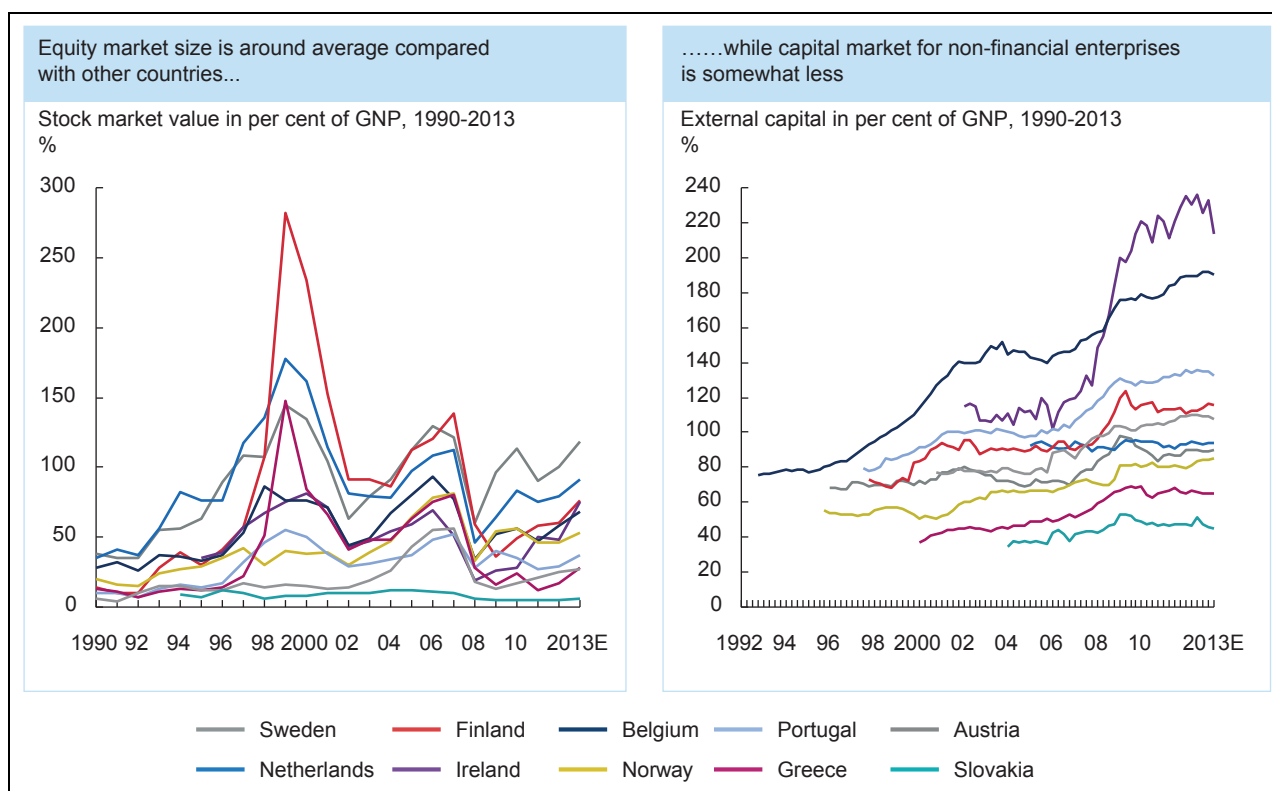


Figure 3.2 The markets for equity and external capital in selected European countries.

Source: Standard & Poor's, Statistics Norway and equivalent national statistical offices for other countries in the analysis.

and economic growth in the same period, the annual growth is moderate (around 3 per cent in real terms).

Compared with some other European countries, the size of the Norwegian equity market, as a share of GDP, is around the average. Book equity comprised 53 per cent of GDP at the start of 2014<sup>3</sup>, whereas similar values for Sweden, Finland and the Netherlands, for example, were more than 75 per cent. In addition, Norway has a relatively small external capital market for non-financial enterprises compared with other European countries; see figure 3.2.

The Norwegian capital market has tended to recover quickly in the wake of turbulent periods. Following the dot-com bubble in the early 2000s, the capital market in Norway was affected to a small extent, and although the financial crisis of 2008–2009 almost halved the value of the Oslo Stock Exchange, Norway was one of the countries which recovered fastest. To some extent, the lat-

ter may be due to the financial crisis in Norway not being followed by a fiscal crisis and high long-term unemployment, and to the sectoral composition of the companies on the Oslo Stock Exchange, among other things.

### 3.1.1 The equity market

The equity market can be divided into private and public sector, and into listed and unlisted companies. Figure 3.3 shows an overview of the ownership structure of equity in Norway. The figures for the listed share of equity represent market value at the start of 2014, while the unlisted share represents book value at the start of 2012<sup>4</sup>. Of total equity, around 35 per cent is listed on the stock exchange, while around 65 per cent is unlisted.

<sup>3</sup> Figures for the period 1990-2012 were obtained from the national statistical offices of the countries included in the analysis. The figures for 2013 are estimated by McKinsey MGI.

<sup>4</sup> Listed values are based on data from VPS – the Norwegian Central Securities Depository. Due to limited data availability, the unlisted share of equity is estimated on the basis of a variety of data points from Statistics Norway, Proff and Bøhren, Ø. (2013): «Eierne, styret og ledelsen.» The stated values should therefore be taken as best estimates. As far as possible, attempts have been made to use publicly available sources, and these may differ from private databases such as the ownership database of BI Norwegian Business School.

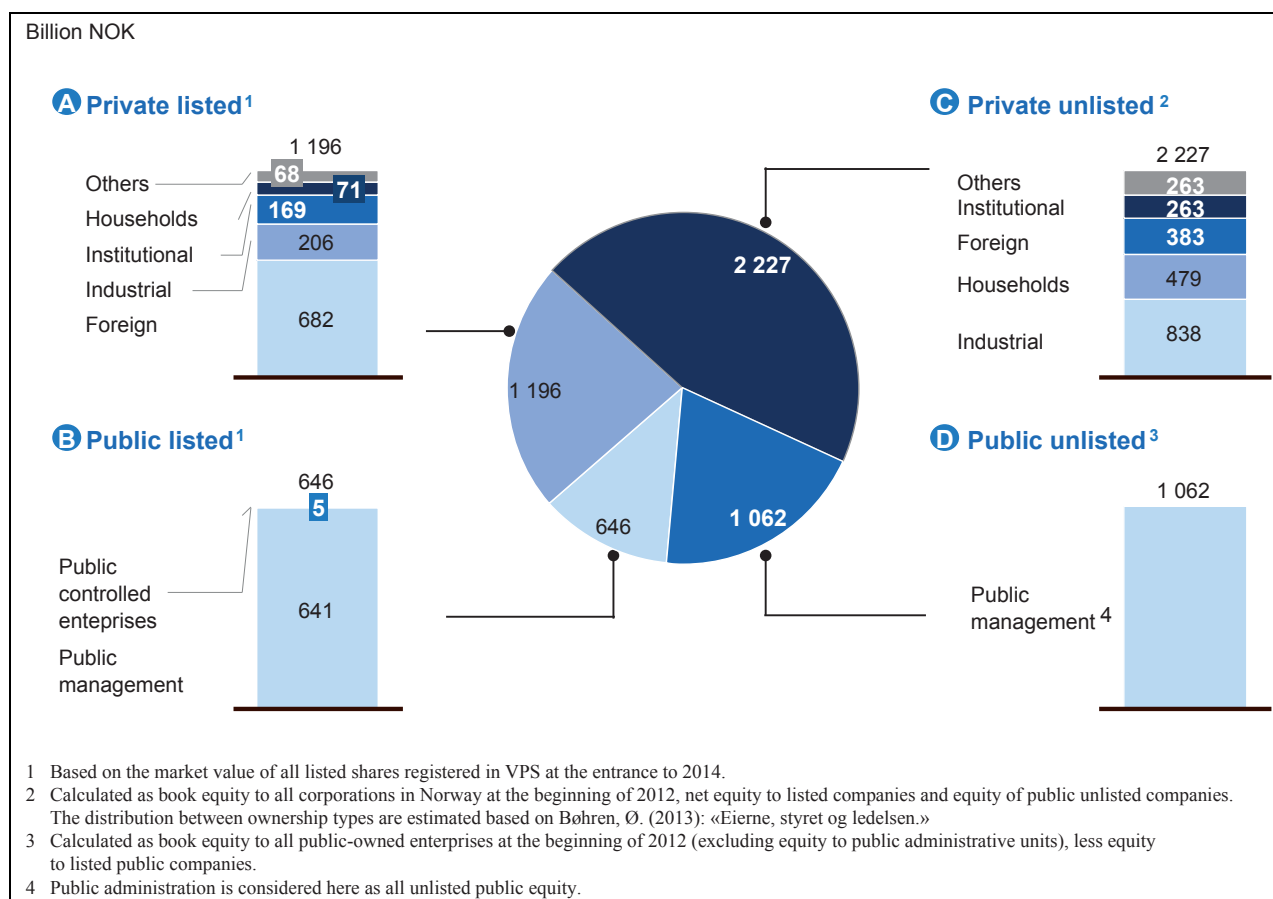


Figure 3.3 The equity market in Norway.

Source: VPS, Statistics Norway, Proff and Bøhren.

This means that the majority share of equity in Norway is not listed on the stock exchange<sup>5</sup>. Of the listed equity, around 35 per cent is publicly owned, primarily within public administration<sup>6</sup>, while 65 per cent is owned by the private sector, by financial enterprises, non-financial enterprises<sup>7</sup>, households, foreign investors and other owners. Of the unlisted equity, 30 per cent is publicly owned. The remaining 70 per cent is privately owned, and is distributed between institutional, industrial and foreign investors, and family companies and households<sup>8</sup>.

On average, the stock exchange listed share of the equity market has yielded high returns in the last decade. Between 2003 and 2013, the Oslo Stock Exchange produced an average annual

overall return of around 13 per cent, which is higher than the other Nordic stock exchanges. This may reflect which industries are relatively over-represented and under-represented on the Oslo and other stock exchanges. The Oslo Stock Exchange has, however, experienced higher volatility. One reason for this may be that the stock-exchange-listed companies are relatively more exposed to commodity prices, such as the prices of oil and gas. During the financial crisis, the Oslo Stock Exchange had the highest fall in value of the Nordic stock exchanges<sup>9</sup> (from September 2008 to March 2009). Part of the fall may be

<sup>5</sup> The proportion of unlisted equity is probably under-estimated since book values are generally lower than actual market values.

<sup>6</sup> According to Statistics Norway, public administration consists primarily of the different ministries.

<sup>7</sup> Hereinafter referred to as institutional and industrial enterprises.

<sup>8</sup> The distribution between private owners of unlisted equity is estimated based on Bøhren, Ø (2013): «Eierne, styret og ledelsen.», since this is the most up-to-date source available. Since information is not available about the extent to which ultimate or indirect owners are used, there may be a discrepancy between the stated distribution and other sources which use ultimate owners, such as Grünfeld, L. A. and Jakobsen, E. W. (2006): «Hvem eier Norge?» Here, Bøhren's and Statistics Norway's categorisation of owner groups is used.

<sup>9</sup> Includes the Swedish, Danish and Finnish stock exchanges.

explained by a considerable weakening of the Norwegian krone in the same period.

The above illustrates some of the difficulties the Norwegian capital market faces from being a small market with many foreign investors. When financial turbulence occurs in global markets, foreign owners often move capital back to markets with larger and more stable currencies. This weakens smaller currencies, and was a major contributor to reinforcing the fall in value and increase in volatility on the Oslo Stock Exchange during the financial crisis.

In the stock market, continuous assessments are made of expectations of the market as a whole and of the individual companies' activities. This happens both in the primary market, i.e. as regards the price of new shares in connection with initial public offerings and capital increases (issues), and in the secondary market, via the ongoing pricing of a company's share capital. Both the primary and secondary markets may yield indications of activity on the stock market.

Activity in the primary market can be measured by the total volume of issues on the Oslo Stock Exchange. Oslo was clearly the most active stock market in the Nordic region in the period 2005–2013, with twice the issue value and more than three times as many IPOs as the Copenhagen exchange, which was the second most active. In this period, 202 new companies were listed on the stock exchange in Oslo, compared with 74, 56 and 24 IPOs on the stock exchanges in Stockholm, Copenhagen and Helsinki respectively. In 2013, the companies listed on the Oslo Stock Exchange attracted more than three times as much capital as companies on the other Nordic exchanges. This is in spite of the fact that the issue volume in Oslo has fallen considerably in the last two years, and in 2013 was well below the 15-year average. It should however be mentioned that the market for issues on the Oslo Stock Exchange has historically been highly volatile<sup>10</sup>.

The high level of activity on the primary market is powered by a number of factors, including the keen interest from foreign companies<sup>11</sup>. This relates in particular to offshore and oil and gas, the maritime industry and the seafood industry. These are three key sectors in Norway, and the companies take a positive view of proximity to an

equity market that is knowledgeable about their own sector. The Norwegian capital market is considered to be among the world's largest as regards these three sectors, especially in terms of analytical expertise.

Activity in the secondary market closely reflects the liquidity in the market. The liquidity of different investments is of great importance for the investors' investment decisions. A liquid market for a share provides a better profit and risk assessment of projects and undertakings, since more investors implicitly make such assessments through continuous pricing of the shares. Statistics from the World Federation of Exchanges indicate that a number of European markets<sup>12</sup> have become less liquid in recent years, following a peak just before the financial crisis. The annual trade in shares on the Oslo Stock Exchange has reduced from around USD 550 billion in 2007 to USD 140 billion in 2013, corresponding to a fall of 74 per cent. In the last two years, this fall has moderated which may indicate that the market has normalised. There has been a corresponding trend in the turnover rate<sup>13</sup>, in which most European countries have experienced a market decline since 2008. For Norway, in 2008, the average turnover rate was around 155 per cent. This figure reduced to around 50 per cent in 2013<sup>14</sup>. The downward trend was stronger for Norway than for the other countries<sup>12</sup>, and the turnover rate in the last two years has moved below the level of both the Nordic<sup>9</sup> and Swiss exchanges.

One of the reasons for the relatively strong decline in Norway is the introduction of the EU MiFID (Markets in Financial Instruments Directive) in 2007, which allowed for the establishment of MTFs (Multilateral Trading Facilities). MTFs are marketplaces which allow trading in shares that are already listed on other exchanges. In recent years, Oslo Stock Exchange has therefore had competition from other marketplaces in offering trade in Norwegian shares, and the other Nordic exchanges in particular have taken some of the trade which formerly took place on the Oslo exchange. Another reason is the increasing proportion of Norwegian shares traded via so-called «dark pools»<sup>15</sup>, where the volumes are not recorded on the Oslo exchange<sup>16</sup>.

<sup>10</sup> Based on data from the Oslo Stock Exchange and World Federation of Exchanges.

<sup>11</sup> Oslo Stock Exchange (2013): «Oslo har Nordens mest aktive kapitalmarked.» <http://www.oslobors.no/Oslo-Boers/Om-oss/Presserom/Nyheter-fra-Oslo-Boers/Oslo-har-Nordens-mest-aktive-kapitalmarked>

<sup>12</sup> The Nordic countries, Austria, Hungary, Switzerland, Ireland and Greece.

<sup>13</sup> Measured as average turnover per month in relation to the market value at year end.

<sup>14</sup> Oslo Stock Exchange.

### 3.1.2 The external capital market

External capital is a collective term for debt instruments which companies use for financing. Both turnover and issue activity on the Norwegian bond market have increased substantially in the last decade. This has been driven primarily by two factors: firstly, market evaluations and regulatory requirements have increased the costs of financing through credit institutions. The companies have increasingly also used the stock exchange to acquire loan capital. Secondly, the bond market has become more accessible through the creation of Nordic ABM (formerly Oslo ABM) as an alternative marketplace for listing and trading in bonds and certificates. Nordic ABM was launched in 2005 as a self-regulating marketplace, not subject to the regulations in the Norwegian Stock Exchange Act, which means that the listing process is somewhat simpler and that issuers have a greater flexibility in terms of choice of accounting standards<sup>17</sup>. Nordic ABM has contributed to a significant increase in issue volume, and in 2013 had a 44 per cent share of the Norwegian volume of bond issues<sup>18</sup>.

### 3.1.3 Other characteristics

Beyond the general descriptions above, there are particular features that characterise the Norwegian capital market.

The Norwegian capital market is largely energy driven. As the world's third largest gas exporter and fifth largest oil exporter, Norway is a leading energy-producing and trading nation. This is also reflected in the capital market. For example, energy sector companies represent more than 40 per cent of the value of the Oslo Stock Exchange. Although this is predominantly driven by a few large companies, notably Statoil, the Oslo Stock Exchange is also large in terms of the number of listed energy-related companies, with the second highest number in Europe. Over the last two decades, oil service has grown to become a key segment of the energy sector. By the number of listed companies, Oslo is currently the world's

second largest exchange for oil service companies<sup>19</sup>.

The Norwegian capital market is dominated by a small number of sectors. Beyond the energy sector, the maritime industry and the seafood industry in particular are substantial. The Oslo Stock Exchange has grown to become the world's second largest shipping exchange and the world's largest seafood exchange, which has made a substantial contribution to the high level of share issues in recent years. Since 2010, more than ten new shipping and seafood oriented companies have been listed on the Oslo Stock Exchange<sup>20</sup>.

## 3.2 Asset management and ownership in Norway

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### 3.2.1 Private ownership

Private ownership includes all ownership that is not public, i.e. where the state, county authorities or municipalities are not dominant owners. In Norway, the majority of the capital invested in Norwegian companies is owned by private entities, and according to Statistics Norway is primarily distributed between households, institutional owners, foreign owners and industrial owners. Privately owned companies can be either listed or unlisted.

Unlisted private ownership constitutes the majority, at around 65 per cent of private ownership; see figure 3.3<sup>5</sup>. In contrast to listed companies, unlisted ownership is relatively little analysed, less transparent and may be difficult to find good up-to-date data on. This applies, for example, to family ownership, which represents a substantial proportion of private unlisted ownership.

Private ownership constitutes around 65 per cent of the value of the Oslo Stock Exchange. Of this, the proportion of foreign ownership is high (37 percentage points) in comparison with other countries. The share has gradually increased since 1995 when the EEA Agreement allowed foreign investors to own more than one third of the voting shares in Norwegian companies. Foreign owners are defined here as all investors registered outside of Norway with shareholdings in Norwegian-registered companies. Institutional and industrial owners own roughly the same amo-

<sup>15</sup> «Dark pools» is a collective term for trading facilities which offer trading without showing order information, i.e. where market participants can buy or sell large volumes without risking other market participants finding out what is happening and pushing the price up or down.

<sup>16</sup> Pareto Securities (2014): «Det Nye Børslandskapet.»

<sup>17</sup> Oslo Stock Exchange (2011): «Nordic ABM. The Oslo Børs alternative marketplace for fixed income securities.»

<sup>18</sup> Oslo Stock Exchange.

<sup>19</sup> Oslo Stock Exchange (2014): <http://www.oslobors.no/Oslo-Boers/Notering/Energi-shipping-og-sjoemat/Energi>

<sup>20</sup> Oslo Stock Exchange (2014): <http://www.oslobors.no/Oslo-Boers/Notering/Energi-shipping-og-sjoemat/Shipping/De-nyeste-noteringene>

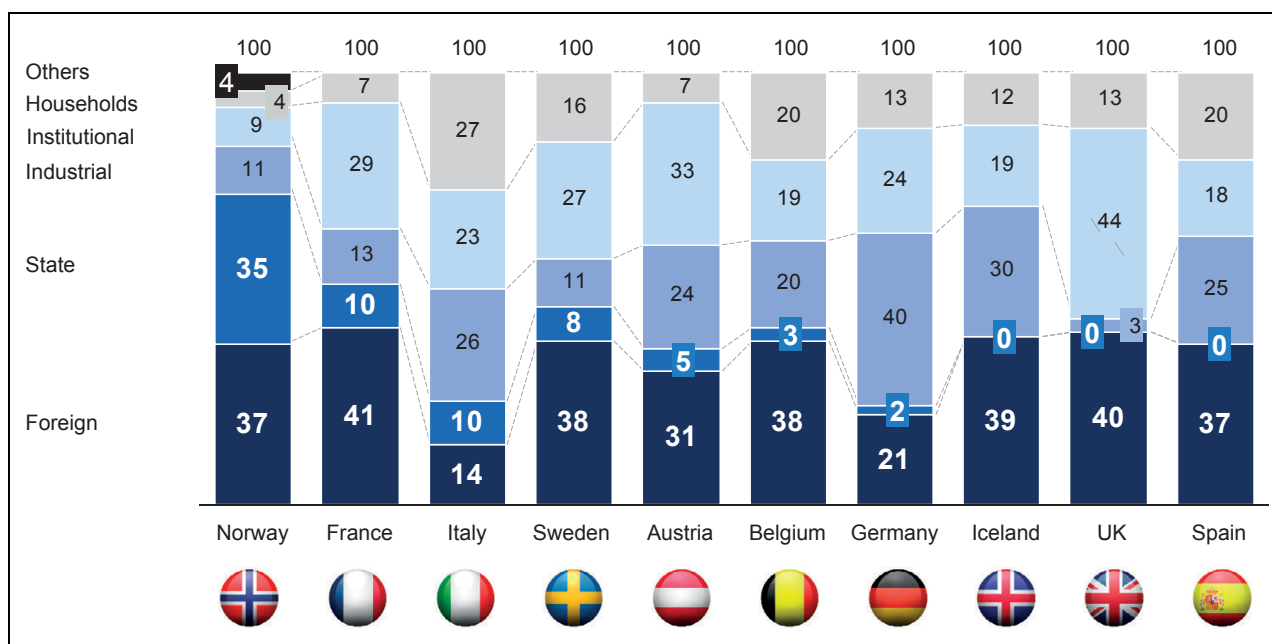


Figure 3.4 Listed shareholdings by type of owner in different countries. Measured by value. Data for Norway from 31.12.2013. All other data from 2007.

Source: Federation of European Securities Exchanges 2007, Proff and VPS.

unt of the value of the Oslo Stock Exchange at 9 and 11 per cent respectively, while households own only 4 per cent. Institutional investors are those whose purpose is to undertake financial investment activity, typically on behalf of clients. Industrial ownership includes all non-financial limited companies and privately-owned enterprises with the exception of households. Households are all private individuals who directly own part of a company registered in Norway. The different groups of owners will be described in more detail below.

Norway has a low proportion of private ownership of shares compared with many other European countries; see figure 3.4. This must be viewed against the fact that the share of public ownership is higher in Norway than in other countries. Like most other countries, Norway has a considerable share of foreign and industrial ownership, but a considerably smaller proportion of institutional owners and a low proportion of owners among households compared with other European countries.

When it comes to unlisted private ownership, the situation is different. Foreign owners own a 17 per cent share, while industrial owners and households own 38 per cent and 22 per cent respectively<sup>21</sup>.

### 3.2.1.1 Households and family companies.

According to Statistics Norway's definition, households include individuals or groups of persons who share the same dwelling, combine all or parts of their income and assets, and are consumers and who directly own part of a company registered in Norway (listed or unlisted)<sup>22</sup>. There are large differences in the households' shares of the equity market between the listed and unlisted segments.

For the listed segment, households own only around 4 per cent of the value of the Oslo Stock Exchange, which represents low direct ownership compared with other European countries. The low stock exchange holdings of households are due to a number of factors. Firstly, the structure of Norwegian households' financial assets differs considerably from other countries, in that Norwegians generally have little personal savings, in part because the state is a considerable saver. In addition, the fact that Norwegian households own their own dwellings to a much greater extent than in other countries must be taken into account. The

<sup>21</sup> Estimated based on data from Bøhren, Ø. (2013): «Eierne, styret og ledelsen.» In the book, households are denoted as «persons».

<sup>22</sup> See Statistics Norway for a fuller explanation of who is included in households: [http://www.ssb.no/a/publikasjoner/pdf/notat\\_201205/notat\\_201205.pdf](http://www.ssb.no/a/publikasjoner/pdf/notat_201205/notat_201205.pdf)



composition of savings must also be viewed in the light of the Norwegian tax system, and that different assets are valued differently.

For unlisted companies, households represent a considerably larger proportion of total ownership with a share of around 22 per cent<sup>21</sup>. The difference in household ownership between listed and unlisted companies can essentially be explained by the fact that nearly all Norwegian family companies are unlisted. A family company is defined as a company where more than half of the shares are owned by people who are married to, are in-laws of, or are related to each other. Family ownership is widespread in Norway<sup>23</sup>. In 2011, around 65 per cent of all active Norwegian limited companies were unlisted family companies, i.e. where the family owned at least 50.1 per cent of the shares. By including companies where the families owned at least 33.3 per cent of the shares, the proportion increases to around 80 per cent. Although family companies represent a large share of the total number of limited companies in Norway, the companies are relatively small since, in the same year, they accounted for only 36 per cent of employment, 19 per cent of turnover and 13 per cent of assets<sup>24</sup>.

One characteristic of family-owned companies is their high concentration of ownership. For example, the largest individual owner's shareholding is on average higher in family companies (79 per cent) than in companies without family control (52 per cent). By combining the holdings of all the members of one family into one holding, the largest owner has on average a shareholding of 93 per cent in family-owned companies<sup>20</sup>.

For family companies, the high ownership concentration affects potential agency dilemmas. The high ownership concentration causes high levels of occupancy of inside positions, such as seats on the board, chair of the board and managing director. In 74 per cent of family companies, the largest owner acts as both chair of the board and managing director, compared to only 12 per cent in other companies. In this way, family companies avoid part of the potential agency dilemma of possibly divergent goals between owners and management, even though this presents other challenges, for example relating to the board's governance function.

Family ownership is considered to be stable and long term. A study by Menon Business Economics from 2009 shows however that a low proportion of change of ownership from persons owning more than 33.4 per cent is to the benefit of children or other relatives of the original owners<sup>25</sup>. The study also points to surveys performed by Statistics Norway in 1997 and 2003, which show that 27 per cent of family companies in 1997 did not have this ownership status in 2003. Studies from other countries show a similar pattern<sup>26</sup>.

### 3.2.1.2 Innovation and entrepreneurship

Entrepreneurs are part of the industrial ownership landscape. There are many definitions of what an entrepreneur is<sup>27</sup>. Here it is defined as a person who establishes an enterprise, usually involving a considerable degree of risk.

One possible indicator of entrepreneurial activity is the number of start-ups as a proportion of the total number of companies. This business start-up rate in Norway is relatively low compared with other countries. For example, Norway has a considerably lower business start-up rate than other European countries such as Sweden, Luxembourg, Belgium and Austria; see figure 3.5. What is key for society and for value creation is however not the number of entrepreneurs and new enterprises, but rather the value they create. In many cases, poor labour market opportunities can lead many people to create their own companies, and it is therefore not obvious what a country's business start-up rate should be.

In 2011, Menon Business Economics investigated the most important sources of capital for start-ups<sup>28</sup>. In the very earliest stages, the entrepreneurs' self-financing is the most important source of capital. This may be in the form of unwaged work or a direct capital injection, from savings or a private loan. Capital from the entrepreneur's circle of acquaintances may also be important in

<sup>23</sup> Berzins, J. and Bøhren, Ø. (2013): «Eierne, styret og ledelsen.»

<sup>24</sup> Bøhren, Ø. (2013): «Norske familiebedrifter: Omfang, eierstyring og lønnsomhet.»

<sup>25</sup> Menon Business Economics (2009): «Eierskifter i norsk næringsliv.»

<sup>26</sup> Harveston, P. D., Davis, P. S. and Lyden, J. A. (1997): «Succession Planning in Family Business: The Impact of Owner Gender.» The Family Business Institute (2014): «Succession Planning.»

<sup>27</sup> See for example Kirzner, I. M. (1973): «Competition and Entrepreneurship.» University of Chicago Press. Schumpeter, J. A. (1934): «The Theory of Economic Development: An Inquiry Into Profits, Capital, Credit, Interest, and the Business Cycle.» Harvard University Press.

<sup>28</sup> Menon Business Economics (2011): «The need for government supported capital measures in the market for early stage risk capital in Norway.»

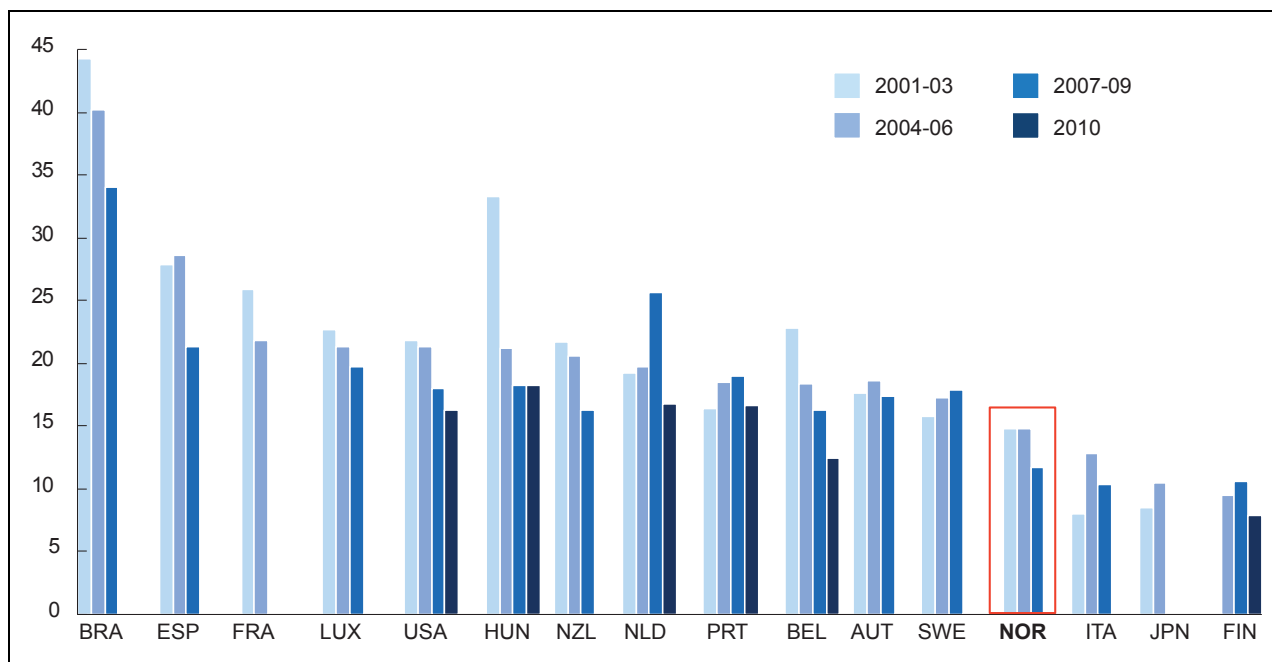


Figure 3.5 The business start-up rate in Norway. Business start-ups as a percentage of total number of companies in OECD countries.

Source: OECD (2014): «Economic Surveys: Norway.»

the earliest phase. Loans can be an important additional source of capital for many start-ups. Of the potential high-growth enterprises in Menon's survey, 60 per cent received loan financing in their second year of operations. Other sources of capital which may be important for a smaller selection of companies with high growth potential may include business angels and venture capital.

There are few sources of reliable and comparable international statistics on capital access for start-ups. Sources for data on venture capital investments are mainly based on national and regional venture capital associations, sometimes in cooperation with commercial entities. This can lead to differing answers to apparently simple questions, depending on the data source used. International comparisons are difficult and even the harmonised data from the OECD must be interpreted with caution<sup>29</sup>.

According to the OECD's figures, Israel, the USA and to some degree Canada stand out from other countries in terms of venture capital investments, both relative to population size and GDP. In 2012, Norway was the country with the world's fifth highest venture capital investments relative to population size, behind the three above-mentioned, along with Sweden, Luxembourg, Switzer-

land and Ireland. The venture capital investments constitute around 0.3 per cent of GDP in Norway, which is about the average of the OECD countries included in the survey. How the investments are divided into the different phases in Norway, as defined by the OECD, are also roughly the same as the average of the other countries.

In a review of the Norwegian economy, the OECD points out that the business start-up rate and the number of self-employed people in Norway is low despite the low barriers to entry. Among possible explanations, they indicate low unemployment, good welfare schemes and relatively high taxes. Since this is a result of deliberate policies aimed to some extent to achieving other positive political objectives, the OECD suggests minor policy adjustments rather than major changes. The proposals the OECD highlights for a Norwegian entrepreneurship policy are to maintain the commitment to education in science, technology, engineering and mathematics, to assess whether a reduction in wealth tax might boost entrepreneurship, to enhance technology transfer offices (TTO) at Norwegian universities, to continue targeting broad competitive arenas for innovation measures, to improve impact evaluations of public subsidies and to evaluate whether competition policy should exclusively emphasise the consumers' interests<sup>30</sup>.

<sup>29</sup> OECD (2013): «Entrepreneurship at a glance.»

### 3.2.1.3 Institutional ownership

Institutional owners consist primarily of banks, financing companies, insurance companies, mutual funds, pension funds, private equity funds, and other investment companies<sup>31</sup>. Even though the proportion of institutional investors in Norway is relatively small, measured by the value of ownership, institutional owners are still an important source of capital.

Figures from VPS show that in 2012 institutional owners owned 9 per cent of listed company value in Norway<sup>32</sup>. For comparison, in 2007 private institutional owners owned 27 per cent of the value of the Swedish Stock Exchange, and 44 per cent of the value of the London Stock Exchange. In addition, relative to GDP, Norway has limited institutional ownership compared with other countries. In 2011, the value of the shareholdings of Norwegian traditional institutional owners<sup>33</sup> was measured at around 70 per cent of GDP, less than one third of the equivalent figure for the UK, and one quarter compared with Denmark<sup>34</sup>.

One reason for the limited proportion of institutional owners is that Norwegian households save relatively little as securities, and that savings are mainly made through investment in their own private houses. In particular, Norwegians have low pensions savings since these are largely provided by the state through the National Insurance scheme. Since the population can expect to enjoy beneficial National Insurance schemes in the future, this may limit the present perceived need for independent savings<sup>35</sup>. This limits the use of institutional investors. In other countries, this type of saving may well be done through institutions,

thereby having the effect of boosting the share of institutional investors.

### 3.2.1.4 Foreign ownership

Increased globalisation and ever-greater flow of goods, services and capital across national borders have helped foreign owners become one of the largest groups of investors in Norway. Foreign ownership is often divided into two types of investment: direct and indirect. Direct foreign investment means foreign companies acquiring ownership-based control of activities in Norway. This often involves creating subsidiaries in Norway. This is distinct from foreign indirect investment, or portfolio investment, which primarily relates to short-term involvement in the capital market<sup>36</sup>. In the figures below, Statistics Norway's shareholding limit of 20 per cent has been used to differentiate direct investments from portfolio investments.

Direct foreign investment in Norway has roughly doubled since the early 2000s, and is more than ten times higher than in the early 1990s. Historically, this major growth has occurred primarily in connection with oil and gas activities, and in sectors such as financial services, transport and manufacturing. In the 2000s, a lot of the growth was in other sectors such as buying and selling, and operating real estate; see figure 3.6. Although there has been considerable investment in services relating to oil and gas extraction over a long period, this too has seen strong growth over the last decade. Whereas formerly it was access to Norwegian natural resources that brought about the high growth in foreign investment in the oil and gas industry, growth in recent years has been driven extensively by resources in the form of competence and technology, especially among Norwegian oil service companies.

By value, Sweden has the largest proportion of direct foreign investment in Norway at 23 per cent. This is followed by the Netherlands (14 per cent), France (8 per cent), USA (7 per cent), UK (7 per cent), and Denmark (7 per cent). As a percentage of total returns on all foreign investments in Norway, Sweden accounts for only 15 per cent, while the Netherlands (30 per cent), USA (16 per cent) and France (12 per cent) have had relatively high returns on their investments. This is probably because different countries invest in different

<sup>30</sup> OECD (2014): «Economic Surveys: Norway.»

<sup>31</sup> Bøhren, Ø. (2013): «Eierne, styret og ledelsen.» Definitions of different funds: pension funds are funds where capital is set aside in order to provide pensions for the investors; mutual funds are group investments where many shareholders join together to place their funds on the securities market; other investment funds might be, for example, venture capital.

<sup>32</sup> Note that these proportions are assumed to increase if foreign institutional owners are included, since they are considered to comprise a large share of foreign owners in Norway. They are, however, included in «foreign owners» in Statistics Norway's classification.

<sup>33</sup> According to the OECD, traditional institutional owners are taken to be pension funds, investment funds and insurance companies.

<sup>34</sup> OECD (2013): «Institutional Investors as Owners: Who are they and what do they do?»

<sup>35</sup> Modigliani, F. (1986): «Life Cycle, Individual Thrift, and the Wealth of Nations.» *The American Economic Review* 76(3), 297-313.

<sup>36</sup> See Ministry of Foreign Affairs: <http://www.regjeringen.no/en/dep/ud/kampanjer/refleks/innsspill/oekonomi/benito.html?id=493175>

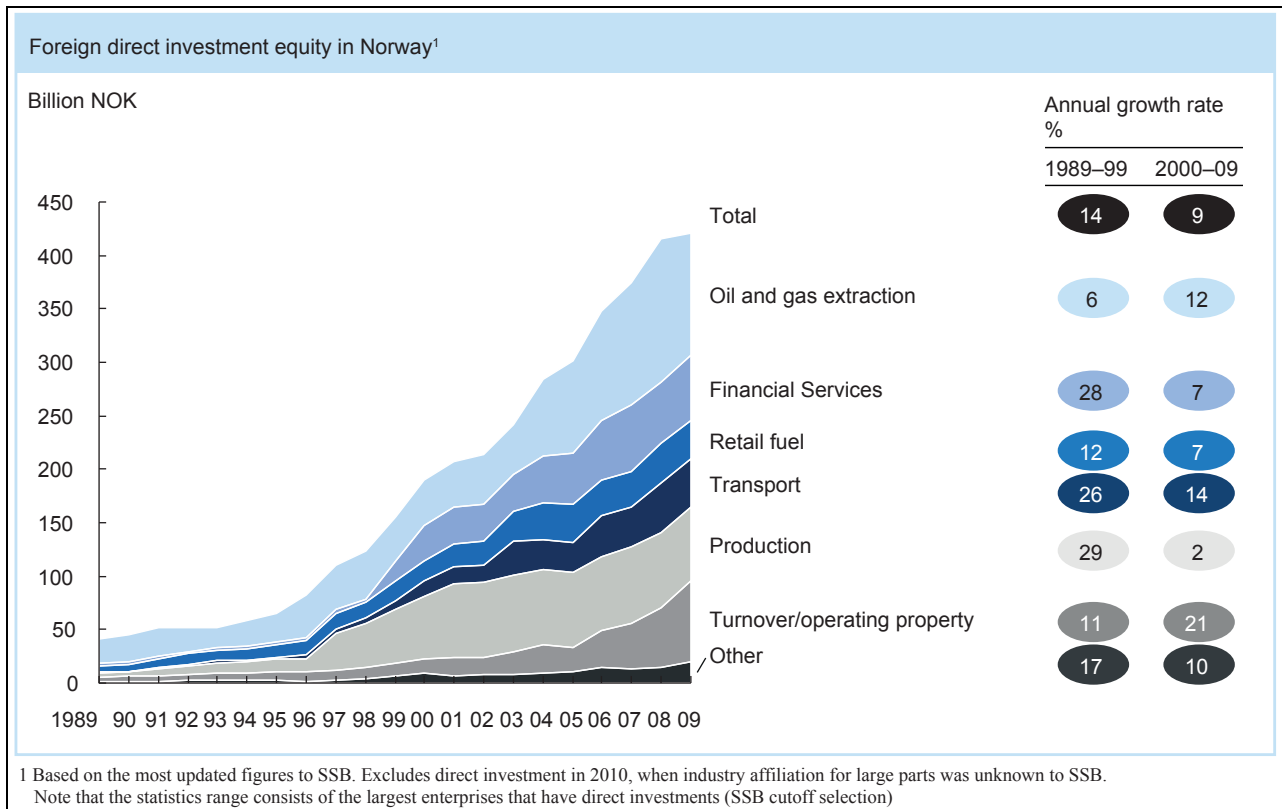


Figure 3.6 Foreign direct investments in Norway.

Source: Statistics Norway.

sectors. Whereas Swedish and Danish-owned companies have historically had most employment in retail trade and service industries, the enterprises with investors from the UK, USA, France and the Netherlands have been more exposed to industry and especially the oil and gas industry, where the return has often been higher than in retail trade and other service industries<sup>37</sup>.

The extent of indirect foreign ownership can be more difficult to measure. One indicator may be how active foreign investors are on the Oslo Stock Exchange. Although foreign investors own around 37 per cent of the market value of the stock exchange, they account for a full 89 per cent of turnover<sup>38</sup>. The largest share of the foreign indirect investors are international funds, which to a large extent view the Norwegian stock exchange as an attractive opportunity for diversifying their portfolios across countries<sup>39</sup> and for

achieving specific company and sectoral exposure. In contrast to more active owners, which largely exercise control by expressing their opinions on the companies' results at general meetings, such foreign investors exercise their control through frequent buying and selling of shares.

Foreign owners and their capital have played a major role in Norway for a long time. From as far back as Norwegian industrialisation in the early 1900s, foreign owners have been involved in developing business and industry in Norway, often in the form of relatively large and capital intensive enterprises linked to the export industry. Examples of such companies are Orkla, Norsk Hydro, Findus, Lilleborg Fabrikker and Hafslund. Today too, foreign ownership accounts for an important and increasing share of both the Norwegian capital market and Norwegian business and industry. From 2000 to 2014, foreign investors' stock exchange holdings rose from 34 per cent to 37 per cent. The number of foreign-controlled enterprises in Norway has increased by 38 per cent, from 3,608 in 2000 to 4,979 in 2007. The number of Norwegian-controlled enterprises increased by only 20 per cent in the same peri-

<sup>37</sup> Emberland, B., Totland, E. and Tveita, O. (2009): «Norge i en globalisert verden – betydning av utenlandsk eierskap i norsk næringsliv.» Statistics Norway's Økonomiske Analyser 6/2009.

<sup>38</sup> VPS ASA: <http://www.vps.no/Om-oss/Statistikk/Utlendingers-handel>

<sup>39</sup> Bøhren, Ø. (2009): «Eierne, styret og ledelsen.»

od<sup>37</sup>. Within Norwegian industry, the number of companies owned by foreign entities rose by 90 per cent, from 2003 to 2010<sup>40</sup>.

There are indications that foreign ownership has positive effects. In a doctoral thesis at the Norwegian School of Economics in 2006<sup>41</sup>, Ragnhild Balsvik analysed the effect of foreign acquisitions in Norway in the years 1979 to 2000. The study indicates that industrial companies with foreign owners are more productive on average than Norwegian industrial companies, and that enterprises that are acquired by foreign owners on average increase both productivity and employment following acquisition. Other studies also indicate positive effects. For example, research by Menon Business Economics shows that foreign-owned companies in Norwegian industry perform relatively well in terms of value creation and employment<sup>40</sup>.

### 3.2.2 Public ownership

The public sector has extensive ownership which includes both direct ownership in Norwegian companies and indirect ownership in foreign and Norwegian companies. The latter refers essentially to the Government Pension Fund Global and the Government Pension Fund Norway which are administered by the Norwegian Central Bank and the National Insurance scheme. In contrast to direct ownership, these investments are administered on the basis of a financial portfolio perspective, and not based on a strategic ownership perspective in the individual companies. The value of the Government Pension Fund Global and Government Pension Fund Norway were respectively NOK 5,110 billion and NOK 172 billion at 31 March 2014.

In the following, only domestic public ownership is discussed. This comprises primarily the government's, the municipalities' and the county authorities' ownership. The ownership varies between different sectors and different types of businesses.

According to Statistics Norway, public ownership concerns all unlisted and listed, financial and non-financial companies where the state, municipalities and county authorities directly or indirectly own more than 50 per cent of the paid-up share capital, capital contributions or partnership

contributions and government and municipal business operations. Public sector enterprises which are defined as administrative units are excluded. This means that independent, commercial companies where the state directly or indirectly has a large holding are considered to be under public ownership. These are however independent legal entities which are not part of the public sector and which also, to some extent, have significant input from other owners.

The public sector owns a considerable proportion of the country's economic activity. In total, around one third of all equity in Norway is owned by the public sector, see figure 3.3, which is considerable compared with other OECD countries. In recent years, many of these countries have been undergoing extensive privatisation processes. Outside the OECD, the proportion of public ownership is often higher. For example, Brazil, India, Russia and China have substantial private ownership, in the case of the last two around 30 per cent of the country's total share capital<sup>42</sup>.

The publicly-owned Norwegian equity is distributed between listed capital at around NOK 646 billion and unlisted capital at around NOK 1,062 billion. The listed part is owned primarily through the ministries and the Government Pension Fund Norway. The unlisted part of public equity constitutes a relatively large proportion of the total unlisted equity market (32 per cent<sup>43</sup>). The equity owned by public administration is distributed among governmental, county and municipal enterprises (where more than 50 per cent of paid-up share capital are owned), and other governmental and municipal business operations.

Compared with other countries in the Nordic region, Norway has a larger public ownership. There are nonetheless greater similarities between the Nordic countries than with elsewhere in Europe. For example in 2013, Sweden had 42 companies fully-owned by the state and 9 where the state was co-owner. The value<sup>44</sup> of the Swedish state's direct ownership is around NOK 540 billion<sup>45</sup>. Finland also has considerable direct state ownership with 24 wholly-owned companies and 36 companies where the state is a co-owner.

<sup>42</sup> Büge, M., Egeland, M., Kowlaski, P. and Sztajerowska, M. (2013): «State-Owned Enterprises: Trade Effects and Policy Implications.» OECD Trade Policy Paper 147.

<sup>43</sup> Estimated based on data from Statistics Norway.

<sup>44</sup> This includes all holdings under direct state ownership. The value of the equivalent direct state ownership in Norway was around NOK 665 billion at the end of 2013.

<sup>45</sup> Swedish Ministry of Finance (2013): «Rapport för bolag med statligt ägande januari-december 2013.»

<sup>40</sup> Menon Business Economics (2012): «Industrielt eierskap i Norge.»

<sup>41</sup> Balsvik, R. (2006): «Foreign direct investment and host-country effects.»

The value of the Finnish state's direct shareholdings in the listed companies came to around NOK 140 billion at the end of March 2014<sup>46</sup>.

The public sector has ownership interests in companies operating in different industries. In terms of turnover, mining and resource extraction dominate, including the extraction of crude oil and natural gas, with Statoil and the state through the State's Direct Financial Interest (SDFI) as the clearly largest entities. Companies which have a predominance of public ownership are also particularly active in power supply, transport and information and communications services.

Municipalities and county authorities are significant owners in the Norwegian context, both in the form of county and municipal administration but also as owners of limited companies. Municipalities and county authorities have a large degree of freedom to organise their services, whether as part of administrative activities or through the establishment of independent enter-

prises. Since the early 2000s, there has been an increase in the establishment of municipal and county-level enterprises. From 2005 to 2010, for example, the number of municipal enterprises increased by 10 per cent<sup>47</sup>. Although the start-up rate has decreased in the last three years, this type of enterprise has become a larger part of the public ownership spectrum. The control of these companies has increasingly switched from administrative management to corporate governance. According to KS (the Norwegian Association of Local and Regional Authorities)<sup>48</sup>, this is an undertaking that the municipalities have been less than successful with. According to KS, many municipalities lack control of their enterprises, in addition to lacking concrete ownership strategies.

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<sup>46</sup> The Prime Minister's Office of Finland: <http://www.sta-teownership.fi/>

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<sup>47</sup> KS (2010): «Anbefalinger om kommunalt eierskap.» Statistics Norway: <https://www.ssb.no/statistikkbanken/SelectTable/hovedtabellHjem.asp?KortNavnWeb=stoff&CMS-SubjectArea=offentlig-sektor&StatVariant=&PLanguage=0&checked=true>

<sup>48</sup> KS (2010): «Anbefalinger om kommunalt eierskap.»

## 4 Private ownership as a main rule

### 4.1 Why should private ownership be the main rule?

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Private ownership is the main rule in Norwegian business and industry. According to Statistics Norway, at 1 January 2014 there were 526,703 business enterprises in Norway. The predominant share of these are owned by private entities.

The government believes that there are sound reasons why private ownership should be the main rule in Norwegian business and industry, and why state ownership should require special justification. In the government's view, there are a number of sound reasons why the state should exercise ownership of different companies. These will vary from company to company, from an initial premise that state ownership may help provide economic and social safeguards. Accordingly, for the foreseeable future Norway will have considerable state ownership. An account of the justifications for this is given in chapter 6.1.

Private ownership is a diverse concept covering different types of holdings, for example family ownership, employee ownership, institutional ownership and ownership by private individuals. Owners have different expectations and can contribute to the companies' value creation in different ways, and the extent of owner involvement varies from highly active owners, taking an operational role in the companies' businesses, to passive financial owners with small shareholdings.

Although there is great variation between private owners, in the government's opinion, private ownership is characterised by certain fundamental factors that make it essentially well-suited to contributing to value creation and improving Norwegian competitiveness.

Private property is fundamental to a well-functioning society. This should also create a basic premise for the ownership of companies and enterprises.

It is mainly private entities that initiate and support the foundation, ownership and operation of companies in Norwegian business and industry. In commercial enterprises in well-functioning

competitive markets, private owners will often be best placed to be good owners.

Private owners can often more directly look after their own preferences and property, and exercise more direct personal ownership than the state, which performs its role as an owner on behalf of the community. In the case of a personal owner, there will normally be fewer decision-making steps between owners and management than if ownership is administered by institutions, for example by being involved in the board of directors or in the management. This indicates that personal (private) owners may have stronger incentives for safeguarding their own interests. This can produce better corporate governance, higher profit expectations and more appropriate risk management in line with the owners' interests.

Private owners can often be closer to the markets and be better informed about the markets' needs and demands. This applies both to active private owners who are involved in the companies they own, for example on the board, and to passive, more financial, owners who follow the companies' developments closely on the basis of thorough financial and industrial analyses.

Private owners are likely to have stronger incentives for efficient operation and high returns<sup>1</sup>. Private owners' strong incentives in terms of both cost reductions and innovation are a fundamental argument for why private ownership is more appropriate. This has been underpinned by a number of empirical studies showing that, as a rule, privatisation leads to lower costs and higher quality<sup>2</sup>.

Deficient and unevenly distributed information between companies and their owners, and differing incentives between management and owners may also indicate that private ownership is fundamentally preferable. Those who set up and admini-

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<sup>1</sup> See for example Shleifer, A. (1998): «State versus Private Ownership.» *Journal of Economic Perspectives*, American Economic Association, vol. 12(4), pp. 133-150.

<sup>2</sup> World Bank (1995): «Bureaucrats in Business.» Oxford University Press.

nister companies often have more information about expected profitability and risk than external capital providers (asymmetric information). There are reasons to expect that the challenges of asymmetric information will be greater for the state as an owner than they will be for private owners. This has to do with the fact that private owners may, for example, be closer to the management (they themselves may sit on the board) or even part of management, and because they may have stronger incentives since they are investing their own assets.

## 4.2 The challenges of state ownership

In the government's assessment, the governance of direct state ownership is handled in a professional and responsible way. Through transparency concerning corporate governance principles, acceptance of the division of roles and responsibilities in corporate legislation, governance through general meetings and an emphasis on choosing competent and independent boards of directors, the exercise of Norwegian state ownership can be seen as advanced, including in an international context.

However, there are particular challenges associated with state ownership which tend to limit the extent of direct state ownership in commercial companies in functioning competitive markets, especially in areas where it is easy to distinguish between the state's use of regulatory instruments and the producing enterprise.

Beyond the arguments in favour of private ownership referred to in chapter 4.1, the government would like to draw attention to three particular challenges associated with state ownership:

- Conflicts between ownership of companies and the state's other roles.
- The risk of a concentration of powers which weakens the private sector.
- Limitations in industrial expertise.

### 4.2.1 The state's different roles

There are potential conflicts between the exercise of the role of owner of a commercial activity and exercise of the state's other roles. This may give rise to adverse perceptions of the state's roles and actions as an owner. When the state simultaneously occupies the role of owner, purchaser and/or regulator, this may potentially weaken perceptions of the state's legitimacy and effectiveness in its undertakings. In exercising state ownership in

Norway, the owning ministries responsible try to manage their different roles in an open, orderly and deliberate manner. In exercising governmental and supervisory functions, the state will normally not take account of its own ownership interests. This is particularly the case where companies under state ownership operate in competition with private market participants. Even if the state is able to adopt sound mechanisms for dealing with this issue, this is not necessarily sufficient for ensuring the state's legitimacy and creating trust that competition takes place on fair terms. In order to avoid conflicts between roles, in areas where there are political objectives, it will be appropriate to try to achieve these objectives to the greatest possible extent through the use of instruments other than state ownership. Where there are private market participants and well-functioning markets, the primary task of the state in respect of business and industry will be to facilitate high levels of value creation in the economy through stable, well-designed framework conditions, rather than managing or owning business activities on its own account.

When the state owns companies, it needs to organise itself in a way that creates confidence that the markets' requirement for equal treatment of companies is respected. The roles can be refined in such a way that the ownership function is lodged with separate entities that do not have other responsibilities which may conflict with the ownership role. In order to help increase legitimacy, supervisory activities are often delegated to directorates and are thereby fundamentally separated from central administration. A second factor which promotes legitimacy is the EEA Agreement. Through the option of complaining to EFTA's surveillance authority, the markets have a tool which can be used in cases of doubt as to whether the state is favouring companies under state ownership. This helps both to protect third-party interests (for example competitors of state-owned companies) and to establish a process for dealing with cases where claims of favouritism of state-owned companies are made.

Historically, when the state has engaged in commercial activity, conflicts have also arisen between distribution policy concerns and corporate profitability. In recent years, this has been counteracted by the state having clearly communicated that its ownership will be exercised in a professional and predictable manner in accordance with generally accepted principles for corporate governance and company management, and through clear legislative delimitation of how the state as an



owner may act on the basis of competitive interests.

As long as the state has ownership interests, it is however effectively impossible for the state to be organised and to act in such a way as to prevent or discourage doubt being raised about its neutrality in exercising authority. It is therefore necessary to continuously evaluate the justification and the scope of state ownership in commercial companies.

#### 4.2.2 Concentration of power

In a democratic society, private initiative and willingness to invest are the driving force for economic development. The government believes that this is a particular challenge in a small country such as Norway, where the state owns a large proportion of the financial capital. The extent of the state's direct ownership is considerable. The state owns around one third of the value of the Oslo Stock Exchange through large holdings in some of the biggest companies. At the same time, through its other roles as policy maker, administrative authority etc., the state exercises potentially great power over citizens. Significant state ownership will therefore tend to increase the concentration of power held by the public administration at the cost of citizens. The government believes that this is a factor that should be highly emphasised and that there should be a trend over time towards the state reducing its ownership.

#### 4.2.3 Limited industrial expertise

The state owns businesses in many sectors and industries where the market conditions undergo rapid change. Strong involvement of the owners in board and management positions is often important in such cases. This requires considerable industrial and market-related expertise.

Based on its different roles and in order to avoid political responsibility for commercial decisions, the state has chosen to refrain from participating on boards. Although, as a major owner, the state has considerable influence on the election of board members and sets out clear expectations of the companies, it can be difficult, solely on the basis of an ownership position, especially considering the sectoral diversification of companies under state ownership, to meet the need for active owner participation in such companies. This, too, is an indication that direct state ownership should be limited.

### 4.3 The government's policy for strengthening private ownership

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A diversified, competent ownership can help boost value creation; see chapter 2. With this in mind, the government has an objective of strengthening private ownership in Norway and organising policies to make it more profitable to establish businesses, work, save and invest. Over time, more new private enterprises and more private owners will contribute to the government's objective. The government also aspires to reduce direct state ownership over time, which may help boost private ownership. The government will make it possible for everyone to save and invest and, through their ownership, participate directly in and reap the rewards of value creation that takes place in Norway. The objective is increased value creation and more secure and productive jobs.

The government seeks to conduct a forward-looking policy that facilitates value creation and employment in the Norwegian economy. It is the employees', the companies' and the owners' ability to restructure and innovate that has made the companies competitive. The government will facilitate the continuation of this trend through predictable and advantageous framework conditions. This will help business and industry to achieve good competitiveness and the potential for more value creation.

It must also be attractive for foreign investors to invest in Norway. Foreign owners contribute to competent, diversified ownership and a value-creating interaction between companies and owners. They may also boost knowledge transfer and expertise among Norwegian companies and private owners. It is therefore beneficial that foreign companies and investors want to invest in Norway, which is reflected, for example, in the high level of shareholdings of foreign investors on the Oslo Stock Exchange, at around 37 per cent. This shows that Norwegian employees, owners and industries are competitive.

For the foreseeable future, Norway will retain considerable direct state ownership. How the state conducts itself as an owner is important for the public's and investors' confidence in Norwegian companies and in the Norwegian capital market. The government will therefore conduct its state ownership policy in a responsible manner that provides space for and contributes to both diversity of ownership and value creation. Professionalism and transparency in state ownership are factors that may help strengthen confidence in the

Norwegian capital market and improve the pre-conditions for private ownership.

#### 4.3.1 Framework conditions

Sound and predictable framework conditions are crucial for business and industry and economic value creation. Company start-ups and investments are often risk-prone and long term in nature. Sound, predictable framework conditions can reduce the risk of such decisions in general and reduce capital costs in particular, and thereby increase access to capital. Good framework conditions make Norway an attractive country for business investments among both Norwegian and foreign private owners.

The government's business policy is to be forward-looking and contribute to the greatest possible overall value creation in the Norwegian economy. The policy shall facilitate both restructuring and innovation. Over time, the ability to restructure and innovate will contribute to efficient resource utilisation. This means that resources such as labour and capital are employed where they are expected to yield high returns. This in turn will provide a sound economic basis for greater welfare.

The government is working in many policy areas in order to create a framework which, as a whole, enhances the ability to restructure and innovate, and hence improve competitiveness in the Norwegian economy. Key to this work are the economic policy, the Norwegian model which offers people security, including in the event of restructuring, and efforts to maintain well-functioning markets.

In its policies, the government will emphasise that what is most important for ensuring healthy economic growth in Norwegian business and industry is for the general economic policy to contribute to sound, stable and predictable framework conditions. The policy must therefore be structured so as to promote predictable and healthy trends in prices, wages, interest, exchange rates and tax levels. This will also reduce uncertainty in the economy. General framework conditions benefit all entrepreneurs, companies, employees and owners; they facilitate desired restructuring and innovation, more effective markets, including the capital market, well-functioning competition, strengthened private ownership and more value creation.

The key to competitiveness is the overall framework and its effect on the ability to restructure, innovate and create value. This should therefore

be viewed in context. The key framework comprises a predictable and effective tax system, effective infrastructure, opportunities for research and innovation, facilities for entrepreneurship, access to skilled labour and access to capital.

The policy should be designed to make the costs of restructuring as low as possible. Public policy instruments should facilitate changes in corporate structure and production that yield better profitability. If business subsidies, protection from international competition, use of market power or protective regulations prevent continued and profitable restructuring and innovation, the restructuring processes may subsequently be far more costly to society.

From a business policy standpoint, it is desirable above all to reduce those taxes that most inhibit value creation. However, account should be taken of what the tax revenues are used for. Some of the tax revenues are employed on growth-promoting measures which also benefit business and industry and the establishment of new enterprises. Examples of this are the education system which creates skilled labour; research initiatives which provide access to new knowledge in Norway and from abroad; investment in entrepreneurship which contributes to the realisation of ideas as new goods and services; investments in transport which provide access to markets; and the welfare state which provides security for people and looks after those who bear the costs of restructuring.

#### 4.3.2 Tax

The tax system is a crucial economic framework condition of great significance for Norwegian business and industry and for private ownership. The government seeks to use the tax and duties system to finance public goods, facilitate social mobility, achieve more efficient utilisation of resources, create better conditions for Norwegian business and industry and strengthen private ownership. It must be profitable to work, save, invest, and start up, operate and develop companies.

In order to achieve this, the tax system must be structured efficiently, and unnecessarily complicated rules which entail extra costs for tax payers and the Norwegian Tax Administration should be avoided. A broad tax base of low tax rates offers more effective use of resources and lower costs to society through taxation than higher rates on a smaller tax base. Special schemes in the tax system aimed at specific types of invest-

ments, sectors or industries reduce the tax base and hence tax revenues, and may come at the cost of general growth-promoting tax reductions. This will reduce the overall return on capital and labour. Broad-based and diversified business and industry benefit from wide-ranging tax breaks. The tax system thereby helps strengthen the basis for private ownership and, through this, higher overall value creation in the Norwegian economy.

The government took the first step in growth-promoting tax reductions in the national budget for 2014. Total tax reductions in the adopted budget came to in excess of NOK 7 billion. The general tax rate for individuals and companies was reduced to 27 per cent, the wealth tax rate was reduced to 1 per cent, while the minimum allowance was increased to NOK 1 million, and inheritance tax was abolished.

Lower taxes on ordinary income for individuals and companies help make the economy more expansive because they increase the return on working, saving, investing and setting up, running and developing companies.

A lower wealth tax rate reduces the importance of the low taxable value for housing and other real estate. This allows for a greater proportion of savings to be channelled into investment in business and industry. The return on overall savings increases, and private Norwegian ownership is strengthened. A lower wealth tax may also reduce any liquidity difficulties among private Norwegian owners caused by taking out dividends from a company in order to finance the wealth tax. In addition, in the long term, some of the loss of revenue in income and wealth taxes will be replenished due to more efficient use of resources.

The inheritance tax was a challenge at generational changes in family companies. The removal of this tax has therefore been long-awaited in this segment of Norwegian business and industry in particular. It facilitates the change of ownership in family companies. The abolition of inheritance tax from 2014 onwards will ease the liquidity burden in the case of generational changes, simplify taxpayers' obligations and reduce the Norwegian Tax Administration's administrative costs. The change may strengthen private ownership due to more capital remaining in the hands of private individuals and family companies.

Through the Skattefunn scheme, business and industry receive an extra tax allowance for research and development (R&D) costs. R&D can bring new knowledge and provide access to

knowledge generated abroad, and thereby contribute new insights and ideas to entrepreneurship and innovation in new and established businesses. This can generate economic growth through new and improved goods, services and processes. The government aspires to stimulate an increase in R&D in business and industry, and in the 2014 national budget substantially reinforced the Skattefunn scheme. The changes as of 2014 entail increased options for tax allowances for businesses using the scheme. This should stimulate increased R&D investment by reducing companies' R&D costs. Increased R&D investments may help strengthen private ownership by allowing innovation to spur the growth of new activities in new or existing companies.

The corporate tax rate is a significant part of a company's financial framework conditions, and may be significant for where companies are located. In an increasingly more globalised economy, companies are more likely to move between countries than they were previously. The corporate tax rate in Norway should therefore not be significantly higher over long periods than the rates in our neighbouring countries. In recent years, several of our neighbours have reduced, or decided to reduce, their corporate tax rate; see figure 4.1. A high corporate tax rate in Norway compared with other countries will make it less attractive to invest in Norwegian business and industry, and increase the risk of Norway losing some of its tax base due to tax planning.

The reduction of the corporate tax rate to 27 per cent was a first step in the necessary adaptation of corporate tax to international developments. There may be a need for further tax reductions in order to strengthen the general framework conditions for business and industry in Norway, and make the Norwegian tax base more robust. The Scheel Committee has been asked to assess this in more detail. The Committee will submit its proposal for changes in the autumn of 2014. Because the government wishes to reduce the tax and duty level, the Ministry of Finance has asked the Committee to also assess alternatives that produce net tax reductions. A reduction in the corporate tax rate will make it more attractive to invest in business, and thereby help to strengthen private ownership in Norwegian business and industry.

The government will use the national budget in the years ahead to implement further tax changes to stimulate saving, business activity, private ownership, investment and entrepreneurship. The government will work for a simpler, more growth-

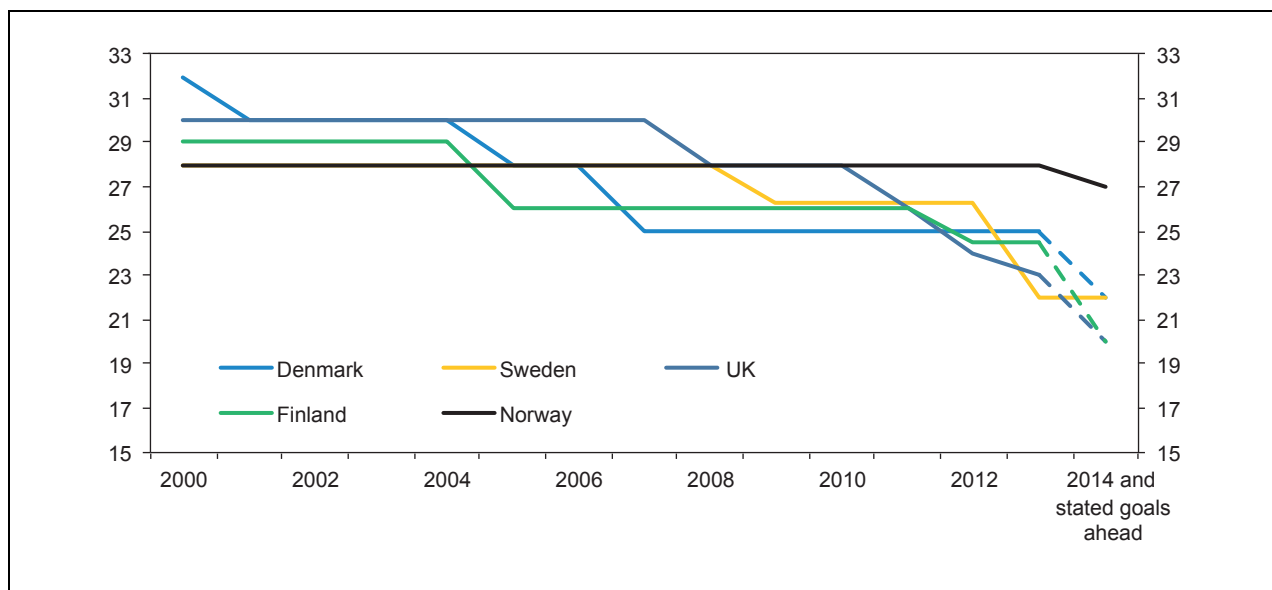


Figure 4.1 Corporate tax rates in selected countries. Per cent

Source: Ministry of Finance and International Bureau of Fiscal Documentation.

promoting tax system and will continue to prioritise tax cuts that enhance Norwegian competitiveness, private ownership, and secure productive and value-creating Norwegian jobs. The government will also assess other measures to strengthen private ownership, including measures to increase private savers' ownership of Norwegian companies and measures to stimulate employee ownership.

#### 4.3.3 Other measures

The work on simplifications for business and industry and private individuals is a key area for the government. This may help businesses and owners spend fewer resources on reporting and purchasing of administrative services. This will make it easier to start up and run a business in Norway. The government aims to reduce the annual cost to business and industry of complying with statutes and regulations by NOK 15 billion by the end of 2017, compared with the cost level in 2011, which represents a reduction of 25 per cent. Such measures will help reduce companies' capital requirements and benefit new and small enterprises in particular. This may spur increased investment and strengthen private ownership.

The government will work for increased entrepreneurship, which will also help new knowledge to be employed in new goods, services and

processes in existing and new enterprises. Through the public funding agencies, the state can provide advice and financing, and facilitate the use of knowledge, expertise and networks for new ideas, innovations, new business and internationalisation. By reducing the risk for private investors, in some cases, public capital can make it easier for start-ups and other companies to obtain further private capital and thereby stimulate private ownership.

Public measures must often be financed through increased tax revenues, which may represent a loss of efficiency. It is also important that public funding does not displace private capital, reduce diversity of ownership, create adverse incentives, tie up resources in unprofitable activity or reduce the expected return on investments. One consequence of excessive public schemes may be that companies do not gain access to the expertise that may accompany private investment. It is therefore crucial for the state, as for private investors, to be aware of where the input provides the greatest value creation and how public funding can be used to stimulate private ownership. The government will review the funding instruments and work towards an accurate and comprehensive public funding system. The goal is a more effective use of resources and better impact from the business-targeted funding.

*Part III*

*The state's ownership administered  
directly by the ministries*



## 5 The present state ownership administered directly by the ministries

### 5.1 Overview

The state administers direct ownership in around 70 companies through ten different ministries<sup>1</sup>. The ownership varies in size, from large holdings in some of the country's largest listed companies to wholly owned companies with purely sectoral-policy purposes, and by the sector in which the companies operate. Under company law, these enterprises are organised as limited liability companies, public limited companies, state enterprises, health enterprises and other types of special law companies. The State Ownership Report, issued annually, provides an overview of the state's direct ownership as administered by the ministries, and includes a review of most of the companies<sup>2</sup>. Readers are also referred to the company review in chapter 9 of this report, which covers the commercial companies and the key companies with sectoral-policy objectives under direct ownership, 55 companies in all.

Table 5.1 List of the companies reviewed in the report, grouped by which ministry administers ownership

Ministry of Defence	Holding
Aerospace Industrial Maintenance Norway SF	100 %
Ministry of Health and Care Services	Holding
AS Vinmonopolet	100 %
Central Norway RHA	100 %
Northern Norway RHA	100 %

<sup>1</sup> The ten ministries that administer the state's direct ownership are the ministries of: Defence; Health and Care Services; Local Government and Modernisation; Culture; Education and Research; Agriculture and Food; Trade, Industry and Fisheries; Petroleum and Energy; Transport and Communications; and Foreign Affairs.

<sup>2</sup> [www.eierberetningen.no](http://www.eierberetningen.no)

Western Norway RHA	100 %
South-Eastern Norway RHA	100 %
Norsk Helsenett SF	100 %
Ministry of Local Government and Modernisation	Holding
Kommunalbanken AS	100 %
Ministry of Culture	Holding
Norsk Rikskringkasting AS	100 %
Norsk Tipping AS	100 %
Ministry of Education and Research	Holding
Norsk samfunnsvitenskapelig data-tjeneste AS	100 %
Simula Research Laboratory AS	100 %
UNINETT AS	100 %
Universitetssenteret på Svalbard AS	100 %
Ministry of Agriculture and Food	Holding
Statskog SF	100 %
Veterinærmedisinsk Oppdragssenter AS	34 %
Ministry of Trade, Industry and Fisheries	Holding
Aker Kværner Holding AS	30 %
Ambita AS	100 %
Andøya Space Center AS	90 %
Argentum Fondsinvesteringer AS	100 %
Bjørnøen AS	100 %
Cermaq ASA	59.17 %
DNB ASA	34 %
Eksportfinans ASA	15 %
Eksportkreditt Norge AS	100 %
Electronic Chart Centre AS	100 %

Entra Holding AS	100 %
Flytoget AS	100 %
Innovation Norway	51 %
Investinor AS	100 %
Kings Bay AS	100 %
Kongsberg Gruppen ASA	50.001 %
Mesta AS	100 %
Nammo AS	50 %
Nofima AS	56.84 %
Norges sjømatråd AS	100 %
Norsk Hydro ASA	34.26 %
Space Norway AS	100 %
SAS AB	14.3 %
SIVA SF	100 %
Statkraft SF	100 %
Store Norske Spitsbergen Kulkompani AS	99.94 %
Telenor ASA	53.97 %
Yara International ASA	36.21 %
Ministry of Petroleum and Energy	Holding
Gassco AS	100 %
Gassnova SF	100 %
Petoro AS	100 %
Enova SF	100 %
Statnett SF	100 %
Statoil ASA	67 %
Ministry of Transport and Communications	Holding
Avinor AS	100 %
Baneservice AS	100 %
NSB AS	100 %
Posten Norge AS	100 %
Ministry of Foreign Affairs	Holding
Norfund	100 %

The market value on the Oslo Stock Exchange of the state's direct ownership was in the region of NOK 552 billion at year-end 2013. Ownership of Statoil constituted more than half of this, followed,

in terms of value, by Telenor, DNB, Yara International, Norsk Hydro, Kongsberg Gruppen, Cermaq and SAS. At the same time, the state's share of the book value of equity in the unlisted companies with commercial operations as their main purpose<sup>3</sup>, was estimated to be around NOK 113 billion. This comes to a total estimated value of NOK 665 billion for the state's direct commercial ownership at this time. It should however be noted that the book value of equity may vary considerably from the companies' actual market values. In addition to this are the investments in the companies with sectoral-policy mandates.

## 5.2 Historical developments

The justifications and purposes of Norwegian state ownership have changed over time. This fact must be seen in the light of changes in the markets, changes in policy, improved knowledge and economic trends. Historically, companies have often come under state ownership as a result of assessments and decisions made at particular junctures. But a common denominator for state ownership has been the desire to safeguard the public interest. This has led to state ownership, with different time frames, in a range of different enterprises. As the motives and need for state ownership as a policy instrument have changed, a number of liquidations of state holdings have been undertaken. There has been a trend towards sectoral-policy objectives being increasingly separated from the actual exercise of ownership. However, ownership in a number of companies still retains a sectoral-policy grounding.

The post-war era saw the creation of a number of public corporations in the industrial sector. Access to foreign capital was limited, notably due to restrictions on the movement of capital between countries. A limited private capital market in Norway and political aspirations for industrial expansion were instrumental in the state's contribution of long-term capital for industrial development. The state's role in companies such as Årdal og Sunndal Verk (1947), Norsk Jernverk (1955) and Norsk Koksverk (1960) must be viewed in this light.

When oil and gas extraction began on the Norwegian Continental Shelf in the 1970s, the aspiration of substantial ownership of the exploitation of natural resources was the rationale for state ownership of Statoil and increased holdings in

<sup>3</sup> The companies in ownership categories 1, 2 and 3.



Norsk Hydro. Ownership also secured public access to large revenues in the form of resource rent.

A political desire to safeguard activities considered to be strategically important has led to state ownership in a number of cases. Security and emergency preparedness concerns lay behind state involvement in Raufoss Ammunisjonsfabriker (later Raufoss ASA which demerged its ammunition activities in 1998 to create the Nordic ammunition group, Nammo), Kongsberg Våpenfabrikk (wound up in 1987, but the company's defence activities were continued and are now part of Kongsberg Gruppen) and Horten Verft (insolvency in 1987).

During the banking crisis of the 1990s, the state took over the shares in a number of Norwegian banks, with the purpose of averting a more serious banking crisis with unpredictable and potentially major negative economic consequences. The banks were later privatised through flotations, but the state has retained a 34 per cent holding in DNB.

Many of the companies owned by the state were previously organised as governmental agencies or public sector enterprises. The conversion to companies or independent enterprises has most frequently occurred through extensive regulatory reforms. Examples of this are Statkraft and Statnett (1992, formerly Statkraftverkene) and Telenor (1994, formerly Televerket).

In the 2000s, ownership policy was characterised by reorganisation of ownership through cen-

tralisation of major parts of the directly commercial holdings under state administration. Additionally, a number of companies were privatised, such as Arcus (2001/2003), BaneTele (2006/2009) and Secora (2012). The state's holdings were also reduced through stock-exchange listing of Telenor (2000), Statoil (2001) and Cermaq (2005). Furthermore, structural changes were made both in companies with commercial objectives and those with sectoral-policy mandates.

A number of sectoral-policy companies were created, through separation of activities, or mergers, or as new entities. Some of these enterprises are economic policy instruments, including Enova (created in 2001), Innovation Norway (2004) and Gassnova (2007). Other companies created in order to cater for sectoral-policy concerns are Simula Research Laboratory (2001), Universitets-senteret på Svalbard (2002), Nofima (2008) and Norsk Helsenett (2009). Petoro was founded in 2001 to manage the State's Direct Financial Interest (SDFI) in petroleum activities on the Norwegian Continental Shelf. At the same time, Gassco was established as an operator of gas pipelines and transport-related gas processing facilities. Eksportkreditt Norge AS was established in 2012 to administer a government export credit scheme.

The regional health enterprises and their subordinate health trusts were set up from 2002 onwards. The intention was to employ the corporate form to achieve more efficient resource utilisation in the hospital sector. The hospitals had previously been linked to the county authorities, but with extensive state financing.

## 6 Why should the state own?

### 6.1 Justifications for state ownership

In the government's view, private ownership should be the main rule in Norwegian business and industry; cf. chapter 4. Direct state ownership should have a special justification.

The state exercises ownership for a number of reasons. These will vary from company to company, from an initial premise that state ownership may help provide economic and social safeguards.

Beyond there being good reasons for state ownership, the state also possesses specific characteristics which may make it a good owner in a broader perspective. These include the fact that the Norwegian state is a long-term and financially strong owner which is able to make a positive contribution to long-term ownership in the Norwegian capital market. Along with other long-term investors, the state can contribute to stability and stimulate growth of Norwegian companies and competence building over time. The state has a keen interest in the financial development of the companies, and has short-term expectations in this regard. Equally though, the state can take a longer term view of its ownership than private stakeholders, and therefore also emphasises the sound development of the companies over time. Where there are investment opportunities with anticipated returns and acceptable risk, the state has the capacity to contribute to the necessary capital increases even in times of financial turbulence. Accordingly, the state's long-term ownership can act as a stabilising force in the Norwegian capital market.

The following is a review of the justifications on which the government believes state ownership should be founded. The formulations of objectives for the state's ownership in each individual company are set out in the company review in chapter 9.

#### 6.1.1 Correction of market failures

Market failures are characterised by a discrepancy between private and socio-economic profita-

bility. Such failures can lead to poor functioning markets, lack of useful production of goods and services and financial loss to the economy. Market failures may have different causes, including entry barriers, economies of scale and scope, external impacts on the supply and demand side, deficient competition and deficient or asymmetric information. Market failures may also be due to regulatory omissions (such as a lack of property rights), defective regulation that inhibits market entry and creates adverse incentives and desired regulations (in some areas markets are not desirable or not permitted). State ownership may serve as a viable instrument for correcting market failures.

For a society, it may be the case that some goods and services should or must be produced other than through a freely competitive market. This may be true, for instance, for the production of public goods or production in areas with natural monopolies. The electricity grid is an example where there are considerable benefits of scale creating a natural monopoly. Additionally, the central electricity grid is regarded as critical national infrastructure where state control is desirable. This is achieved through state ownership. Through Statnett, the state owns the majority of the central electricity transmission grid. The central grid connects power producers and consumers in different parts of the country, safeguards central power exchange hubs in all regions and also covers international connections.

External effects arise when one participant's decisions impact, either positively or negatively, other participants' costs without this having been taken into account during decision-making. For example, the benefit to society of research and development may be greater than the private financial benefit. Another example is the potential for cluster effects which may affect the profitability of the (geographical) siting of a business. Profitability may be lower for both the individual enterprise and society at large if the individual participant does not take account of overall profitability, but only his own activities. These examples show that there are various forms of market



Figure 6.1 Through Statnett, the state owns the majority of the central electricity transmission grid in Norway.

Photo: Statnett.

failure where intervention can be used in order to seek to increase the national economic benefit. In cases of market failure, precise and targeted measures should be designed to provide better incentives, help increase the coherence of private and public profit and thereby also contribute to better functioning markets, more efficient resource utilisation and greater value creation. The state has a variety of instruments for stimulating research in business and industry and rectifying other forms of market failure. State ownership should only be used to correct external effects or other forms of market failure when other, more accurate, instruments are unavailable.

### 6.1.2 Maintaining important companies, head office functions and key competences in Norway

From society's perspective, it may be desirable to keep certain types of business in Norway. For example, some businesses may be considered or expected to have (external) positive effects on the rest of the economy. State ownership may be one

of several means of safeguarding and developing desirable business activity and competence in Norway, and thereby contributing to increased overall value creation for society. The development of Statoil from 1972 until today being a good example.

The knowledge capital represented by employees, owners, organisations and research institutions is important for the competitiveness of Norwegian business and industry over time. Key parts of a company's competence, including its research and development function, have traditionally been located in connection with its head office. State ownership can be used as a means of keeping head office functions in Norway. This is ensured by owning at least one third of a company, which means that the state, in its ownership role, can oppose changes to the company's statutes.

Strategic decisions at corporate level will always be taken by the company's governing bodies, which are normally located at the head office. Maintaining head office functions is therefore desirable both in Norway and in many other

countries. For Norwegian business and industry, it is important that many small and large enterprises are run from Norway. Norwegian head offices in important companies can help to safeguard and develop specialised industrial, technological and financial expertise and can also contribute to the development of Norwegian leadership skills. State ownership can contribute to the development of Norwegian business and industry as a whole if it helps Norwegian businesses and technology to be retained in and developed from Norway. A substantial contribution from the state in retaining, attracting and developing such knowledge environments will be through a coherent policy for making Norway an attractive country to conduct business in. This will also help generate tax revenues.

Companies are generally listed on the stock exchange of the country where their head office is located, which is also where most of the trade in the company's shares will occur. This is one potential positive outcome of making it more attractive for companies to locate their head offices in Norway.

Another reason for state ownership may be to guarantee continued production of goods and services of importance for national security, security of supply or the protection of national sovereignty. Concern regarding strategic production has brought about state ownership involvement in a number of different enterprises. Security and emergency preparedness considerations were behind the state's involvement in Raufoss Ammunisjonsfabrikker, Kongsberg Våpenfabrikk and Horten Verft. The state retains its ownership involvement in enterprises that emerged from these companies through Kongsberg Gruppen and Nammo, and it is considered appropriate for the primary activities of these companies to be kept in Norway. These companies are now co-owned with private shareholders.

On Svalbard, state ownership will be maintained in companies which make a specific contribution to supporting Norway's Svalbard policy, with reference to White Paper no. 2 (2008–2009). This applies for example to Store Norske Spitsbergen Kulkompani, which is to be operated on a commercial basis and help maintain and develop the Longyearbyen community in a way which underpins the overall objectives of Norwegian Svalbard policy, and Kings Bay, which is a key player in achieving the objective of developing Svalbard and Ny-Ålesund as a platform for Norwegian and international polar research.

### 6.1.3 Management of common natural resources

There has been broad political consensus for securing for the common good a large share of the wealth creation from the exploitation of natural resources such as fisheries and aquaculture, hydroelectricity and petroleum. Over a long period, frameworks and institutions have been developed in order to achieve this.

In some areas, other public means than state ownership has not been considered sufficient to ensure control over and income from the country's major natural resources. The necessity of state ownership for achieving these objectives is however subject to debate, since much has changed since these different resources were first exploited. It is not feasible to move location-specific natural resources abroad. Thus, regardless of ownership, the state is able to retain a degree of control over the resources and regulate their management in various ways, as well as secure a reasonable share of the return and economic rent from the resource through taxation. Direct state ownership should therefore be evaluated over time against other options, especially where the preconditions are subject to change.

State ownership has been used as an instrument for securing Norwegian control of a variety of natural resources. Statkraft SF and Statskog SF are examples of state ownership being used as an instrument to safeguard the management of natural resources in line with public demand and the common good. It may be the case, for example, that private commercial exploitation of individual natural resources has a short-term perspective that is at odds with sound national economic exploitation over time. In order for the management of such resources to be for the common good, consideration must be given to future generations. State ownership can be used as an instrument to accommodate such concerns. State ownership may also play a role in ensuring that the revenues from natural resources benefit the common good rather than individual stakeholders.

### 6.1.4 Sectoral-policy and societal considerations

State ownership can, in some cases, be justified on sectoral-policy grounds. This is especially relevant in areas where the state particularly wishes to exercise management and control, including having the option to amend framework conditions



Figure 6.2 Since its establishment in 1972, Statoil has developed into a leading global petroleum company.

Photo: Kim Laland and Statoil ASA.

rapidly. Private owners may be wary of establishing businesses in such areas, since the potential for changes in framework conditions (the political risk) may be considered too great. State-owned companies may be used as potential instruments in particular policy areas. Specific sectoral-policy objectives may impose requirements on the individual company concerning, for example, its sphere of activity and products, availability, quality, service and prices of goods and services. Vinmonopolet, for example, is used as an instrument in alcohol policy to restrict and control the availability of alcohol. The state also has a special responsibility for safeguarding dependable national infrastructure such as airports and power grids. This is currently achieved through ownership of Avinor and Statnett. There has been a trend towards more differentiation of the state's different types of responsibility, e.g. responsibility for financing and for production. In some cases, responsibility can be shared, with the state taking on the financing liability, while production is put out to tender and performed through public procurement.

There are, for example, sectoral-policy concerns behind state-owned hospitals. The objective is to lay the foundation for cohesive management of the specialised health service, through, for example, legislation of an explicit governmental responsibility. State ownership also aims at facilitating better utilisation of the resources invested in the sector, thereby securing better health services for the entire population. In parts of the health, education and transport sectors, the objective has been to provide an fair basic service to all citizens, regardless of ability to pay. Through its ownership of, for example, Norsk Rikskringkasting and theatre enterprises, the state has aimed to secure cultural-policy objectives.

State ownership can also be seen in the light of a commitment to equal access and secure provision of certain services regardless of demand, place of residence, willingness and ability to pay and other status. Such justifications for state ownership must be viewed in context with the ambition of meeting sectoral-policy concerns, and a case-by-case assessment must be made of whether state ownership is the most appropriate of the



Figure 6.3 Statkraft is Norway's largest power producer, with around one third of total national production.

Photo: Statkraft.

instruments available. Even if the state sees it as its role to safeguard a service, and potentially secure its financing, there may still be alternatives to state ownership. These may include public procurement by tender and public-private partnerships. Technological and societal advances may however alter the preconditions, as has happened in the telecommunications sector, for example.

In the event of certain crises, state ownership might be the only suitable means of protecting the interests of the society. Such interventions will be the exceptions. Any state intervention will have to comply with the provisions concerning state aid under the EEA Agreement. In individual instances of crisis, the state has intervened on the ownership side. During the banking crisis of the early 1990s, the state became the sole owner of the three largest commercial banks, following attempts at solutions using private capital. The purpose was to avert a more serious banking crisis. Shareholdings were subsequently disposed of, two banks were sold, one part-privatised, and the state is currently left with a 34 per cent shareholding in DNB. Other countries have also had to

take ownership of banks as a result of various crises. In the wake of the last financial crisis, measures have been implemented, and prepared for implementation, in many countries to enhance the solidity of the financial industry. These measures reduce the risk of finance institutions and the financial markets in general and might reduce the need for last-resort state intervention during crises.

## 6.2 Alternative instruments to state ownership

Each case should be individually assessed to determine whether ownership is the most effective instrument for the state in order to achieve the goal in question. Such assessments can be made by weighing benefits and costs against policy objectives. They should be performed regularly, as preconditions may change over time. There has been a trend that safeguarding certain objectives through ownership has been replaced by regulatory instruments such as licensing rules,



Figure 6.4 Vinmonopolet is used as an instrument in alcohol policy to restrict and control the availability of alcohol.

Photo: Erik Thallaug and AS Vinmonopolet.

legal acts and regulations. As sectoral-policy justifications for state ownership can change over time, the pursuit of policy objectives can be differentiated from the actual exercise of ownership. The importance of ownership for regulating the market through management companies is reduced and in some sectors ceased. Licensing provisions can ensure, for example, that requisite services are made available to all, even without public ownership. Incentives, new technology and increased competition in larger and more integrated markets mean that the various objectives can now be achieved more effectively through such avenues as the market, legislation, regulation and licensing terms than through state ownership of the supplier.

Other options include linking subsidies and charges to specific patterns of action, contract management and public procurement. The state can manage its companies by signing agreements

in the same way as with private companies. Contract management may entail production of specific types of goods or services, or fixed prices to users, in return for payment from the state. Such agreements can be signed on a commercial basis with commercial companies, concurrently with the state's pursuit of its sectoral-policy objectives. Tendering regulations can define requirements for tenders, seeking to achieve cost efficiency and efficient allocation of resources. An example of this is a number of air and bus routes being regularly put out to tender to ensure a broad transport service in all parts of the country. This approach provides a clearer distinction between the supplier role (for example, as a sectoral-policy instrument) and the owner role. Furthermore it enables privatisation of companies as the pursuit of the policy concerns is no longer linked to ownership.

### 6.3 Categorisation of the companies under direct ownership

Since 2006, the state's portfolio of companies has been categorised into four different categories. The categorisation has been based on the state's justification and objectives for direct state ownership; cf. chapter 6.1. The government believes that the ownership categorisation system has helped clarify the state's objective for ownership of the individual company and that the current four categories are appropriate. As such, the government intends to maintain the current categorisation. The specific categorisation and the formulation of the state's objectives in each company are stated in chapter 9.

The four categories are:

1. Companies with commercial objectives.
2. Companies with commercial objectives and objective of maintaining head office functions in Norway.
3. Companies with commercial objectives and other specifically defined objectives.
4. Companies with sectoral-policy objectives.

#### *Category 1 – Companies with commercial objectives*

This category includes companies where the state's ownership objective is purely commercial. The administration of ownership of the companies in this category has the sole purpose of maximising the value of the state's investments, notably through contributing to sound commercial development of the companies. Whether the state

should remain an owner of these companies is the subject of continuous commercial assessment.

*Category 2 – Companies with commercial objectives and objective of maintaining head office functions in Norway*

This category includes companies where the state has a commercial objective with its ownership, and an objective of maintaining the companies' head offices and associated head office functions in Norway. To achieve this last objective, a shareholding of more than one-third is (normally) sufficient.

*Category 3 – Companies with commercial objectives and other specifically defined objectives*

This category includes companies where the state has a commercial objective in its ownership, and where there are other societal justifications for state ownership than maintaining the head office in Norway.

A common feature of the companies in category 3, as of the companies in categories 1 and 2, is that they operate in competition with other businesses on a commercial basis<sup>1</sup>.

For most of the companies in category 3, the situation will be rather similar to category 2, with no need for special follow-up in the administration of ownership in order to achieve the specifically defined objectives. The objectives are achieved through the company running its business on a commercial basis within the sector in question.

Based on the state's objective for its ownership, individual guidelines for activities may be set out for some companies. To obviate doubt that these companies are operated on a commercial basis, the sectoral-policy administration will primarily be provided through regulations, licensing rules and public procurements from the companies on commercial terms.

*Category 4 – Companies with sectoral-policy objectives*

The state's ownership of the companies in category 4 has primarily sectoral-policy objectives. The objectives for these companies should be adapted to the purpose of ownership in the individual company. As an owner, the state will strive to achieve its sectoral-policy objectives as efficiently as possible.

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<sup>1</sup> For some companies, certain parts of their activities may be exempt from competition.



## 7 What should the state own?

The government aspires to facilitate diversification and value-creation in Norwegian business and industry, and to strengthen private ownership; see chapter 4. This will help improve Norwegian competitiveness. Accordingly, over time, the government wishes to reduce the state's direct ownership interests. This will particularly apply to companies where the state has no particular reasons for being an owner, but it may also be appropriate to reduce the state's holdings in other companies, assuming this can be done within a framework that safeguards the objective of the ownership.

The government points to the fact that the ambition of reducing the state's direct ownership over time is not a budgetary matter, but relates to the factors described in chapters 4.1 and 4.2. The allocation of capital freed up from any reductions in the state's holdings must be understood on the basis of the frameworks drawn up for the administration of the state's financial assets.

A desire to secure control of natural resources, maintain the presence of key companies in Norway and safeguard sector-policy interests suggests that the state will retain a substantial portfolio of holdings for the foreseeable future. The government will administer its holdings in a productive and professional manner, and will be open to transactions that may enhance the value of the commercially oriented companies.

The changes that the government wishes to implement over time in the state's direct ownership are detailed below. Please also refer to the review of companies in chapter 9.

### 7.1 Changes to the state's ownership

#### 7.1.1 Reduction in the state's direct ownership over time

The government believes that the state should not have a long-term ambition of ownership in companies where the state's objectives are purely commercial. In the government's opinion, over time, other owners will often be better at developing such companies. On this basis, in the budget

proposal to the Storting for 2015, the government will ask the Storting for a mandate to fully or partially divest the state's ownership of companies in category 1. For some of these companies, the government already has such mandate.

The government emphasises that, even though the state should not have a long-term ambition of owning such companies, any changes in the state's holdings will be made only if it is considered to be financially beneficial to the state. Furthermore, there may be corporate or market-related factors entailing that the state should delay use of these powers.

The companies in category 2 are commercial companies where the objective of the state's ownership, beyond a return on invested capital, is to retain head offices in Norway. This is achieved primarily through a holding that ensures negative control, i.e. more than one-third. The government's premise will therefore be that it will not be appropriate to reduce the state's holdings in these companies to below 34 per cent. To the extent that the boards or others suggest value-creating industrial solutions that may only be realised through a reduction in the state's holding to below 34 per cent, this would be subject to a detailed assessment of the commercial benefits and potential for safeguarding the state's ownership objective. Any matters of this nature will be brought before parliament.

There may be special factors dictating why the lower threshold for the state's holding in individual companies in category 2 deviates from 34 per cent. This applies to, for example, Statoil ASA, Aker Kværner Holding AS and Nammo AS. The first of these relates to Statoil's sale of the state's oil and gas along with its own, while for the other two, the state has signed shareholder agreements with industrial partners. Another relevant factor is also whether or not the companies are listed on a stock exchange. In companies where ownership is not diversified, it may be necessary to have a larger holding to retain sufficient ownership influence.

Category 3 includes companies where the state has a commercial objective in its ownership,

and where there are other justifications for state ownership than maintaining head offices in Norway. The government believes that there are sound justifications for the state to have holdings in these companies. Nonetheless, for companies in category 3, there may still be scope for adjustments to and changes in the state's ownership based on commercial considerations, and in a way that also takes into account the state's rationale for ownership in these companies. Any specific matters will be brought before parliament.

The state's holdings in the sectoral-policy companies in category 4 should, as a rule, remain intact. This does not however prevent changes if the sectoral-policy interests no longer apply, or can be fulfilled in another satisfactory manner through the use of instruments other than ownership. Telenor and Statkraft are examples of large businesses that have transitioned from state enterprises to companies subject to commercial competition. A more recent example of a transition from category 4 to category 1 is Ambita (formerly Norsk Eiendomsinformasjon).

### 7.1.2 Value-increasing transactions

The primary objective of the administration of ownership in the commercial companies is a high return on invested capital over time.

As an owner, in principle, the government will take a positive view of strategic initiatives and transactions that may be expected to contribute to value growth in the companies and that are also implementable within a framework that safeguards the objective of the state's ownership.

In a global economy where complexity is on the rise and where innovation and advances in technology are fast-paced, it is challenging for companies to maintain and strengthen their competitive positions over time. Successful companies need to be agile and to have a good understanding of strategic and competitive opportunities that arise as the business climate evolves. Such reorganisation may also require participation from the owners, for example, through injection of capital, mergers and acquisitions, or through the addition of new types of expertise on the owner side.

The government emphasises that, as an owner, the state should conduct itself so as to allow the companies to exploit good commercial opportunities, and will therefore actively assess any initiatives proposed by the companies, provided they are judged to be commercially beneficial and take into account the objective of the state's

ownership. On this basis, and in order to reduce the state's direct ownership over time, the government will be open to possibly reducing the state's holdings in two of the companies in category 2.

On this basis, in the budget proposal to the Storting for 2015, the government will ask the Storting for a mandate to possibly reduce the state's holdings in Kongsberg Gruppen ASA and Telenor ASA, down to 34 per cent.

Any changes in the state's holdings that may increase value to the state and improve the industrial foundations of the companies in category 2 and where there are shareholder agreements regulating the state's ownership, i.e. Aker Kværner Holding AS and Nammo AS, must be assessed in light of these agreements. It is therefore not proposed to adopt such mandates; see chapter 7.1.1. In DNB ASA, Norsk Hydro ASA and Yara International ASA, the state's holdings are presently very close to 34 per cent, and it is not considered appropriate to propose having a mandate to reduce the state's ownership in these companies.

As concerns the government's assessments relating to the companies in categories 3 and 4, readers are referred to chapter 7.1.1.

Only in very special circumstances will the government assess increasing the state's holdings in partly owned companies. Nor does the government consider it relevant for the state to be proactive in acquiring new strategic positions in companies subject to competition. The experiences from the state's attempts at industrial development during the second half of the last century do not indicate that the state is the best actor for furthering economic growth through direct ownership. Only in extraordinary cases will the government consider undertaking new state ownership positions. Such an undertaking would have to be carefully assessed and justified on the basis of economic profitability and broader considerations.

The government would also draw attention to the state's other instruments and policies for facilitating diverse and value-creating business and industry in Norway.

### 7.1.3 Demergers and the creation of new state companies

The government is committed to state production activities being carried out efficiently, using an appropriate management and organisational structure. Against this background, the government may consider reorganisations of state enterprises and the establishment of new companies, predica-

ted on new state ownership being established on the basis of economic profitability or certain specified objectives. For example, since the change of government, the Ministry of Transport and Communications has worked to facilitate a number of major reforms in the transport sector. For the roads, the government is working to set up a development company, with the object of undertaking more road projects and making road expansions more efficient. The reform activities also aim to reorganise Jernbaneverket (the Norwegian National Rail Administration) and NSB (Norwegian State Railways) in order to achieve an appropriate administrative structure, a commercial organisation and clear goals.

#### 7.1.4 Factors to be emphasised in the event of changes to the state's ownership

The government stresses that it is crucial for any changes in state ownership to be carried out in a manner that is professional, commercially justifiable and which protects the value of the state's assets.

In deciding on changes in the state's ownership, the government will assess both market-related and company-specific factors. The government will not make any changes to the state's ownership or support any transactions that are not considered financially beneficial for the state in each individual case. This implies, among other things, that reduction in the state's direct ownership will take place over time.

The powers that may be given to the government in companies in categories 1 and 2 must also be understood on the basis of the government's ambition of being amenable to supporting value-creating transactions through adjustments to its holdings in these companies.

When assessing such transactions, the government will normally also employ external advisors.

## 7.2 Ministerial powers

Under Section 19 of the Constitution, it is not within ministerial powers to alter the state's capital investments in companies with state ownership, for example through the purchase or sale of shares, participation in rights issues or funding industrial transactions through share settlements that change the state's holdings. For such actions, the government must hold special mandate from parliament; see the Storting's discussion of Docu-

ment no. 7 (1972–1973) in Recommendation no. 277 (1976–1977).

Given the government's ambition to reduce state ownership and contribute to value-creating transactions, the government will, as mentioned, in connection with the national budget for 2015, ask the Storting for the following mandates:

- Mandate to fully or partially divest the state's holdings in all companies in category 1.
- Mandate to possibly reduce the state's shareholding in Kongsberg Gruppen ASA and Telenor ASA down to 34 per cent.

As mentioned, any use of these powers must be commercially justified. Any use of these powers may also relate to different types of solutions, such as sales of the state's shares to industrial or financial entities, public offerings or as part of industrial solutions.

The government has also assessed the need for other powers, based in particular on the concept that the state, in commercial companies, should have the opportunity to act in a professional manner in the same way as other good owners do.

As described in chapter 2.3.2, the accelerating pace of change in business and industry means that companies have a greater need to restructure than was previously the case. This may require participation from the owners, for example through the injection of capital, through acquisitions, mergers, divestments, etc.

The government is aware of the increased requirements for rapid and effective decision-making processes, but believes that there are no grounds for diverging from the fundamental division of responsibilities between government and parliament in matters of ownership, and will continue adhering to this policy. In the government's opinion, this division of responsibilities has worked well and has not prevented companies in which the state has a large holding from exploiting commercial opportunities on an equal footing with other companies.

The government also believes that there are no reasons for departing from the established practice of the state being reticent to grant powers to the board of directors in cases which in law are vested with the annual general meeting.

As described in chapter 8.3.1, the government will also continue supporting the state contributing to buyback programmes (whereby the company buys its own shares on the market in order to annul them, as a supplement to dividends), on condition that the state's shareholding in the company is not thereby altered.

## 8 How should the state own?

Through direct ownership exercised by the ministries, the state is patently the largest owner in Norway, and also a major owner in the international arena. Norway and the other Nordic countries are regarded as being exemplary in their exercise of state ownership. This is to a great extent attributable to the political consensus achieved on the main frameworks for the exercise of state ownership, which have been conducive to predictability for the companies and the capital markets. The constraints of these main frameworks entail that state ownership must be exercised professionally in line with corporate and other legislation; in line with generally accepted corporate governance principles; that the state's influence as an owner must be exercised exclusively at general meetings; and that a clear distinction must be maintained between the state's role as an owner and its other roles.

The government aims for the Norwegian state's ownership to be an example of best practice internationally. In exercising its ownership, the state emphasises areas in which the state has positive prerequisites for adding value to its holdings:

- Within the established frameworks for corporate governance, including the distribution of roles and responsibilities between the board and owner, as prescribed by corporate legislation, the state will continue to emphasise improving strategic and financial supervision of its portfolio. This will be achieved by means of analytical follow-up, by elaborating on strategic approaches to company performance, and by maintaining explicit expectations regarding company performance. For each company in isolation, there is strength to be drawn from engaging in strategic dialogue with a demanding owner within the scope and constraints outlined above.
- The state is not represented on corporate governing bodies. One of the main tasks of the state as an owner is to establish competent boards that are duly capable of dealing with the strategic challenges faced by the companies they oversee. As an owner, the state must have

clear understanding of the need for board expertise in each individual company, and has in recent years strengthened its efforts in relation to board member recruitment and evaluation. These efforts will be continued.

- Effective corporate governance strengthens market confidence in companies and boosts value creation over time. The state will place emphasis on being a leading owner when it comes to promoting good corporate governance.

The following discusses the state's exercise of ownership.

### 8.1 Framework for the state's ownership administration

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#### 8.1.1 Constitutional framework

Article 3 of the Constitution of the Kingdom of Norway prescribes that executive power is vested in the King, which, in practice, means the government. However, the Storting (Parliament) may issue general guidelines and instruct the government in individual cases by means of plenary resolutions of the Storting or passing of bills.

State ownership of enterprises is also regulated by Article 19 of the Constitution: «The King shall ensure that the properties and regalia of the state are utilised and administered in the manner determined by the Storting and in the best interests of the general public.» It is thus the government that administers the state's shares and ownership in state-owned enterprises, and special law companies etc. This provision vests the Storting with express legal authority to instruct the government in matters pertaining to state ownership.

Administration of state ownership is delegated to the ministry under which the company sorts, in accordance with Article 12(2) of the Constitution. The Minister's administration of ownership is exercised under constitutional and parliamentary responsibility.

The Storting's funding mandate entails that the consent of the Storting must be obtained in the event of changes in the state's holdings in a company (acquisition and divestment of holdings) and resolutions regarding capital injections entailing disbursements by the state.

Companies in which the State has ownership will usually be able to purchase and divest shares in other companies and acquire or dispose of parts of business operations where this is a natural step in the realignment of the company's object-specific operations, without the approval of the Storting being required. For companies where the state is the sole shareholder, the consent of the Storting must be obtained regarding decisions which would significantly alter the state's commitment or the nature of the business; see p. 18, Recommendation no. 277 to the Storting (1976–1977). When the State is a joint shareholder, the question of whether the case should be prediscussed in the Storting arise for matters of such scope that they must be brought before the general meeting (company demergers or mergers, for example). Depending on the State's holding in the company, it may be necessary to bring such matters before the Storting; see p. 19 Recommendation to the Storting no. 277 (1976–1977), but the main rule is that matters concerning acquisition and divestment of shares, including acquisition and divestment of subsidiaries, sort under the company's management.

The Office of the Auditor General of Norway conducts audits of the minister's (the ministry's) administration of the state's ownership, and reports to the Storting accordingly.

### 8.1.2 The minister's authority within the company

The legal basis for ministerial ownership authority in a limited liability company is laid down in Section 5–1 of the Limited Liability Companies Act which states: «Through the general meeting the shareholders exercise the supreme authority in the company.» A similar provision applies to public limited liability companies, state enterprises and the majority of special law companies<sup>1</sup>. As regards the state-owned enterprises, the term «general meeting» is replaced with «enterprise meeting» but effectively denotes the same. In the

following, the term «general meeting» is used as a common term to refer to both forms of meetings.

A general meeting is a meeting conducted in compliance with detailed rules laid down in Norwegian corporate law. A company's general manager, board members, members of the corporate assembly and the company's auditor shall be summoned to attend and are entitled to be present and to voice their opinions at the general meeting. Attendance by the chair of the board and the general manager is mandatory. In addition, the Office of the Auditor General of Norway shall be notified of general meetings and has the right to attend. Minutes shall be taken of the general meeting. A general manager or member of the board of directors or corporate assembly member who disagrees with the resolution adopted by the representative of the company's shares may have his dissenting vote entered in the minutes.

The rules regarding minutes-taking and notification of the Office of the Auditor General of Norway provide the basis for constitutional supervision of the administration of state ownership.

The provision in Section 5–1 of the Limited Liability Companies Act entails that the minister via the general meeting assumes supremacy over the board in state limited liability companies and may issue instructions which the board has a duty to comply with. These might be general instructions or special instructions on individual matters. By tradition, the state has exercised caution in instructing the enterprises on individual matters. This is due firstly to the fact that it conflicts with, and undermines, the strict separation of roles and responsibilities laid down in corporate law; see chapter 8.1.3. An instruction issued at a general meeting might cause the board to resign from office rather than accede to the instruction. Secondly, active use of the instructing mandate at a general meeting may affect the constitutional responsibility vested in the minister vis-à-vis the Storting in the event that the minister assumes responsibility, through a resolution of the general meeting, for actions that are customarily the preserve of the board. Active use of the instructing mandate might also carry implications as regards third-party damage liability.

Another consequence of Section 5–1 of the Limited Liability Companies Act is that the ministry in its role as owner, has no authority within the company in the absence of the general meeting structure<sup>2</sup>.

In jointly owned companies, in addition to the constraints described above, further limitations are placed on ministerial authority out of regard

<sup>1</sup> One exception is Vinmonopolet, which does not hold a general meeting; see the Vinmonopolet Act no. 18 of 19 June 1931.

for the other shareholders and in conformance with the limited liability companies legislation's parity principle; see Section 5–21 of the Limited Liability Companies Act/Public Limited Liability Companies Act. This means that the state, even as a majority shareholder, is not permitted to favour its own interests at the expense of the other shareholders in the company. The requirement for shareholder parity has the effect, for example, of limiting the scope for free exchange of information between the company and the ministry. The public limited liability companies legislation also lays down explicit guidelines regarding the state's supervisory interaction with listed companies. This, however, does not prevent matters of wider societal relevance from being addressed by the state in supplement to its ordinary ownership dialogue with companies in line with what is exercised by other shareholders and stakeholders.

### 8.1.3 Administration of the company

Company management is composed of the board of directors and the general manager. The limited liability company form and other company forms employed for state companies are based on a strict separation of roles between the company's owner and its management. Pursuant to Section 6–12 of the limited companies legislation and corresponding provisions in the other company acts, management of a company pertains to the board of directors and the general manager. This entails that day-to-day commercial management of a company and responsibility for it rests with company management. Management shall be exercised by the board of directors and the general manager in the best interests of the company and its owners. Within the general and specific frameworks determined for the company by the Storting, the state as an owner pursues its interests through the general meeting. By virtue of their management of the company, the members of the board and the general manager are subject to personal and criminal liability as laid down in the limited liability companies legislation.

<sup>2</sup> In special law companies, other arrangements may be in place; see, for example, the Gaming Act, which regulates the activities of Norsk Tipping.

### 8.1.4 Specifically concerning management of companies wholly owned by the state

Ownership in companies in which the state owns all the shares (state limited liability companies<sup>3</sup>, state enterprises or special law companies<sup>4</sup>) is exercised as it is for other companies, by means of general meetings or trust/enterprise meetings<sup>5</sup>. One exception is Vinmonopolet, which does not hold a general meeting<sup>6</sup>.

By law, for state enterprises, matters assumed to be of material significance for the company's objectives or which to a significant degree would alter the nature of the undertaking shall be put to the owner before a decision is made<sup>7</sup>. A similar rule applies to the health enterprises<sup>8</sup>. For certain state limited companies, rules have been incorporated in the articles of association requiring the board to bring before the owner any matters assumed to be substantive, setting a precedent or having political or societal implications for the owner. According to this same rule in the articles of association, some companies also have a duty to regularly present the owner with a plan for the company's activities. Such plans form the basis for ministerial ownership reports to the Storting on the activities of these companies. However, this does not alter the fact that the state exercises its authority as an owner at the general meeting or enterprise general meeting.

For state-owned enterprises and state limited liability companies, certain rules accord greater powers to the enterprise meeting and the general meeting than is otherwise laid down in law for other types of limited liability companies, such as the right to set a higher dividend than that propo-

<sup>3</sup> See Sections 20-4 to 20-7 of the Limited Liability Companies Act.

<sup>4</sup> Special law companies denotes companies governed by their own dedicated statute, which typically also lays down specific organisational rules. Examples of special law companies include Vinmonopolet, Norfund and the regional health enterprises.

<sup>5</sup> See the consultative memo from the Ministry of Local Government and Modernisation: «Sektorselskaper, virkemidler og effektiv måloppnåelse. Vurdering av virkemiddelbruk overfor statlig heleide sektorselskaper» (Sectoral enterprises, policy instruments and effective goal attainment) of February 2014, in which Section 4.3.2 refers to a survey conducted by Difi confirming that formal ownership is exercised by the ministries through the general meeting or enterprise general meeting.

<sup>6</sup> See the Vinmonopolet Act no. 18 of 19 June 1931.

<sup>7</sup> See Section 23 of the State-Owned Enterprises Act.

<sup>8</sup> See Section 30 of the Health Authorities and Health Trusts Act.

sed by the board of directors or corporate assembly<sup>9</sup>.

### 8.1.5 Other frameworks

Apart from the frameworks ensuing from the Constitution, the law of public administration and corporate law, it is mainly competition law and stock exchange trading and securities law which impose legal requirements on the State's corporate governance. Other principal legal frameworks ensue from EEA regulations such as the rules regarding state aid.

#### 8.1.5.1 Public-sector ownership and the EEA Agreement

The EEA Agreement is essentially neutral as regards public and private ownership; see Articles 125 and 59 (2). The prohibition against state aid in Article 61 (1) of the EEA Agreement thus also applies to undertakings held by the State or other public instances. This restricts the government's scope for favouring non-commercial interests in the exercise of ownership. In determining whether public funds furnished to an enterprise constitute state aid, the European Court and European Commission have elaborated the Market Economy Investor Principle. If a public authority injects capital on terms other than those that would be acceptable to a comparable private investor, the investment might be construed as holding a financial advantage for the enterprise and as such contravenes the rules regarding state aid. This entails that the state must demand normal market-rate returns on capital invested in an enterprise operating in competition with others. The EFTA Supervisory Authority (ESA) supervises Norwegian compliance with the state aid regulations.

#### 8.1.5.2 Competition rules

In principle, any changes in state ownership will also comprise circumstances that are supervised by Norwegian or other competition authorities. These would include enterprise mergers and acquisitions, which the competition authorities, pursuant to the competition rules applicable to enterprises, are to monitor. In such matters, the government will propose to the Storting that reservations be made regarding the supervisory procedure of such bodies to ensure that the mat-

ters are not treated differently on account of the state ownership<sup>10</sup>.

#### 8.1.5.3 Regulations for financial management within the state

One decisive constraint on the state's exercise of ownership derives from the «Regulations on Financial Management in Central Government»<sup>11</sup>. The Regulations apply to matters such as *management and follow-up of the state's ownership interests in state limited companies, state-owned enterprises, special law companies or independent legal entities wholly or partially owned by the central government*, including the purpose that *central government assets shall be properly managed*.

Section 10 of the Regulations on Financial Management in Central Government state that: *«Agencies with overall responsibility for state limited companies, state-owned enterprises, companies established by special statute or other independent legal entities wholly or partially owned by the central government, shall draw up written guidelines on how management and control powers shall be executed for each individual company or for groups of companies. A copy of the guidelines shall be sent to the Office of the Auditor General.*

*The central government shall, within the framework of applicable laws and rules, manage its ownerships in accordance with general principles of corporate governance with special emphasis on:*

*a) that the chosen organisation of the company, the company's articles of association, the financing and the composition of the management board are appropriate given the company's purpose and ownership*

<sup>9</sup> See Section 20-4 of the Limited Liability Companies Act and Section 17 of the State-Owned Enterprises Act.

<sup>10</sup> The Ministry of Trade, Industry and Fisheries is responsible for competition policy, including competition law governing enterprises and the state aid regulations. The Ministry is also the appeals body for matters pursuant to the Competition Act pertaining to either private-sector or public-sector companies. An acting councillor of state is appointed for the Minister for Trade, Industry and Fisheries for the hearing of complaints pursuant to the Competition Act in which companies in which the state has a holding are indirectly or directly affected by the outcome of the complaint, and in which the Minister, owing to his or her responsibility for management of the state's ownership interests in the company in question is disqualified or so borderline to disqualification for the Minister in the role of Councillor of State to wish to step down. In general, rulings in respect of competition policy in which the Minister for Trade Industry and Fisheries is responsible for management of the state's ownership interests will, depending on the circumstances, necessitate appointment of an acting councillor of state.

<sup>11</sup> Prepared by the Ministry of Finance and adopted by Royal Decree, 12.12.2003. Last revised 18.9.2013.

*b) that the execution of ownership ensures equal treatment of all owners and supports explicit distribution of authority and responsibility between the owners and the management board*

*c) that the objectives established for the company are achieved*

*d) the proper functioning of the board*

*Governance, monitoring and control including appropriate guidelines shall be adjusted to the size of the central government shareholding, the distinctive characteristics of the company, risk profile and significance.»*

Section 16 goes on to state that: «*Governance, monitoring and control including appropriate guidelines, shall be adjusted to the size of the central government shareholding, the distinctive characteristics of the company, risk profile and significance. The evaluations shall focus on the appropriateness of for instance ownership, organisation and instruments, including grant schemes. The frequency and scope of the evaluations shall be based on the agency's distinctive characteristics, its risk profile and its significance.»*

A central principle in limited liability companies, state-owned enterprises and special law companies is that the state's financial liability is limited to its invested capital.

#### 8.1.5.4 Norwegian Code of Practice for Corporate Governance

The Norwegian Corporate Governance Board (NUES) is composed of different interest groups representing, owners, the issuers of shares and Oslo Stock Exchange<sup>12</sup>. The objective of NUES is to prepare and update the Norwegian Code of Practice for Corporate Governance to promote maximum value creation within listed companies in the best interests of shareholders, employees, other stakeholders and the wider public interest. The Code shall contribute to enhancing confidence in Norwegian companies and the Norwegian stock market. On 21 December 2012, NUES published a revised version of the Code. The Norwegian Code of Practice for Corporate Governance supplements the state's own principles of good corporate governance; see chapter 8.3.

<sup>12</sup> The Norwegian Shareholders Association, the Norwegian Institute of Public Accountants, the Institutional Investor Forum (in which the Ministry of Trade and Industry and Fisheries is also represented), Finance Norway, the Norwegian Society of Financial Analysts, the Norwegian Association of Private Pension Funds, the Confederation of Norwegian Enterprise, Oslo Stock Exchange and the Norwegian Fund and Asset Management Association.

Oslo Stock Exchange requires companies listed on its exchange to prepare an annual consolidated report on their corporate governance. Under the same rules, an explanation shall be provided of any deviation from the Norwegian Code of Practice for Corporate Governance. Section 3–3b of the Accounting Act also requires reporting by companies on their corporate governance principles and practices.

#### 8.1.5.5 OECD Guidelines on Corporate Governance of State-Owned Enterprises

In 2005, the OECD published a set of guidelines<sup>13</sup> for management of state-owned companies, complementing the OECD principles of corporate governance<sup>14</sup>. The then Norwegian Ministry of Trade and Industry (now the Ministry of Trade, Industry and Fisheries) contributed actively to the drafting of the guidelines. The rationale for the guidelines is that good corporate governance of state-owned enterprises results in better financial development and the expedience of applying a common standard of best practice for corporate governance by the state. In 2010, the OECD published a practical guide to the guidelines in selected areas<sup>15</sup>. Both the OECD Guidelines and the OECD Principles for corporate governance are currently undergoing review and new versions are expected to be adopted by the OECD in 2015<sup>16</sup>.

The main purpose of the guidelines has been to provide advice that contribute to state-owned enterprises attaining a clearer legal status and a form of governance equal to that of equivalent private-sector enterprises. Further, the guidelines recommend the strict division of the state's different roles as a political authority, regulatory body and its role as a corporate owner. A third aim is to strengthen the role of the board of state-owned enterprises, in which competence and integrity are central. Transparency surrounding the ownership, and its principles and policies and respect for minority shareholders are likewise key areas addressed by the Guidelines.

<sup>13</sup> OECD (2005): «Guidelines on Corporate Governance of State-Owned Enterprises.»

<sup>14</sup> OECD (2004): «Principles of Corporate Governance.»

<sup>15</sup> OECD (2010): «Accountability and transparency – a guide to state ownership.»

<sup>16</sup> The Ministry of Trade, Industry and Fisheries is actively involved in the review work through its membership of the OECD Corporate Governance Committee and Working Party on State Ownership and Privatisation Practices; see chapter 8.5.2.



The Norwegian state's ownership practices and the state's principles for good corporate governance (see chapter 8.3) essentially correspond with the recommendations of the OECD Guidelines on Corporate Governance of State-Owned Enterprises. The board and management of companies with state ownership also benefit from actively applying the recommendations in the OECD Guidelines.

#### 8.1.5.6 *How owner control is affected by differing shareholdings*

Once the Storting has decided that the state is to engage as an owner in a company with the status of an independent legal entity, this then has implications for how political policies and other objectives are communicated and how and to what extent the state may intervene in the running of the company.

The management of a state-owned enterprise, limited liability company or special law company is distinct from the management of agencies within the public administration system. The owners (including the state as a shareholder) are required to comply with the statutory division of roles between the general meeting, the board and general management. In organising undertakings as independent legal persons, as state-owned enterprises, special law companies or limited liability companies, from the outset, the state waives its opportunity to directly influence day-to-day activities.

However, by participating in nomination processes and election to governing bodies, determining the company's objectives and other clauses in the articles of association, and by setting out the frameworks for the enterprise at the general meeting, the state may still exert influence on the company's activities. The state's influence will depend on the size of its shareholding.

The following discusses what an owner achieves in the way of influence in a company with different typical shareholdings, and how this affects corporate governance.

#### *Wholly owned companies*

Limited liability companies wholly owned by the state are referred to as state limited liability companies (or state public limited liability companies)<sup>17</sup>. The ordinary rules in the limited liability companies legislation also apply to the state limited

liability companies. In addition, certain special rules provide the state with extended control of its ownership; see Sections 20–4 to 20–7 of the Limited Liability Company Act/Public Limited Liability Company Act. Certain wholly owned state undertakings are also organised as state-owned enterprises or special law companies. To all intents and purposes, the state-owned enterprises are governed in the same way as state limited liability companies.

The main differences for state limited liability companies, as compared with ordinary limited companies, are firstly that the general meeting elects the shareholder-elected members to the board, even if the company has a corporate assembly; see Section 20–4 no. 1<sup>18</sup> of the limited companies legislation. In addition, the King in Council of State may overrule resolutions of the corporate assembly or resolutions of the board if major social considerations so indicate; see 20–4 no. 2 of the Limited Liability Company Act/Public Limited Liability Company Act. In state limited liability companies, the general meeting is also not bound by any proposal by the board of directors or corporate assembly on the distribution of dividends; see 20–4 no. 4 of the Limited Liability Company Act/Public Limited Liability Company Act.

There is an obligation for both genders to be represented on the board of directors of state limited liability companies and their wholly-owned subsidiaries; see Section 20–6 of the Limited Liability Companies Act. The same applies to state-owned enterprises and public limited liability companies generally; see Section 19 of the State-Owned Enterprises Act and Sections 6–11a and 20–6 of the Public Limited Liability Companies Act. The Office of the Auditor General also has an extended right to exert control over the minister's management of state holdings; see Section 20–7 of the Limited Liability Companies Act/Public Limited Liability Companies Act.

In wholly-owned companies, the owner may, through resolutions adopted at the general meeting, impose obligations on the company that might lower the company's financial performance without contravening Section 5–21 of the Limited Liability Companies Act/Public Limited Liability Companies Act (Abuse of the general meeting's authority); see also Section 6–28 of the Limited Liability Companies Act/Public Limited Liability Companies Act (Abuse of position in the company etc.).

<sup>17</sup> At present the state has no state public limited companies.

<sup>18</sup> Of the state's wholly-owned companies, only a minority have a corporate assembly or other representative body.

The state's financial liability in limited liability companies, state-owned enterprises and special law companies is in principle limited to its invested capital. However, if an owner transgresses in instructing the company in business matters, creditors might claim damages from the state pursuant to the law of tort or the doctrine of corporate law concerning piercing of the corporate veil. For this reason among others, the principle is that companies are to be compensated if they are ordered to make investments or undertake other activities which the board does not find commercially prudent; see chapter 8.2.4. This must be accomplished within the constraints imposed by relevant statutes and other regulations.

#### *Jointly owned companies*

Where the state is the joint owner of a company, the Limited Liability Companies Act/Public Limited Liability Companies Act impose restrictions on the types of resolutions that may be adopted by the general meeting; see Section 5–21 of the limited companies legislation on abuse of the general meeting's authority. The purpose of this provision is to protect the rights of minority shareholders versus majority shareholders. This provision prohibits the general meeting from adopting resolutions that are likely to give certain shareholders or others an unfair advantage to the detriment of other shareholders or the company. This is especially pertinent in companies where state ownership may be justified by interests other than purely commercial ones, but also where the state imposes undertakings on a company that are not in that company's ordinary line of business. Strict limitations thus apply regarding which political objectives may be pursued by means of corporate governance of jointly owned companies.

However, depending on the size of the state's holding in a company, a number of objectives may nonetheless be pursued, such as retention of a head office in Norway. The following limit-values are key in the limited liability companies legislation:

#### *9/10*

A holding of more than nine tenths of the shares and a corresponding proportion of the voting rights in a limited liability company entitles the majority shareholder to acquire the remaining shares by way of a compulsory buyout of the other shareholders in the company<sup>19</sup>.

#### *2/3*

A holding of more than two thirds of the shares and a corresponding proportion of the voting rights in a limited liability company guarantees control over decisions requiring a corresponding majority under the limited liability companies legislation. A resolution to amend a company's articles of association requires at least two thirds of the votes and the share capital. The same applies to resolutions regarding mergers or demergers, decisions to raise or reduce the share capital, the raising of convertible loans, resolutions to convert the company and resolutions to wind up companies.

#### *1/2*

A shareholding of more than half of the share capital in a limited liability company ensures control over resolutions requiring an ordinary majority of the votes cast at the general meeting. These resolutions include approving the annual accounts and resolutions regarding the distribution of dividends. Election of members to the board or corporate assembly also requires an ordinary majority. The board, however, is elected by the corporate assembly if such a body exists.

#### *1/3*

A holding of more than one third of the shares and a corresponding proportion of the voting rights in a limited company provides negative control over resolutions requiring a two-thirds majority. This size of shareholding enables the owner to oppose major decisions such as relocation of the company's head office, a change in share capital, amendments to the articles of association etc.; see the section on two-thirds majority.

#### *Mandatory bid obligation*

Under Section 6–1 (1) of the Securities Trading Act<sup>20</sup>, any person who through acquisition becomes the owner of shares representing more than one third of the voting rights in a Norwegian listed company is obliged to make a bid for the purchase of the remaining shares in the company. A recurrent mandatory bid obligation applies for any person who through acquisition gains a hol-

<sup>19</sup> See Section 4-26 of the Limited Liability Companies Act and Section 4-25 of the Public limited Liability Companies Act.

<sup>20</sup> Act no. 75 of 29 June 2007 on securities trading.

ding representing 40 per cent or more of the company, and similarly 50 per cent or more<sup>21</sup>. This means that a decision to increase the state's holding above these threshold values is subject to the mandatory bid obligation, thus entailing that the state might acquire a larger shareholding than intended.

## 8.2 The Norwegian state's principles of corporate governance

The state's conduct as an owner has great influence on public and investor confidence in Norwegian companies under state ownership and in the Norwegian capital market. Broad political consensus prevails that state ownership shall be exercised professionally within the constraints of Norwegian corporate law and based on generally accepted principles of corporate governance<sup>22</sup>, including that companies in which the state's ownership is largely driven by commercial interests shall be operated in the same way and subject to the same constraints as well-run private-sector enterprises.

In 2002, the Bondevik II Government developed ten principles of good corporate governance defining how the government will conduct ownership and what it expects of the companies. These principles have provided a predictability in the state's exercise of ownership that has been welcomed by participants in the Norwegian capital market.

The state's principles of corporate governance have not been amended since 2002. In the present report, the government has made certain amendments to the original principles to ensure, as far as possible, that they are aligned with current practices and generally accepted corporate governance principles. The most important amendments are as follows: Principle 2 specifies that the requirement for transparency also applies to the company's activities; see the discussion of the requirements for transparency in previous state ownership reports and the recommendations of the OECD Guidelines on Corporate Governance of State-Owned Enterprises. Principle 4 specifies that the board is responsible for setting explicit objectives and strategies for the company within

the constraints of its articles of association. Principle 5 specifies that the capital structure shall be aligned with the company's objectives (as stated in the articles of association) and not only with the state's objectives for its ownership. Principle 7 (formerly Principle 8) specifies that the role of the board of directors comprises more than supervision of the company's management by specifying that the board holds executive responsibility for administration of the company. Mention of the board's evaluation in Principle 8 (formerly Principle 9) is limited to solely apply to the board's evaluation of its own performance and not the owner's evaluation of board members (the latter is commented on in reference to Principle 6). In Principle 10 on corporate social responsibility, the wording has been amended to emphasise the state's expectation that companies shall work systematically to safeguard their corporate social responsibility. In addition, technical adjustments have been made to Principle 1 and Principle 3, and the order of some of the principles has been changed so that the former Principle 7 is the new Principle 9, the former Principle 8 is the new Principle 7 and the former Principle 9 is the new Principle 8.

As was done by the Bondevik II Government in Report to the Storting no. 22 (2001–2002) (White Paper) Reduced and improved state ownership, a supplementary commentary is provided for each of the principles in turn. An introduction has also been included as part of the commentary on the principles. The state's expectations of the companies have in some areas been elaborated on in chapter 8.3. As and where relevant, the manner in which the principles apply to wholly-owned companies and companies with sectoral-policy objectives has been clarified.

### 8.2.1 Introduction to the principles

State ownership shall be exercised professionally and predictably within the constraints of Norwegian corporate legislation and other law, based on generally accepted corporate governance principles and in observance of the strict separation of the role as owner from other roles assumed by the state<sup>23</sup>. The state's principles of corporate governance are aimed at all companies in which the state has a holding, whether wholly or jointly owned by the state, and encompass both companies where the activities are commercial in nature and companies in which the state is seeking to

<sup>21</sup> See Section 6-6 (1) of the Securities Trading Act.

<sup>22</sup> Generally accepted principles of corporate governance are principles as cited in, for example, the Norwegian Code of Practice for Corporate Governance, the OECD Principles of Corporate Governance and the OECD Guidelines on Corporate Governance of State-Owned Enterprises.

<sup>23</sup> See chapter 8.5 for a detailed discussion of the state's different roles.

**Box 8.1 The Norwegian state's principles of corporate governance**

1. All shareholders shall be treated equally.
2. There shall be transparency in the state's ownership of companies.
3. Ownership decisions and resolutions shall be made at the general meeting.
4. The board is responsible for elaborating explicit objectives and strategies for the company within the constraints of its articles of association; the state sets performance targets for each company.
5. The capital structure of the company shall be appropriate given the objective and situation of the company.
6. The composition of the board shall be characterised by competence, capacity and diversity and shall reflect the distinctive characteristics of each company.
7. The board assumes executive responsibility for administration of the company, including performing an independent supervisory function vis-à-vis the company's management on behalf of the owners.
8. The board should adopt a plan for its own work, and work actively to develop its own competencies and evaluate its own activities.
9. Compensation and incentive schemes shall promote value creation within the companies and be generally regarded as reasonable.
10. The company shall work systematically to safeguard its corporate social responsibility.

realise various sectoral-policy and societal objectives.

For commercial undertakings in which the state has a holding, the state's principal objective is to maximise the value of its investments. For state-owned companies with sectoral-policy objectives, the principal aim is for the objectives to be achieved in a manner that ensures efficient use of resources.

**8.2.2 Principle 1. All shareholders shall be treated equally.**

A company's ability to attract capital is dependent on investor confidence that other shareholders are not given unfair opportunities to promote their interests at the expense of investors. As a majority shareholder in several companies, it is imperative that the state, in its capacity as owner, seeks to ensure the parity of shareholders in companies in which the state is one of multiple shareholders.

Unequal treatment might entail that the state in its role of owner acts unlawfully on the basis of information about the company not generally known to other shareholders. Another type of unequal treatment arises if the state exercises its power as an owner of the company via informal channels. The state as a shareholder does not automatically have, and must not demand, access to more information than may be provided to other shareholders.

The companies, for their part, must have attention on not discriminating among shareholders, for example, as regards the sharing of information. The board should ensure that the company maintains extensive transparency towards all the company's shareholders.

Under special circumstances where a requirement exists for the state in its capacity as an owner (and any other major owners) to cast a vote at the general meeting in order to conduct transactions such as a merger, demerger and similar restructuring, it may at times be necessary to provide major owners with information in advance of the plans being released to the public domain. Such information may be provided at the discretion, and on the initiative, of the company itself. In such circumstances, the state is governed by the ordinary rules on non-disclosure/or insider trading.

See also chapter 8.4 for details of contact with the companies.

**8.2.3 Principle 2. There shall be transparency in the state's ownership of companies.**

As an owner, the state manages major assets for the common good. Transparency strengthens confidence in state ownership, and, owing to the large scale of state ownership in Norway, in the Norwegian capital market. Transparency also upholds the democratic ethos in that the public is given access to information. A high degree of transparency counteracts misunderstandings and enhances the predictability of state ownership

conduct. Transparency is crucial out of regard for any other shareholders and potential investors in companies in which the state is one of several owners, and in reassuring the competitors of companies under state ownership that they are competing on equal terms. Both the state as an owner and the companies themselves are subject to a responsibility to maintain transparency.

As an owner, the state demonstrates transparency in various ways. Reports to the Storting (White Papers) on state ownership account for why the state owns, what the state should own and how the state exercises its ownership, including what goals the state has for its ownership interest in individual companies. For certain companies in which the state has sectoral-policy objectives for its ownership, reports are also published on the companies' activities. The Ministry of Trade, Industry and Fisheries publishes an annual ownership report on the state's portfolio of companies managed by the ministries, and trends over the preceding year<sup>24</sup>. It is also possible for the public to request disclosure of the public administration's work and case documents. However, in a number of circumstances, it is necessary to exempt documents from disclosure to the public domain in the interests of prudent management of state ownership<sup>25</sup>.

The state expects companies under sole or joint state ownership to be open about important matters concerning their activities. Timely access to relevant information allows the state, other owners and stakeholders generally (including the public/society at large) to assess company activities, performance, growth and goal attainment on an ongoing basis. Access to relevant information is a key criterion for best ownership practices.

Wholly-owned state enterprises with commercial objectives that are not defined as «small enterprises» as per Section 1–6<sup>26</sup> of the Accounting Act should strive to be as transparent as listed companies unless special circumstances dictate otherwise. All wholly owned state companies should follow the Norwegian Code of Practice for Corporate Governance where it applies, and, as part of this,

publish a consolidated account of the company's corporate governance, including accounting for any non-compliance with the Code. For state ownership, the most relevant items of the Code are: Reporting on corporate governance (topic 1); clear definition of business, objectives and strategies (topic 2); composition of governing bodies (topic 8); requirements for the work of the board (topic 9); requirements for risk management and internal control (topic 10); remuneration of the board and executive personnel (topics 11 and 12); and information and communications (topic 13<sup>27</sup>). The corporate governance report is published as part of the annual report or in documents cited by the annual report.

#### **8.2.4 Principle 3. Ownership decisions and resolutions shall be made at the general meeting.**

The legal basis for ministerial ownership authority in a limited company is laid down in Section 5–1 of the Limited Liability Companies Act which states: «Through the general meeting the shareholders exercise the supreme authority in the company.» A similar provision applies to public limited liability companies, state enterprises and to the majority of special law companies<sup>28</sup>. As regards the state enterprises, the term «general meeting» is expanded to «enterprise general meeting» but effectively denotes the same. The ministry in its role as an owner has no authority within the company in the absence of the general meeting structure. Use of the general meeting as the sole decision-making arena where the state operates as an owner ensures documentability. See also chapter 8.1.2 detailing ministerial authority within companies.

The above constraints present no barrier to contact between an owner and a company outside of the general meeting, just as this is customary practice in the capital market generally. This is a criterion for obtaining information about business activities and is thus an important element in the ordinary performance of supervision and control under state ownership. Similarly, the constraints do not prevent the state from raising matters that should be considered by the companies in the interests of their business and growth. Any opini-

<sup>24</sup> [www.eierberetningen.no](http://www.eierberetningen.no)

<sup>25</sup> See, for example, sections 13 and 23 (4) of the Freedom of Information Act.

<sup>26</sup> Small enterprises are defined as enterprises with a duty to keep accounts but which do not sort under Section 1-5 of the Accounting Act and which on the balance sheet date do not exceed the thresholds in respect of the following three criteria: 1. sales revenue: NOK 70 million, 2. total balance sheet: NOK 35 million, 3. average number of employees over the financial year: 50 full-time equivalents.

<sup>27</sup> Notably the part of the principle covering guidelines for company reporting; see Section 13 (1).

<sup>28</sup> One exception is Vinmonopolet, which does not hold a general meeting; see the Vinmonopolet Act no. 18 of 19 June 1931.

ons conveyed by the state at such meetings are to be regarded as suggestions regarding the company's administration and governance. Matters requiring the endorsement of the owner must be addressed at the general meeting<sup>29</sup>. See also the discussion of Principle 1 and chapter 8.4 for details of contact with companies.

**8.2.5 Principle 4. The board is responsible for elaborating explicit objectives and strategies for the company within the constraints of its articles of association; the state sets performance targets for each company.**

One main principle governing management of the state's portfolio is that such management is limited to an overarching general level. The state's ownership must be exercised in such a way that the board and general management are given freedom of scope within certain constraints. It ensues from corporate legislation that a company's objectives (business activities) shall be defined in its articles of association. For its wholly-owned companies, the state seeks to assign the company a well-defined objective consistent with the state's ownership objectives. In jointly owned companies, the company's objective will be defined jointly with the other shareholders at the general meeting.

For the majority of companies with sectoral-policy objectives, state supervisory requirements may justify the need for the scope of businesses to be more explicitly delimited than is customary for companies with commercial objectives. This might, for example, entail constraints to prevent the companies expanding their business activities into areas that are not conducive to realising sectoral-policy objectives. Such constraints should be incorporated in the company's articles of association<sup>30</sup>.

The board is expected to elaborate explicit objectives and strategies for the company within the constraints of its articles of association, and to report on these. In companies with sectoral-policy objectives, the aim should be to set goals that enable the companies to report to the owner on the level of attainment of sectoral-policy objectives

and permit efficiency and performance to be evaluated<sup>31</sup>.

The owners shall monitor goal attainment and hold the board accountable for such attainment. The owners must assess the extent to which any failure in goal attainment is attributable to the board or to factors beyond the board's control. Corporate legislation is based on an assumption of mutual trust between the owners and a company's board. A failure in goal attainment may constitute a breach of that mutual trust. Requirements regarding the competence of the board in a given situation faced by a company may also be amended. In such situations, the customary practice is for the owners to replace the entire board or those individual board members who no longer enjoy the trust of the owners or are no longer deemed to possess the requisite competence.

Where the state instructs companies to render certain services, such instructions should be accompanied by financial compensation to cover the costs of services rendered. Such compensation may be awarded solely within the constraints of EEA regulations regarding state aid, including the rules on services of general economic interest. The costs and financing of rendering such services should to the greatest possible extent be disclosed in financial statements or other corporate itemisation of such activities. This serves to clarify the appurtenant responsibilities, to prevent cross-subsidisation and unlawful state aid and facilitates efficient owner-side supervision. In addition, it discloses the costs of fulfilling sectoral-policy objectives. In this way, sectoral-policy objectives are not compensated for by reduced expectations for return on investment.

The owners of a company are permitted to promote value creation by setting explicit performance targets for the company. For companies with commercial objectives, the state in its capacity as an owner will impose targets regarding returns and dividends. To that end, the state will

<sup>29</sup> In special law companies, other arrangements may be in place; see, for example, the Gaming Act, which regulates the activities of Norsk Tipping AS, a state limited company under the Ministry of Culture.

<sup>30</sup> See topic 2 in the Norwegian Code of Practice for Corporate Governance.

<sup>31</sup> See the consultative memo from the Ministry of Local Government and Modernisation: «Sektorselskaper, virkemidler og effektiv måloppnåelse. Vurdering av virkemiddelbruk overfor statlig heleide sektorselskaper» (Sectoral enterprises, policy instruments and effective goal attainment) of February 2014, in which Section 1.3 translates as «proper performance reporting supports the ministry's ongoing corporate governance and monitoring vis-à-vis the board of directors, but also provides a crucial platform for evaluation of policy instrument usage overall. This form of evaluation of policy instruments such as regulation, financing and organisation should be performed on a regular basis to ensure that business activities are organised in such a way as to be sufficiently adaptable to changes in remit and externalities.»

apply principles for assessment of returns in line with standard market practices. Targets for returns and dividends are notified to the company and normally discussed with the management or board. See also chapter 8.3.1 in which state targets for returns and dividends are detailed. In companies with sectoral-policy objectives, the state, in its capacity as an owner, will seek to set explicit performance targets and performance indicators<sup>32</sup>.

See also Principles 7, 8, 9 and 10 and chapters 8.3.2–8.3.6 in which the state's expectations regarding board work, corporate social responsibility, executive remuneration, research, development, innovation and competence together with diversity and gender equality are discussed.

#### **8.2.6 Principle 5. The capital structure of the company shall be appropriate given the objective and situation of the company.**

The capital structure of a company reflects its financing. Each company should maintain an appropriate capital structure arranged for long-term value-creation, effective goal achievement and as low capital costs as possible. This entails that the capital structure should be adapted to the individual circumstances of the company in line with the company's objectives, strategy and risk profile. The board has a superior responsibility for this.

Equally, in its capacity as an owner, the state should have its own assessments of company capitalisation and thereby promote an expedient capital structure enabling companies to realise sound commercial growth over time and contributing to efficient operations. This also applies to companies with sectoral-policy objectives. An inexpedient capital structure may result in inefficient operations, misinvestment and weak returns on investment or impaired goal attainment.

As an owner, the state continuously assesses the capital structure of commercial companies based on commercial parameters. This is an element in the assessments entailed in defining returns targets, follow up on returns targets (see Principle 4 and chapter 8.3.1) and decisions on the need for capital injections etc. Factors such as a

company's revenue prospects, investment track record, investment needs, maturity, expansion plans, yield prospects, cash-flow and capital expenditure form part of the assessment activities.

It may be appropriate to adjust a company's capital structure if deemed expedient.

As in other areas, state supervisory requirements regarding capital structure may justify the need for the scope of businesses to be more explicitly delimited for companies with sectoral-policy objectives than is customary for companies with commercial objectives. This would be the case, for example, in relation to restrictions on borrowing. Any such constraints should be incorporated in the company's articles of association<sup>33</sup>.

See also chapter 8.3.1 in which state targets for returns and dividends are detailed.

#### **8.2.7 Principle 6. The composition of the board shall be characterised by competence, capacity and diversity and shall reflect the distinctive characteristics of each company.**

Ensuring sound composition and competence of boards of companies in which the state is a shareholder is of crucial importance and is one of the state's prime responsibilities.

The preparatory work preceding the election of governing bodies in listed companies is performed by dedicated nomination committees elected at the general meeting at which representatives of the state, jointly with the rest of the shareholders, seek to arrive at the best possible composition of the company's governing bodies. The preparatory work preceding the election of governing bodies in other companies in which the state is a shareholder proceed in a structured manner and subject to the same goal. In wholly owned companies, these activities are conducted internally within the ministries. The ministries responsible for exercising state ownership have established systematic and diligent procedures in support of board evaluation and nomination.

The state places emphasis on competence, capacity and diversity based on the company's special characteristics in nominating and electing individuals to serve on company boards. The aim is for the board of each individual company to represent, in its totality, the requisite competence given the company's objectives, business area,

<sup>32</sup> See the consultative memo from the Ministry of Local Government and Modernisation: «Sektorselskaper, virkemidler og effektiv måloppnåelse. Vurdering av virkemiddelbruk overfor statlig heleide sektorselskaper» (Sectoral enterprises, policy instruments and effective goal attainment) of February 2014, Section 1.3.2 (on operationalisation of targets and performance indicators).

<sup>33</sup> See topic 2 in the Norwegian Code of Practice for Corporate Governance.

challenges and the state's objectives for its ownership.

For companies with commercial objectives, the emphasis is on electing representatives with wide-ranging business and industry experience. In companies with sectoral-policy objectives, the number of board members competent in the relevant sectoral-policy remits should be balanced by the members competent in company management and commercial undertakings. In any event, relevant competence, rather than political affiliations or activities, is the sole criterion for board eligibility. That being the case, political experience may still be useful on a widely representative board.

Based on the basic competence requirements, the state will seek to ensure that each individual board represents an appropriate diversity in respect of geographical affinity, age, cultural and experiential background. The state will strive for equal representation of the sexes in nominating board members, and aims to increase the proportion of female chair of the board in companies in which the state has a holding. Boardroom expertise, if lacking, may be readily acquired by practical service on a board. There is consequently a need to maintain continuity on many boards to ensure retention of acquired expertise.

The commitments entailed by paid employment or positions of trust held by prospective candidates should be compatible with the time commitment that may be reasonably expected for board duties. This will be assessed on a case-by-case basis.

The Storting has decided that parliamentary representatives should be barred from serving on the boards of companies subject to parliamentary supervision except on the understanding that such representatives do not run for re-election. There is also an unwritten rule that new ministers, on taking up office in government, are to resign from service on any board and are not eligible for new positions of trust of this kind. The same applies to state secretaries.

Rules have also been laid down for government officials and civil servants employed by a ministry or in central government, who attend to matters concerning an enterprise as part of their work or who are employed by a ministry or other central government entity, and who regularly attend to matters relevant for the enterprise or its sector, stating that these are not eligible to serve on the board or have other similar positions within that enterprise<sup>34</sup>.

Election to the board is customarily for a term of two years in accordance with the main rule of

the limited companies legislation. However, the composition of the board should be assessed on an ongoing basis in respect of factors such as the company's performance and requirements. Replacements outside of the two-year term may therefore be necessary.

In its capacity as an owner, the state will evaluate the board with the aim of ensuring the ideal composition of board members. Prior to board elections, the state will assess factors such as the composition of a board, its procedures (internally within the board and with company management), competence, performance, goal attainment and whether contributions to the company's value creation are satisfactory or whether changes may be needed to the board. For its wholly-owned companies, the state typically interviews members of the board as part of its appraisal. In companies with a dedicated nomination committee elected by the general meeting, this body conducts the board member appraisals. The state's appraisal of the board's performance will also be based indirectly on annual reports and other available information.

As part of the process of nominating new candidates, the state will aim to discuss assessments with the chair of the board concerning changes to the board.

The above-mentioned guidelines are in principle also applicable to the composition of other governing bodies such as corporate assemblies and nomination committees.

#### **8.2.8 Principle 7. The board assumes executive responsibility for administration of the company, including performing an independent supervisory function vis-à-vis the company's management on behalf of the owners.**

Administration of the company is the responsibility of the board. The board shall ensure the proper organisation of the enterprise, appoint the chief executive officer and supervise general management and the company's activities gene-

<sup>34</sup> See Section 10.14.1 of *statens personhåndbok 2014* (handbook for the Norwegian Civil Service). The rationale for this rule is that state board representation would entail increased responsibility on the part of the minister for the company's commercial commitments, which could be expected to result in stricter state control of companies, which would scarcely be conducive to realising a value-maximisation objective. See, for example, chapter 9.6.2, pp. 91-92. Official Norwegian Report 2004: 7 «Statens forretningsmessige eierskap» (the state's commercial ownership).



rally. The board shall also undertake the strategic management of, and administer, the company in the interests of the company and its owners within the constraints laid down by the general meeting. The board shall determine the company's risk profile and ensure that the company has put in place effective internal controls, adequate systems and resources for ensuring compliance with statutory provisions and effective systems for risk management. The objective for risk management and internal controls is to manage, rather than eliminate, exposure to risks related to successful conduct of the company's business. The work of the board should be performed in such a manner as to maximise the company's value creation.

The board should be a resource, discussion partner and aide to the company's management. Equally, the board must oversee the work of the company management and as such act impartially. In extension of its supervisory function, the board must assess the company's management and the need for replacements. This includes drawing up plans for internal competence development to ensure that up-and-coming management resources are nurtured on an ongoing basis.

See also chapter 8.3.2 in which state expectations regarding board work are detailed.

### **8.2.9 Principle 8. The board should adopt a plan for its own work, and work actively to develop its own competencies and evaluate its own activities.**

In order to promote systematic and efficient board work, the board should draw up an annual schedule of activities, and timetable its meetings at a frequency to ensure that the board is able to fulfil its obligations. The chair of the board has a particular responsibility for ensuring the effectiveness of the board.

Serving on a board requires substantial commitment. The effort put into serving on the board by its members is a key element in the quality of board work<sup>35</sup>.

The trend has been in the direction of more extensive use of board committees. Under Norwegian law, the board members retain joint accounta-

bility for decisions made. If a board committee is utilised, the committee will solely draft decision-support material for the final decision to be made by the board itself. In order to ensure adequate preparation of key topics, the use of a board committee may be expedient. Examples of board committees are audit committees (a statutory requirement for many companies), a remuneration committee/emoluments committee and a risk management committee.

The chair of the board should coordinate effective use of the board's collective competence, including encouraging its productiveness as a collegial body. Globalisation, technological advances and other changes in framework conditions and regulations have increased the complexity of board work. The board, and the chair especially, should make arrangements to ensure that board members at all times possess the requisite competence for serving on the board, and if necessary, initiate measures to raise the level of competence<sup>36</sup>.

The work of the board should be evaluated<sup>37</sup>. The state expects the boards of companies to evaluate their activities and competence on an annual basis establishing a basis for ongoing improvements in board work (progress evaluation), and ideally by retaining an external facilitator. A summary of the evaluation and its outcomes should be made available to the nomination committee (or the ministry in companies wholly owned by the state) unless circumstances dictate otherwise<sup>38</sup>. An overview should also be provided concerning any measures initiated to improve the work of the board.

See also chapter 8.3.2 in which state expectations regarding board work are detailed.

<sup>36</sup> See Huse, M. & Søland, A. I. (2009): p. 147 of «Styreledelse – styret som team og prosessorientert styrearbeid» in which the authors state that in order to maintain board capacity for value creation, the chair should ensure that the members continually update both their competence and their insights into the company. They also point to the company's responsibility for attending to the updating and development of board member competence.

<sup>37</sup> A board evaluation procedure is customarily split into three main types: reporting evaluation, progress evaluation and recruitment evaluation; see, for example, Huse, M. & Rasmussen, J. L. (2009): «Styrevaluering – hva er det og hvordan brukes de?» Magma 3/2009.

<sup>38</sup> Rasmussen, J. L. (2010): «Corporate Governance in Norway; the development of a board evaluation model with special emphasis on large listed companies.» Doctoral Thesis, Cass Business School, London. Rasmussen points out that if board members are aware that the outcomes of a self-evaluation are to be shared with the nomination committee then this may influence and even distort the board evaluation process or outcome.

<sup>35</sup> McKinsey's Global Board Survey, a survey from 2013 of 772 board representatives, reveals that effective boards spend more than 40 days annually per board representative on board work, more than twice that of less effective boards; see McKinsey & Company (2014): «Statlig eierskap, Rapport til Nærings- og fiskeridepartementet.» (State ownership, report to the Ministry of Trade, Industry and Fisheries).

### 8.2.10 Principle 9. Compensation and incentive schemes shall promote value creation within the companies and be generally regarded as reasonable

Properly structured compensation and incentive schemes can promote value creation within the company and the alignment of shareholder and company interests. The structure of pay packages and incentive schemes also determine the scope for recruitment and retention of desired competence.

From a wider perspective, salary increments should not have the effect of weakening Norwegian competitiveness. Executive salaries in companies in which the state has a holding are significant factors in this wider context.

Since 2001, the state has applied guidelines for remuneration of senior executives in companies in which the state has a holding<sup>39</sup>. Here, 'senior executives' denotes chief executive officers and other executive leaders; see Proposition to the Odelssting no. 55 (2005–2006), which cites the Accounting Act and Public Limited Liability Companies Act's rules regarding «senior executives».

The purpose of the guidelines is to set out the factors emphasised by the state in casting its vote regarding determination of executive remuneration at the company's general meeting or enterprise general meeting. The overriding concern in the state's guidelines has been for executive salaries in companies in which the state has a holding to be competitive, but not above those of other similar companies, and that any deviation from the guidelines shall be accounted for in accordance with the «comply or explain» principle.

Since the financial year 2011, the boards of all wholly owned companies or those in which the state is a major shareholder, with the exception of those defined as «small enterprises» under the Accounting Act, have presented a statement in respect of the remuneration of senior executives at their general meetings<sup>40</sup>. This has been a statutory requirement for listed companies since 2007<sup>41</sup>. The underlying aim is transparency surrounding remuneration, and for the owners, though their vote at the general meeting, to convey their

<sup>39</sup> These rules apply to state-owned enterprises, health trusts and special law companies, together with public limited companies and limited companies in which the state has a direct holding.

<sup>40</sup> This is prescribed in the individual company's articles of association.

<sup>41</sup> See Section 5-6 (3) of the Public Limited Liability Companies Act.

position on the company's executive remuneration policy. Responsibility for drawing up and concluding contracts with executive employees rests with the board.

See also chapter 8.3.4 in which state expectations regarding executive salaries are detailed.

Remuneration of governing bodies within the companies is determined by the general meeting or corporate assembly. In its assessment of board emoluments in companies under state ownership, the state attaches importance to the emoluments reflecting the board's responsibility, competence, time commitment and the company's complexity<sup>42</sup>. The state will also place emphasis on the board emoluments being conducive to appropriate and sound competence within the board. The chair of the board should be remunerated separately in keeping with the larger scope of duties normally entailed by this position. For board members who serve on board committees, a separate fee for such service will be given consideration, and the state will usually vote in favour of such additional fees. As a basis for its vote, the state will decide, in each individual instance, whether it is more expedient to pay a fixed fee or a fee per meeting or a combination of the two. In conformance with the Norwegian Code of Practice for Corporate Governance, the board members of listed companies should be encouraged to hold shares in the company<sup>43</sup>. The state takes a positive view of board members holding shares.

Remuneration for other governing bodies (corporate assembly/representative body, nomination committee etc.) will also be assessed on the basis of the above-mentioned criteria.

See also chapter 8.3.2 in which state positions on board remuneration are discussed in more detail.

### 8.2.11 Principle 10. The company shall work systematically to safeguard its corporate social responsibility

All Norwegian companies should demonstrate corporate social responsibility, whether under private-sector or public-sector ownership and regardless of whether their undertaking is located in Norway or abroad. Since 2001, the state has had in place explicit expectations for companies under

<sup>42</sup> See topic 11 in the Norwegian Code of Practice for Corporate Governance.

<sup>43</sup> See topics 8 and 11 in the Norwegian Code of Practice for Corporate Governance.

state ownership to practice corporate social responsibility (CSR).

CSR covers a number of different issue-areas concerning the impacts of corporate conduct on people, society and the environment, including human rights, employee and worker rights, the climate and the environment, anti-corruption and transparency. By tradition, the intention is for the concept of CSR to embrace a commitment over and above statutory compliance. Meanwhile, the field of CSR is continually evolving, and certain issue-areas have now been incorporated into law<sup>44</sup>.

The premise for the state's ownership policy is that companies in which the state has holdings shall contribute to value creation and that commercial companies shall be profitable over time. A company's commitment to fulfilling its corporate social responsibility should support the commercial development of the company. Companies fulfilling their CSR in a robust and visionary manner should adopt a strategic approach to CSR that embodies both risk management and the exploitation of new business opportunities. Such companies will have easier access to a competent workforce, loyal customers and supportive local communities. This serves to strengthen a company's competitiveness and underpins long-term value creation.

The board holds the responsibility for the company's conduct, including CSR, and for ensuring that the enterprise is operated in compliance with statutes and rules.

Companies with sectoral-policy objectives will often need to fulfil specific societal mandates without having an explicit commercial objective. Such societal mandates are usually distinctly separate from what is referred to as corporate social responsibility. Such companies shall also work systematically to fulfil their corporate social responsibility.

See also chapter 8.3.3 in which state expectations regarding corporate social responsibility are detailed.

### 8.3 Details of the state's corporate targets and expectations

For commercial companies, the objective of the state in its capacity as an owner is to achieve maxi-

imum return on invested capital. In sectoral-policy companies, the objectives of state ownership shall be fulfilled with maximum efficiency.

The government is committed to companies maintaining and extending their competitiveness and efficient operations in both the short and long term. Various factors facilitate this.

The government expects companies to maintain awareness of the facilitating factors for their individual development. The state's principles of corporate governance prescribe the state's expectations for the companies in its portfolio; see chapter 8.2. The present chapter presents a detailed discussion of the government's expectations for companies under state ownership in areas determinative for corporate value creation.

#### 8.3.1 Returns and dividends

The main objective of the state's commercial ownership (companies in categories 1–3) is to achieve the highest possible return on invested capital over time. The return is made up of the sum total of the increase in market value of a company's equity and yield in the form of dividends and any share buybacks.

By setting explicit targets regarding returns and yield, the state, like other owners, can promote a focus on profitability and efficient operations in its holdings.

Listed companies are valued daily in the stock market, and the market value of company equity is thus observable. For unlisted companies, there is usually no ongoing market valuation. For such companies, valuation exercises are a tool for assessing the performance of the portfolio.

The government expects companies in categories 1–3 to generate market returns in line with the objective to achieve the highest possible return on investment over time.

The EEA Agreement imposes constraints on how return targets are set in order to prevent distortion of competition; see chapter 8.1.5.1.

Here, return targets denotes the return on investment an investor can expect to achieve over time, given the risk. The return targets are set specifically for, and communicated to, each company individually.

The return targets generally apply on average for a period of three to five years and are usually revised every three to five years. The targets are intended to provide a basis for discussion with the companies on their value creation, and must be used, in conjunction with the company's ongoing financial performance and benchmarking against

<sup>44</sup> Examples include the anti-corruption provision in the Norwegian Penal Code, introduced in 2003 and the UK Bribery Act of 2010. Both of these have extraterritorial applicability.

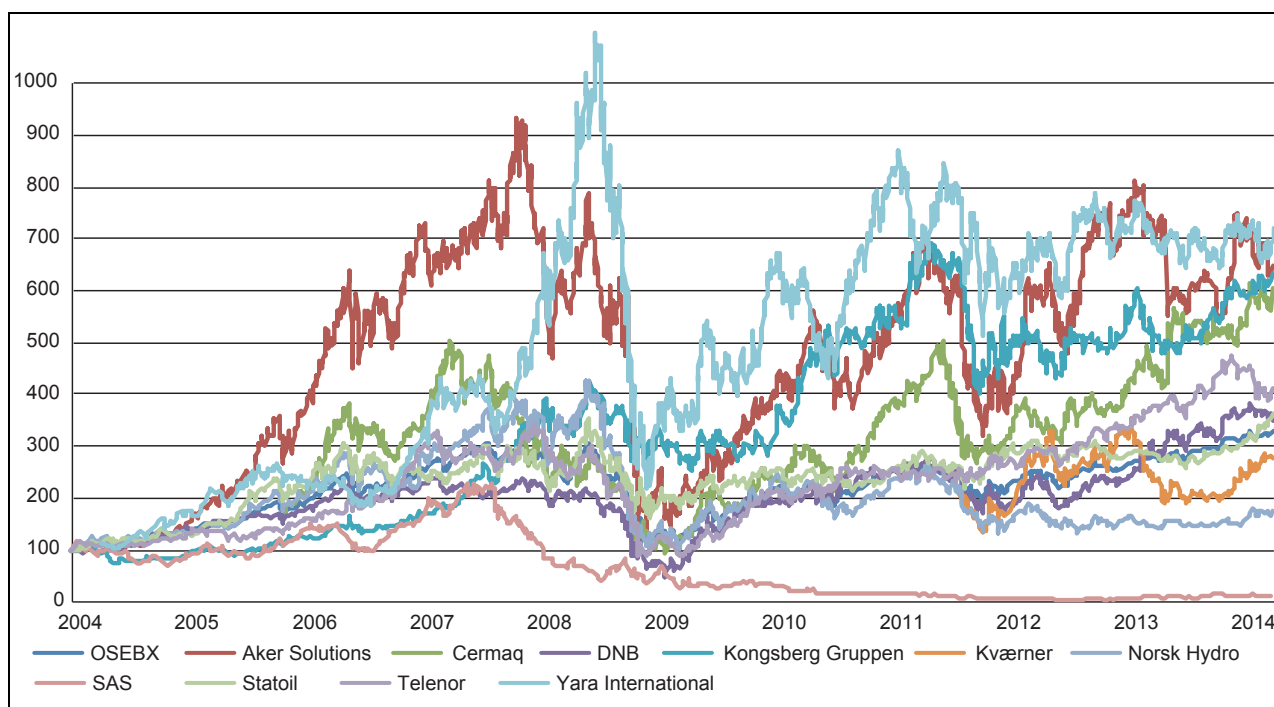


Figure 8.1 Dividend-adjusted growth in value of companies on the Oslo Stock Exchange under state ownership<sup>1</sup>. Figures sourced from FactSet.

<sup>1</sup> The shares in Aker Solutions and Kværner are owned indirectly, through Aker Kværner Holding.

comparable companies, for assessment of company value creation over time.

Return targets are not set for non-commercial companies or those that are dependent on state subsidisation. Such companies follow the parliamentary subsidisation rules. The government expects such companies to be run efficiently.

### 8.3.1.1 Dividends

Dividends from a company often represent a substantial portion of the return on invested capital.

In companies with commercial objectives, the government generally endorses dividend policies conducive to long term return on investment. Commercial companies in which the state is a shareholder should be able to conduct business on the same market terms as competitors in which the state is not a shareholder.

This entails, among other things, that the state's dividend targets for commercial companies are based on commercial considerations. Within these parameters, the state, like other commercial owners, may make independent commercial assessments concerning company dividend policy based, for example, on the state's perspective as a long-term industrial owner, or based on the state's objectives for its ownership.

In addition to their ordinary business, some wholly owned companies are required to fulfil sectoral-policy objectives which may be unprofitable from a company perspective. In such cases, the companies will usually be reimbursed for itemised added costs, and not indirectly by means of reductions in their dividends. For certain sectoral-policy companies, non-distribution of dividend is prescribed by their articles of association. Companies that are dependent on state subsidies do not normally pay dividends.

The state communicates both long-term and annual dividend targets to the companies.

The long-term targets generally apply as an average for a period of three to five years. In many cases, the targets are set on the basis of the company's annual net income after tax and minority interests. There may also be cases in which targets are based more on cash measures, as a result, among other factors, of a trend in accounting rules and substantial unrealised value changes affecting reported profits. When setting long-term dividend targets, an assessment will be made of factors such as the company's financial position and earnings prospects, including elements such as the company's strategy, capital structure, industry and market conditions, maturity, dividend policy, liquidity and yield.

In setting annual dividend targets, essentially the same elements as the above will be considered.

The state may determine dividends through resolutions at general meetings/enterprise general meetings in wholly-owned state companies and state-owned enterprises. Importance will be attached to aspects such as the enterprise or company retaining adequate equity and liquidity levels after dividend distribution<sup>45</sup>. For jointly owned companies, the main rule in the limited companies legislation prescribes that the general meeting may not adopt a dividend higher than that proposed by the board. The state's dividend targets in jointly owned companies are communicated to the board ahead of the board submitting its dividend proposal so that the board is apprised of the state's targets before making its decision.

#### 8.3.1.2 Share buybacks

Company repurchases of shares for deletion (shares buybacks) combined with dividend distribution can be an effective means of achieving an appropriate capital structure. They may also serve to generate a competitive yield.

As in the case of dividends, a share buyback programme is a form of allocating profits and should be seen in the context of the overall financial position of the company. Equity capital for which companies see no appropriate use is returned to shareholders via owners who opt to sell their shares. Because the shares purchased are permanently deleted, the value underlying each of the remaining shares is unaffected.

The government maintains that listed companies under state ownership should have the same opportunity as other companies to perform share buybacks. Usually, share buybacks will and should be regarded as a supplement to dividends. Inquiries from companies as to whether the state wishes to participate in a share buyback programme will be assessed on their individual merits.

For listed companies in which the state has a holding, the state's policy is to ensure that share buybacks with subsequent deletion do not entail a change in the percentage of shares owned by the state. Consequently, an agreement framework has been established in consultation with the companies concerned entailing that the state maintains

its ownership, measured as a percentage of shares. These agreements are publicly available.

The government will continue to apply the established framework when entering into new share buyback agreements.

#### 8.3.2 Board work

According to company law, the board is responsible for management of the company. Consequently, the government believes that one of the state's most important responsibilities as an owner is to ensure competent boards. The government expects boards to manage companies in the best interests of the company, its owners and its employees, and is committed to ensuring that boards seek actively to improve their own performance.

The government wishes to draw attention to recent years substantial developments regarding how the board best can contribute to value creation for companies. The following presents some perspectives to serve as inspiration on best practices for the boards of companies in which the state has holdings.

Much has been written about best practices in board work. One of the main concerns is how the board can best add value<sup>46</sup>. The emphasis is less on identifying appropriate board duties, and more about how boards can support value creation. This will vary from one board to the next and from one board member to the next. Many experts assert that the chair and the working procedure of a board are determinants of best use of board member competence, and that this should be a core element of board evaluations. The principal duty of the chair is to be a motivator and leader who ensures that the resources of all board members are put to best use.

The role of the board in supervising day-to-day management and the company's ongoing activities is one of the board's principal duties. Effective boards which serve as a sounding board for management, and which are proactive over and above their supervisory role, are gaining prominence in company performance. Boards are increasingly regarded as a critical success factor in the long-term success of the companies they serve.

Many board members lack the time, expertise and the right information to enable them to make

<sup>45</sup> See Section 3-4 of the Limited Liability Companies Act and Section 17 of the State-Owned Enterprises Act.

<sup>46</sup> See, for example, Huse, M. (2013): «Styreutvikling, styre-evalueringer og verdiskaping.» Magma 7/2013. Huse, M. & Søland, A. I. (2009): «Styreledelse – styret som team og prosessorientert styrearbeid.»

an effective contribution to company success. The best and most value-adding boards are composed of individuals possessing the right competence given that company's challenges, who apply their expertise effectively, and devote sufficient time to board work<sup>47</sup>. Such boards are forward-looking and provide a long-term perspective, which is important in a world where upheaval is happening faster and the company's management are employed in shorter periods than previously. In addition, the best boards play an active role in their company's strategy formulation, risk management and succession planning.

#### *Competence development for board members*

The board should make arrangements for the board members to gain the requisite competence for discharging their board duties and put measures in place to raise the level of competence as and when required. It will often be appropriate to run an induction programme for new board members to provide, for example, a detailed introduction to the company and its strategy, and a description of its sector, competitors and suppliers<sup>48</sup>. As part of the induction programme, board members should meet key individuals within the company such as management, employee representatives, major shareholders and any key accounts. Successful boards often arrange for competence development for the board members to reinforce the board's identified competence requirements going forward. Often, major shareholders will be able to assist as and when appropriate by making main guidelines and recommendations of relevance for corporate governance available or by creating arenas for knowledge-sharing between boards<sup>47</sup>.

#### *The board's role in the company's long-term strategy work*

The board shall undertake strategic management of the company. It ensues from the state's principles of corporate governance (Principle 4) that the board is expected to elaborate explicit objectives and strategies for the company within the constraints of its articles of association, and to report on these. In order to contribute actively to the company's strategy formulation it is important to

set aside time for addressing strategic topics at board meetings; that the board has the requisite background knowledge (for example, detailed insights into the sector, the company's different business areas, macro-trends and competitive conditions) and that the board is involved throughout the process. Some successful boards have a list prepared of viable strategies detailing the content and risk factors of each alternative so that the board can consider the full scope of options available<sup>47</sup>. In the implementation phase, the board should ensure that the strategy is rolled out to best effect.

#### *The board's role in the company's risk-management activities*

By virtue of their executive responsibility for company management, boards are expected to define the company's risk profile and ensure that the company has put in place effective internal control procedures, adequate systems and resources for ensuring legal compliance. This includes effective systems for risk management reflecting the scope and nature of the company's activities; see Principle 7.

Effective risk management entails in-depth familiarity with the company's main risk exposure through, for example, management's reporting to the board, and ongoing dialogue with company management on the company's risk appetite. Risk should be an integral element of corporate strategy formulation to ensure that the board and the management are fully apprised of the types of risk posed by different strategies<sup>47</sup>.

For management, the simplest approach is to maintain awareness of the commercial risk faced in day-to-day conduct of business. For this reason, it is crucial for boards to be aware of fundamental and long-term company risk.

The best boards ensure that risk assessments are integrated in the company's core business, and that risk is a key component of decision-support for the company and board<sup>47</sup>. The board should ensure that the company has governance systems and a risk-management culture aligned with the company's established risk mitigation strategy.

Board appraisal of the effectiveness of risk-management systems should include organisational factors. This entails questions of whether to assign roles such as a compliance officer, chief risk officer and internal auditor with specific responsibility for, and a direct board reporting

<sup>47</sup> McKinsey & Company (2014): «Statlig eierskap, Rapport til Nærings- og fiskeridepartementet.»

<sup>48</sup> Huse, M. & Sølund, A. I. (2009): «Styreledelse – styret som team og prosessorientert styrearbeid.»

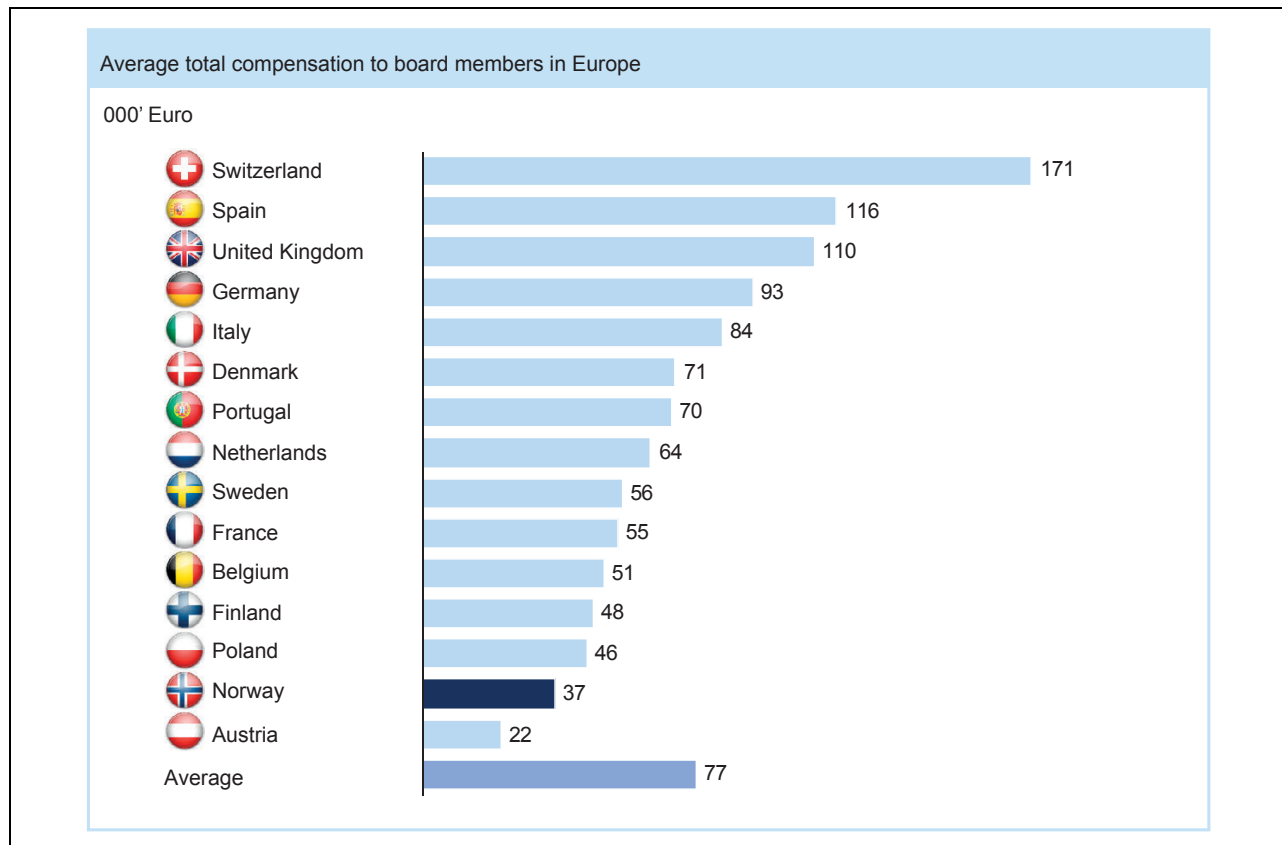


Figure 8.2 Board member remuneration in different countries.

Source: Heidrick & Struggles.

duty regarding compliance, due diligence and risk management<sup>49</sup>.

#### *The board's role in succession planning*

Effective boards place added emphasis on following up on long-term talent nurture within the company as part of company succession plan-

<sup>49</sup> See OECD (2014): «Risk Management and Corporate Governance.» The report covers risk management practice and corporate governance in the 27 countries that participate in the OECD Corporate Governance Committee. The section on practices in Norway (see, for example, the conclusions of pp. 45 and 46 of the report), indicates that the recommendations regarding risk management and internal controls in the Norwegian Code of Practice for Corporate Governance (Topic 10) does not appear to have taken on board the lessons from Enron and other major corporate scandals and the global financial crisis in 2008. Areas that should be addressed by national codes of practice for corporate governance include how companies address risk management, how risk assessments should be linked to strategy, the creation of a risk management framework and the appointment of a chief risk officer reporting directly to the board. The OECD also points to how few companies in Norway have an internal auditor (10 per cent) as compared with Norway's European counterparts.

ning<sup>47</sup>. Boards tend to have a less direct contact with individuals with leadership potential than the chief executive, who may be keen to retain a talented middle manager for longer than is ideal for the middle manager's professional development. The board will also be familiar with the company's strategy and should ensure that talent nurture is aligned with strategy considerations. Early identification and mentoring of executive candidates boosts organisational resilience and facilitates long-term succession planning.

The best boards in this area perform regular assessment and follow-up of multiple talents in order to determine which candidates have the potential to take up key positions in the future. Candidate screening might, for example, be carried out by each executive presenting three to five up-and-coming talents, providing background information and achievements over the last three years and proposing a discussion within the board on further follow up of the candidates. The board should also seek to meet with the talent group at regular intervals.

### *Board remuneration*

One factor conducive to optimal board composition is remuneration commensurate with the board's responsibility, competence, time commitment and corporate complexity. Appropriate remuneration may be important in attracting relevant competence to the company and ensuring that board members devote sufficient time to board work, although this should not be the main motivation for serving on a board.

A survey conducted by Heidrick & Struggles (2011) indicates that board remuneration in Norway is at a low level compared with European counterparts; see Figure 8.2.

Since 2010, the Norwegian Institute of Directors has published an annual comparative survey of board remuneration adopted at general meetings in companies listed on Oslo Børs and companies in which the state has a holding. The 2013 survey<sup>50</sup> reveals that Statoil, Telenor, DNB, Yara International and Norsk Hydro, for example, in all of which the state is a major shareholder, and which are among the largest companies in terms of market value on the stock exchange, do not rank among the top ten companies for chair of the board or board member remuneration.

The government's declared aim is to maintain board remuneration at a moderate level. However, it is equally important for board remuneration to be at a level conducive to appropriate and reliable board competence, and which is commensurate with the board's responsibility and workload.

### *Owner assessment of board performance*

Prior to board elections, the state will assess factors such as the composition of a board, its procedures (internally within the board and with company management), competence, performance, goal attainment and whether contributions to the company's value creation are satisfactory or whether changes may be needed to the board; see Principle 7 of the state's principles of corporate governance.

### **8.3.3 Corporate social responsibility**

The government expects all Norwegian companies to demonstrate corporate social responsibility (CSR), whether under private-sector or public-

sector ownership, and regardless of whether their activities are located in Norway or abroad. The government expects companies in which the state has a holding to work systematically on their CSR and to be exemplary in their respective fields. The reason why the state, in its capacity as an owner, sets out expectations for company commitment to CSR is that the government believes that sound management of such matters helps to safeguard the state's shareholder assets and that companies in which the state is a shareholder are to demonstrate duly ethical conduct.

CSR in the present White Paper is understood as the responsibility companies are expected to assume for people, society and the environment where these are impacted by the company's activities; see the State's principles of corporate governance, chapter 8.2.11.

The government has both general and more specific expectations of companies in the field of CSR. The specific expectations relate to four thematic key areas: climate and environment, human rights, employee and worker rights and anti-corruption. The government's expectations are informed by, and based on, national and international standards, conventions and reporting norms.

Company boards are responsible for assessing how expectations from the state in its capacity as an owner may best be honoured and implemented effectively.

The government would point to the wide-scale progress made in the area of CSR in recent years. The following outlines some of the key trends in the field before it presents the government's expectations of companies under state ownership. The trends concern aspects such as increased enactment of requirements in law, and the emergence of internationally agreed standards adopted by Norway. Increasing awareness, appreciation and expectations are also observed among market participants.

### *Developments in the field of CSR*

In the climate and environmental domain, there is increasing awareness of national and international climate targets and the means of achieving them. In this context, the role of business and industry is focal, as is the question of how each individual company can contribute to achieving the targets. A debate is currently ongoing concerning the nature of future changes in company framework conditions as a result of potential new climate measures in Norway, the EU and globally. The EU 2030 framework for climate and energy policies

<sup>50</sup> See Aftenposten of 16 February 2014 where the 2013 board remuneration survey (Styre honorarundersøkelsen 2013) is discussed.



may potentially have great impact on economic activity both within and outside Europe. The plan is for the international climate change summits conducted under the aegis of the UN to result in a global treaty to reduce emissions in line with the two-degree target. If realised, this will alter the framework conditions for economic activity worldwide.

In the wake of these international processes, there is mounting awareness of company risk exposure and vulnerability to climate change and climate policy. Increased climate risk may adversely impact the value of companies. Meanwhile, there has been a substantial increase in funds and other investors focusing on sustainable investments; see chapter 2.3.4.

An important contribution to the field of human rights has been the introduction of the UN Guiding Principles on Business and Human Rights (UNGP). These were adopted by the United Nations Human Rights Council in 2011. The UNGP have been implemented widely, for example, within the OECD, EU and UN and through efforts to draw up national action plans. The OECD has incorporated the UNGP in the OECD Guidelines for multinational enterprises; the EU has initiated implementation efforts within certain sectors, and within the UN, the UNGP are integral to the UN Global Compacts programme. Norway is among the countries that are in the process of preparing an action plan for implementation of UNGP, an undertaking for which the Norwegian Ministry of Foreign Affairs holds principal responsibility.

Major companies with international interests are increasingly adopting the UNGP precautionary approach in risk identification and prevention<sup>51</sup>. This also applies to a number of the companies in the state's portfolio.

Increased awareness of the need to respect human rights and employee and worker rights in the value chain is a prominent trend. Many companies have experienced that illegal or otherwise unacceptable conditions in the value chain may adversely impact their reputation and financial results. New guiding principles have been established in this field under pressure from employer and employee unions and civil society. In the case of Norway, special mention should be made of the advocacy activities of the Ethical Trading Initiative Norway.

### **Box 8.2 UN Guiding Principles on Business and Human Rights (UNGP)**

On 16 June 2011, the United Nations Human Rights Council endorsed the UN Guiding Principles on Business and Human Rights (UNGP); a landmark in the international community's commitment to human rights. Norway led the negotiations on the UNGP within the United Nations Human Rights Council and continues to oversee this theme within the framework of the UN Human Rights Council through an inter-regional cooperation with Russia, India, Argentina and Ghana.

The UNGP set out non-binding expectations of, and recommendations for, businesses, based on existing international obligations on the part of states.

In only a few years time, the UNGP have emerged as the prevailing international standard for how businesses are expected to address human rights challenges. The principles are incorporated in a number of related guidelines designed to promote responsible corporate conduct in all business activities.

The UNGP are aimed at all states and all enterprises, regardless of size, sector, location, ownership or structure. The UNGP encompass three pillars:

- The obligation of states to guarantee human rights through national legislation and to protect against human rights abuses within the states' own jurisdiction, including by third parties such as business and industry.
- The responsibility of business and industry to respect human rights over and above compliance with the laws and rules in the countries in which they operate, and a recommendation to carry out human rights due diligence in fulfilling that responsibility.
- The obligation of states to ensure access to various forms of judicial and non-judicial grievance and remedy mechanisms.

In the field of anti-corruption there has been considerable progress in recent years. The implemented legislation in Norway on this area was enacted more than a decade ago (see the anti-corruption provision in the Penal Code incorporated in 2003) and also encompasses the conduct of

<sup>51</sup> UN Global Compact Leaders Summit 2013.

Norwegian citizens abroad. Under Norwegian law, all forms of corruption are criminal offences. Norwegian companies with extraterritorial activities may also be subject to a number of different anti-corruption acts, including the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act (FCPA). The anti-corruption acts also direct attention at preventive measures and compliance with guidelines.

A number of individual cases have resulted in increased awareness among Norwegian companies as regards safeguards against corrupt practices. Norwegian case law has resulted in increased fines for corrupt practices, while such fines in countries like the USA are far higher. For any violation of the anti-corruption rules, companies are now liable for corporate penalties, including the detrimental effects of being excluded from public procurements.

Reporting is one of the main instruments in company-level commitment to CSR. However, there is now general agreement that the volume of reporting from companies has become excessive and that focal issues are overshadowed by less relevant information. Responding to this problem, in 2013, the new version of the internationally recognised reporting standard, Global Reporting Initiative (G4) introduced the materiality principle as a main principle. Materiality concerns the fact that companies both address and report on matters that are key to that business's impacts on people, society, climate and environment. In Norway, with effect from the financial year 2013, a requirement was introduced for CSR reporting for large companies; see Section 3–3C of the Accounting Act. Increased emphasis on reporting and materiality is linked to the requirement for increased transparency concerning corporate activities. Requirements regarding publicly disclosable information are increasingly being enacted in law. The government would also draw attention to the EU's commitment in this area, which may ultimately result in new directives of relevance to Norway.

Concerns with regard to so-called tax havens have been mounting in recent years. Extensive efforts are ongoing internationally to prevent tax evasion and non-disclosure of financial information through the use of tax havens. In Norway, requirements for country-by-country reporting have been introduced for large companies and the issuers of listed securities in the extractive and forestry industries. In addition, in recent years, Norway has concluded tax information exchange agreements with a number of new countries.

Progress has also been made in stakeholder dialogue as a method of ensuring that third parties affected by company activities are duly taken into account, and as a means of identifying and minimising risk. Many of the companies, including those in which the state has a holding, are increasingly conducting stakeholder dialogues. Civil society has played an important role in this area by asserting explicit expectations. This is demonstrated, for example, through guiding principles for stakeholder dialogue prepared in 2013 by KOMpakt, the government's Consultative Body for Corporate Social Responsibility.

### 8.3.3.1 *Overarching and general expectations*

The government believes that the state in its capacity as an owner must exercise diligence in relation to its companies' commitment to CSR. Attention on CSR issues has increased, and there is growing awareness that diligent fulfilment of CSR is conducive to corporate commercial growth. In the government's opinion, this provides for a further development of the state's expectations as the owner of companies.

In this White Paper to Parliament, increased emphasis is placed on the following aspects: Clarity from the state regarding the role and responsibility of boards in respect of CSR, the materiality principle in connection with reporting and elaboration of stakeholder dialogue as a procedure for determining the impacts on people, society, climate and environment and in the interests of improving corporate risk management. In addition, expectations for the specific areas have been elaborated in light of developments in this domain in recent years.

Norwegian companies are subject to differing exposure to challenges and risks in different areas. The government therefore proposes that companies should observe the «comply or explain» principle in combination with the materiality principle in adapting their commitment and reporting to their business activities. The «comply or explain» principle entails that boards are expected to account for any deviation, which in some cases may be justified, from the state's expectations.

#### *Board follow-up on CSR*

The government has found that in companies in which the state has a holding there is also a need for increased attention on the responsibility of the

board and the manner in which the board addresses CSR.

Increased attention on the part of company boards, will, in the government's opinion, be conducive to improved risk management and as such serve to protect shareholder assets. It is left to the discretion of the boards as to how they intend to fulfil their responsibility for CSR. One option, in line with current practice in some companies, is to lodge responsibility for preparation of the board's deliberations on CSR with a dedicated board committee.

The government expects that:

- A commitment to CSR is embedded in company board work, that boards play an active and prominent role, and that they account for significant aspects of CSR in their annual report.
- The boards arrange for the necessary board competence development in the relevant CSR domains.
- The companies should be frontrunners in the commitment to CSR in their sectors. The companies actively abide by, and assist in elaborating, best corporate practices in areas of relevance for their business.
- The companies have ethical guidelines in place and make them publicly available.
- The companies prepare guidelines for their work on CSR and the guidelines are publicly available. The companies incorporate their commitment to climate and environment, human rights, employee and worker rights, and anti-corruption in their guidelines.
- Companies with international operations sign up to the UN Global Compact. All companies are expected to be familiar with and commit to observance of the Global Compact's ten principles and to consider signing up to the UN Global Compact.
- Companies with extraterritorial activities or international supplier chains familiarise themselves with and follow the recommendations of the OECD Guidelines for Multinational Enterprises.
- Companies adopt the ILO's eight core conventions as the foundation for their activities.
- Companies report on their CSR performance, placing emphasis on key challenges, and target and performance indicators. Companies of a certain size employ the internationally recognised reporting standard, Global Reporting Initiatives.

- The companies have effective grievance mechanisms within their own organisation.
- The companies maintain dialogue with key stakeholders as and where relevant to determine who is impacted by the company's activities, and in order to reduce risk.

The government believes that greater knowledge of international norms, conventions and guidelines such as the ILO's core conventions, the UN Global Compact, the UNGP and the OECD Guidelines for Multinational Enterprises, will serve to reduce the risk of companies contributing to adverse human rights impacts and violations of the employee and worker rights.

### 8.3.3.2 *Climate and environment*

The business and industry's environmentally corporate social responsibility imply that regards for the environment and resource management is integrated to corporate financial decision-making. In addition to compliance with national and international environmental requirements, the companies should also take proactive measures to reduce their adverse environmental impacts – over and above the national and international requirements. This may contribute to cost reductions, a better strategic platform for business activities in the long term, and new market opportunities. Business and industry can contribute to reducing adverse environmental impacts through more environmentally friendly and resource-efficient operations at the individual company level. Companies can also develop processes or technologies for more efficient use of scarce resources and reduce their greenhouse gas emissions. High environmental standards on the part of suppliers and in the value chain are also key factors in environmental CSR. This applies to all companies, regardless of their ownership structure.

The need for effective measures to counter climate change has increased. Efforts are being undertaken internationally to limit greenhouse gas emissions in order to achieve the two-degree target. Against this background, the government is anticipating changes in the international climate regime. These changes will potentially have great impact on business and industry. This is part of the reason for the increased attention among market participants on climate policy trends and their implications for business.

As an owner, the state must protect the assets in its portfolio. In light of this, the government believes it to be essential for companies to develop

a sound understanding of the risk entailed by potential changes in operating conditions ensuing from realistic climate change scenarios and national and international climate initiatives. Climate policy measures are also potential drivers of technological advances and can pave the way for new market opportunities. The companies should take a well-informed approach to the business opportunities presented by such changes.

The government expects that:

- Companies have a sound understanding of the risk posed to their activities by climate change and climate policy measures.
- Companies are at the forefront in climate and environmental performance in their sector, including initiatives to reduce greenhouse gas emissions.
- Companies are well-informed of the benefits to be reaped from early adaptation to new climate and environmental requirements.

### 8.3.3.3 Human rights

The government emphasises that the authorities have a duty to protect human rights, and that the state is bound by several international conventions which obligate Norway to protect universal human rights. This means that only states can be held legally responsible for human rights abuses.

However, human rights impose certain important constraints on business undertakings. By virtue of requirements for national legislation and other instruments, the human rights conventions require states to ensure that business and industry do not violate human rights. Business and industry can also be urged to respect human rights through non-binding guidelines.

Aside from the harm caused to the victims, any conduct contributory to human rights abuses may result in loss of reputation and other substantial losses for a business. A more systematic approach by companies to prevent human rights abuses serves to reduce this risk. Both the OECD and the EU have issued their own guidelines on corporate social responsibility in line with the UN Guiding Principles on Business Rights (UNGP). The government assumes that Norwegian companies are familiar with the UNGP and the incorporation of the UNGP in the OECD and EU guidelines.

The government expects that:

- Companies in which the state has a holding respect universal human rights as they are defi-

ned in international conventions, in all their undertakings, and in their dealings with suppliers and business partners.

- All companies in which the state has a holding incorporate relevant human rights aspects in their activities.
- Companies carry out human rights due diligence in line with the UNGP recommendations to prevent their involvement in adverse human rights impacts and to account for how they address the company's human rights impacts.

### 8.3.3.4 Labour rights

Companies in which the state has a holding are expected to respect and promote decent working conditions which safeguard fundamental labour standards and rights and under which employees are paid a living wage. Companies are assumed to be familiar with national legislation and international labour conventions. The eight core conventions of the ILO are focal and are regarded as setting the standards for labour and employment. The core conventions encompass fundamental principles and rights at work: freedom of association and the right to collective bargaining, the elimination of all forms of forced and slave labour and discrimination, and the elimination of child labour. The ILO member states are bound by international law to apply the core conventions, which are also regarded as integral to human rights and comprised by the UNGP.

The Norwegian labour market is generally well-regulated and there is an extensive cooperation between employees and employers. This is not the case in many of the countries in which Norwegian companies operate or have business partners and suppliers. Norwegian companies have the potential to promote employee and worker rights in other countries by observing best-practice standards in the individual countries.

The government expects that:

- Companies adopt the ILO's core conventions as a minimum standard for their activities, and that these are followed up in the value chain.
- Companies are leaders in their sector in occupational health, safety and the environment (HSE) and actively address these issues with their suppliers and business partners.
- Companies assess the need to sign global framework agreements with the trade union movement applicable to business operations worldwide.

- Companies act responsibly in organisational restructuring processes, implementing these in dialogue with employees and local communities.

#### 8.3.3.5 *Commitment to anti-corruption practices and transparency in financial transactions*

Corruption is a criminal offence under both Norwegian and international law. Norwegian anti-corruption legislation applies regardless of which countries a Norwegian company operates in, and corrupt practices abroad are liable for prosecution in Norway. Corruption poses a threat to the rule of law, democracy, human rights and social justice. Corruption also hampers economic growth and distorts competition. The government expects this to set the standard for the commitment by Norwegian companies to prevent corruption.

Transparency and public disclosure are effective instruments in anti-corruption efforts. Cash-flow transparency is also crucial in upholding companies' tax responsibilities in the countries where they operate. In many developing countries, low tax revenue is one of the primary causes of poverty. One of the causes of low tax inflow is lack of transparency in the global financial system.

More targeted efforts by boards and companies in this area will serve to reduce the risk of corruption and thereby contribute to value creation for companies and owners. This is conducive to a more systematic approach to anti-corruption measures and hence serves to prevent involvement in corruption, loss of reputation and financial loss.

The government expects that:

- Companies demonstrate the highest possible degree of transparency as regards cash flows, including taxes.
- Companies with international operations apply OECD guidelines on taxation, including that they seek to avoid the use of tax havens that do not apply the standards of the Global Forum on Transparency and Exchange of Information for Tax Purposes and which decline to conclude tax information exchange agreements with Norway.
- Companies have guidelines, systems and measures in place to prevent corruption, and to address possible or borderline violations that might be detected in this area.

- Companies perform diligent assessments of corruption-related issues in relation to their undertakings. If such assessments point to reasonable doubt as to whether behaviours may be construed as corrupt, the companies are expected to refrain from such behaviours.

#### 8.3.3.6 *The government's follow-up of corporate social responsibility*

The follow-up of CSR performance will be conducted through the owner dialogue at quarterly meetings and/or at annual meetings devoted to CSR. In specific cases, additional follow-up of companies may be necessary. Company and board commitment to CSR will form part of the evaluations conducted in preparation for board elections. The government would also refer to the annual report on the state's direct ownership, the State Ownership Report, which reviews the CSR performance of each individual company.

The government recognises that voluntary organisations possess expertise and experience of relevance to the state as an owner with regard to company commitment to CSR. In light of this, a dialogue has been established with voluntary organisations concerning CSR. The government intends to continue this dialogue. Reference is also made to the government's general commitment and work related to CSR, and to KOMpakt, the government's Consultative Body for Corporate Social Responsibility.

#### 8.3.4 **Executive salaries**

The government wishes to reassert the main principles of the state's policy on executive salaries in companies in which the state has a holding; see the current guidelines. The state's policy is that the determination of executive remuneration shall be the board's responsibility and that executive pay shall be competitive but not above those of other similar companies. The emphasis shall be on moderation.

Based on experience and practice in recent years, the government recognises the need to adjust the state's policy on executive salaries in respect of three aspects. These concerns which companies should be subject to the guidelines; pension terms; and how wholly-owned companies should implement the state's policy.

In group holdings in which the parent company is wholly owned or effectively controlled by the state (shareholding in excess of 90 per cent), the government's position is that the state

policy on executive salaries should also comprise the wholly-owned subsidiaries in a given group of companies, even if the state does not attend their general meetings. The government asserts this to be a fair and proper position given that the internal corporate organisation of such groups should not be determinative for which corporate entities are comprised by state pay policy. In recognition of this, the government proposes an amendment to the articles of association of wholly owned companies articulating that the formalised executive salary disclosure before the general meeting of the parent company shall also state how the board's remuneration policy is to be implemented in wholly-owned subsidiaries. Further, the government will be assessing whether partially-owned subsidiaries of companies controlled by the state should also be comprised by the policy.

As regards employee pensions, the current state policy is that an employer pension contribution linked to pension entitlements in excess of 12 G (12 times the Norwegian National Insurance base amount (G)) should be a defined-contribution pension, limited to 30 per cent of the base salary, and that the pension fund should be protected externally, i.e. assured by a separate legal entity. The requirement for external pension-fund insurance introduced by the Stoltenberg Government in 2011 prevents employees from losing accrued entitlements in the event of their employer's bankruptcy. However, this form of pension scheme has not proved feasible since, to date, no pension products are available on the market to assure pension contributions in excess of 12 G. For some companies, the workaround has been to cover the surplus by the company paying the contribution as an operating expense. Given this situation, the government maintains that the state as an owner should not endorse pension entitlements in excess of 12 G. The government holds that this will be consistent with the principle for such pensions not to be financed as an operating expense, and will serve to reinforce the general policy that the basic fixed salary should be the main component of any pay package. The government also maintains that this type of measure will promote increased transparency regarding the level of executive salaries.

In companies where the state is the sole owner, or has a holding of more than 90 per cent, the government expects conformance with the state policy on executive salaries.

The policy currently permits variable remuneration up to the equivalent of six months' fixed salary. Variable pay must be based on objective,

definable and measurable criteria's and factors that the executive is able to influence. Variable pay schemes should comprise a number of relevant metrics and be transparent and comprehensible. Variable pay currently accounts for a substantial proportion of pay packages in a few of the companies in which the state has a holding.

The government would point to the complexity of assessing variable pay schemes. The government's opinion is that a detailed review should be performed of such schemes before the government presents its policy on executive salaries.

The same applies to the companies' long-term incentive (LTI) schemes. These were introduced largely to compensate for the loss of share options from 2006/2007 and as a way of maintaining incentives for senior executives to grow shareholder assets. The format of LTIs varies from one company to the next, but essentially involves fixed annual remuneration calculated as a percentage of the fixed basic rate of pay. The post-tax LTI pay must be invested in shares with a commitment term of at least three years. Given that some years have now elapsed since the schemes were introduced, the government believes that detailed reviews are now merited in order to determine, among other things, how such schemes address the distinction between fixed and variable pay.

Taking account of these factors, the government will be presenting its policy on executive salaries once the above-mentioned reviews have been completed and will inform the Storting accordingly.

### 8.3.5 Research, development, innovation and expertise

Commercial companies in which the state has a holding are required to operate their business in the best interests of the company and its shareholders over time. The government would stress that capacity for achieving the required restructuring and innovation is often crucial for the future growth and competitiveness of individual companies. But it is not least important for business and industry and the economy as a whole. Realisation of adaptability and innovation is key to value creation and to sustained national welfare. Increased value creation is achieved primarily when resources are put to new and more effective use. Through innovative production methods and by developing new goods and services, companies can produce superior products at lower cost or demand a higher price for what they produce.



Figure 8.3 One of the aluminium industry's leading research centres is located at Norsk Hydro's plant in Årdal.

Photo: Norsk Hydro.

Enhancements of this kind increase company profitability but also underpin the welfare society. International competition is a vital stimulus for innovation and adaptability. Norwegian business and industry continues to excel at adapting to trends in international competition. In the interests of achieving efficient operations and satisfactory earnings, the government expects the boards of companies in which the state has a holding to stay abreast of technological and market trends and to demonstrate agility in realigning their operations efficiently at any given time.

Corporate competitiveness is influenced by a company's ability to apply and develop new expertise and new technological and organisational solutions. For this reason, the government maintains that enterprises should be continually alert to the value of investing in research and development and of commercialising their research. Companies should likewise be committed to disseminating their research results, but also to commercialising the results of third-party re-

search centres and companies. The national funding system should be used where it can support companies' own research drives.

A number of companies in which the state has a holding are leaders in Norway, not least in research and development. Corporate commitment to fostering high-powered technological innovation, strong business clusters, offshoots and increased value creation boosts competitiveness in the Norwegian economy.

Access to a specialised workforce is an increasingly important competitive factor for companies. Norway generally has a highly educated population, and employees in both the public and private sectors are consistently well qualified. As an owner, the government aims for each company to maintain a dedicated recruitment policy, and for companies to update and develop employee competence so that both the companies and the individual employees are well equipped to respond to new requirements and readjustment needs.

### 8.3.6 Diversity and equality

A diverse range of skills and know-how may be positive factors for a company's development. If a company possesses diverse and complementary skills, this provides a broader basis for sound decision-making. This in turn extends the company's innovation capacity, equipping it to meet challenges and thereby achieve more profitable development. Companies should therefore maintain awareness of the value of diversity in their organisation. Diversity in this context denotes, for example, differences in theoretical and practical knowledge, age, gender, cultural and geographical background.

Ensuring that equality and diversity are firmly embedded in corporate human resources policies is a key management task. Boards are expected to ensure that human resources policy is characterised by inclusivity and diversity and that companies in which the state has a holding have established strategies and implemented initiatives to promote equality and diversity in their organisations. The number of women holding executive posts in Norwegian companies remains low, at the same time as women account for more than half of those pursuing higher education in Norway. Company succession planning should incorporate strategies for making the most of leading expertise in the company, including how to encourage more women to seek senior management positions. The government aims to increase the number of female chairs on the boards of companies in which the state has a holding.

## 8.4 Contact with companies

The state's Principle 1 of corporate governance emphasises the equitable treatment of all shareholders in companies in which the state is a joint shareholder. This encompasses information received by the state, in its capacity as an owner, from a given company and the contact that exists with the state as an owner.

Information exchanges between a company and its owner(s) can be done via various channels. In addition to quarterly and annual reports, other public information and the general meeting, regular liaison meetings are held with company management as a key element in the follow-up process by most ministries exercising state ownership. The Ministry of Trade, Industry and Fisheries, for its part with a few exceptions, holds quarterly meetings, along with annual meetings on CSR

with the companies where it manages ownership. These meetings may involve financial performance review, communication of the state's return and dividend targets, briefings and talks concerning corporate strategy, issues surrounding CSR etc. Such meetings are conducted in line with customary practice between listed companies and major investors<sup>52</sup>. The meetings are conducted within the parameters prescribed by corporate and securities legislation, not least as regards equal treatment of all shareholders. Meetings are usually attended by representatives of the company's administrative management, but it is up to the boards of the companies to determine who represents the company at meetings, including whether members of boards also should be present<sup>53</sup>. In some cases, the owner may specifically request board representation.

The framework for corporate governance does not prevent the state, like other shareholders, from raising matters that should be considered by the companies in relation to their business and growth. Any opinions conveyed by the state at such meetings are to be regarded as suggestions regarding the company's administration and governance. The board is responsible for managing the company in the best interests of the company and the shareholders and to that end must make the necessary deliberations and decisions. Matters requiring the endorsement of the owner must be addressed at the general meeting in the customary manner.

### 8.4.1 Particular about information exchange in companies wholly owned by the state

Some of the companies wholly owned by the state are required by law to submit the minutes of board meetings to the owning ministry. This applies to state-owned enterprises and Vinmonopole. The regional health trusts, as state enterpri-

<sup>52</sup> The commentary on topic 13 Information and Communications in the Norwegian Code of Practice for Corporate Governance states that «In addition to the dialogue with the company's owners in the form of general meetings, the board of directors should make suitable arrangements for shareholders to communicate with the company at other times. This will increase the board's understanding of which matters affecting the company from time to time are of particular concern to shareholders».

<sup>53</sup> See topic 13 of the Norwegian Code of Practice for Corporate Governance which recommends that «The board of directors should establish guidelines for the company's contact with shareholders other than through general meetings».



ses, are required to submit an annual performance report to their owning ministry.

Some of the ministries exercising state ownership hold regular meetings with the boards of enterprises wholly owned by the state. As briefings, these are the equivalent of the quarterly meetings discussed earlier. In wholly owned companies where such regular meetings are not customary practice, the ministries will discuss with the chair of the board if it is desired to introduce. Matters requiring the endorsement of the owner must be addressed at the general meeting/enterprise general meeting.

## 8.5 The state's various roles

The state exercises a number of different roles, such as that of policy formulator, financing authority, market regulator, supervisory authority and owner. A conscious attitude to keeping the state's role as an owner separate from its other roles is important for both the legitimacy of state ownership and for the state's other roles. State authority is usually exercised by issuing statutes and regulations; by applying conditions to concessions authorised in law; through licensing, by concluding agreements, and by making executive decisions on individual matters. A related form of authority is exercised by applying economic instruments such as procurement of public services and charging taxes and duties. The state also exercises influence through dialogue with both public-sector and private-sector companies, for example, as regards expectations regarding corporate self-policing and CSR. The state also has a role as a national supervisory and complaints body. This role is often kept separate from other state mandates in order to maintain confidence in the impartiality of state decisions.

In order to maintain the legitimacy of the various roles and of the state as an owner, the state should be aware of the role it has assumed at any given time, and must not abuse its power and influence in other roles to promote its interests as an owner. Conversely, in its other roles, the state must not exploit its power and influence to make political decisions or exercise authority in a manner that would disfavour state-owned enterprises over companies under private ownership.

For these reasons, the state refrains from exercising its authority as a public administrator in its corporate governance. Companies in which the state has a holding are therefore subject to regulatory and supervisory authorities in the

same way as companies in which the state has no holdings.

### 8.5.1 Organisation of the state's ownership administration

Administration of direct state ownership is distributed among a number of different ministries. If the same ministry manage sectoral regulation, responsibility for sectoral supervision and corporate ownership to a company, this gives the opportunity to practice consistent policy, but also puts greater demand for stringent internal checks to avoid confusion of roles. A number of processes have been in progress for some time to separate out the state's roles as an owner and as an executive authority. Ownership of the majority of companies with commercial objectives is currently managed by the Ownership Department of the Ministry of Trade, Industry and Fisheries in line with the OECD recommendation for the greatest possible coordination of commercial ownership<sup>54</sup>, while companies with sectoral-policy objectives are administered by the ministries responsible for the respective sectors. Notable exceptions include the ownership of Statoil ASA, which is administered by the Ministry of Petroleum and Energy.

The arm's length commitment to drawing a sharper organisational distinction between the state's differing roles and to consolidate as much as possible of the commercial, strategic ownership with a single entity in the central administration, has served to professionalise, streamline and boost confidence in the state's ownership administration. The government maintains that ownership of commercial companies should remain under the national ownership entity currently lodged with the Ministry of Trade, Industry and Fisheries unless special considerations dictate otherwise. The government will consider further consolidating of direct state ownership of commercial companies and certain other companies under this entity, not least with a view to further separate of the state's ownership role from that of other roles.

<sup>54</sup> Consequently, in line with the OECD recommendation, companies such as Arcus AS, BaneTele AS, Cermaq ASA, DNB ASA, ECC AS, Entra Eiendom AS, Flytoget AS, Grødegård AS, Mesta AS, NOAH Holding AS, Norsk Eienomsinformasjon AS, Norsk Medisinaldepot AS, SAS AB, Secora AS, SIVA SF, SND-Invest AS, Statkraft SF and Telenor ASA have been transferred from other ministries to what is now the Ministry of Trade, Industry and Fisheries since the late 1990s. A number of these companies have subsequently been privatised.

### 8.5.2 Further development of the state's exercise of ownership

Trends and increased attention on new aspects of state ownership, as set out in chapter 2.3, point to the increasing challenges of exercising sound state ownership. Good corporate governance on the part of the state serves to boost the value of companies. The state should be an exemplary owner in promoting good corporate governance. Competent ownership entities within the ministries are key determinants of exemplary direct state ownership. Although the objectives for companies in which the state has holdings differ from one company to the next, state ownership administration overall has many common traits<sup>55</sup>. Corporate governance should be practised as competently and consistently as possible across the ministries, and effort should be made to facilitate increased cooperation on matters of ownership between ownership entities within the state in order to make best use of joint ministerial governance expertise. Over the last two years, the state's ownership administration has been strengthened, for example, within board recruitment and evaluation. The government will continue to seek to enhance and further professionalise the state's exercise of ownership in order to ensure the best possible management of national assets. Examples of initiatives that have been implemented, and activities currently in progress:

- The role of the Ministry of Trade, Industry and Fisheries as a resource centre for the exercise of state ownership has been reinforced, as has interministerial cooperation on ownership matters through the coordinating role of the Ownership Department. The following specialised interministerial fora have been established, all under the Ownership Department:
  - An Ownership Forum is hosted six to eight times a year for all ministerial employees engaged or otherwise interested in ownership administration at ministerial level. The

Ownership Forum addresses a range of topics concerning ministerial ownership activities.

- Professional seminar: an all-day seminar hosted annually. The target audience and topics are the same as for the Ownership Forum.
- Owner Lunches are meetings of up to two hours hosted every other month for the ministries that deal with the state's direct ownership. This session is used for dialogue, discussion and experience exchange.
- A Competence Forum is hosted once or twice annually and invites voluntary organisations with specialist expertise in CSR to engage in dialogue and discussion with representatives of the ministries responsible for exercising state ownership. The object of these meetings is to explore a range of CSR issues in order to extend insights among the owning ministries of the challenges faced by the companies.
- Strengthening the capacity of the ownership administration within the Ministry of Trade, Industry and Fisheries has facilitated improved strategic and financial supervision of companies with commercial objectives, on the one hand by means of more extensive analytical follow-up, and on the other hand by achieving better understanding of the company's strategic development.
- The efforts to nominate and evaluate boards have been intensified by means of systematic and thorough processes and by increased capacity within the Ministry of Trade, Industry and Fisheries.

The Ministry of Trade, Industry and Fisheries is also responsible for compiling the annual «State Ownership Report»; for hosting the annual «State Ownership Conference», for participation in various fora such as the Corporate Governance Committee and Working Party on State Ownership and Privatisation Practices in OECD and the Ownership Forum, all of which are devoted to setting standards in corporate governance and other matters relating to state ownership.

<sup>55</sup> This applies, for example, to interdisciplinary areas such as the principles of corporate governance, financial management and reporting, CSR, remuneration schemes for executives and board members and work concerning board composition.

## 9 A review of the state's direct ownership interests

This chapter discusses the state's direct ownership interests. The companies under review are those with commercial objectives and the largest and most important companies with sectoral-policy objectives. They are grouped in accordance with the four categories on which the state's ownership of enterprises is based. For each company, the following are provided: general company information, the purpose of the company, a description of its activities and the objective of the state's ownership. The figures are for 2013 and in NOK millions. For the listed companies, the market value of their equity is stated. For the unlisted companies, book equity less any minority interests is given. The book value of equity may vary considerably from the companies' actual market values. For supplementary information about the companies' activities, readers are referred to the annual ownership reports which the Ministry of Trade, Industry and Fisheries publishes and submits to parliament.

### 9.1 Category I – Companies with commercial objectives

#### 9.1.1 Ambita AS

Table 9.1 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	1987
State holding:	100 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	59
Book equity:	78
Operating revenues:	324
Operating profit/loss:	60
Profit/loss after tax and minority interests:	42

#### *The company's purpose*

The company's purpose is to operate and develop the EDR data collection system and other associated activities.

#### *The company's activities*

Ambita (formerly Norsk Eiendomsinformasjon) is a fully commercial ICT company operating within sales, administration, operation and development of ICT systems for property data. The company supplies services, systems and products based on property information and cartographical data. Through the company's EDR publishing system and the Infoland marketplace, the company supplies property and map data that has been processed from data deriving from the municipalities, housing associations, the Norwegian Mapping Authority, the power companies and so forth. Infoland is an online marketplace linked to systems for counting, authorisation and invoicing. The systems allow customers to place direct orders for information products from around 240 municipalities, housing cooperatives and other data providers. Ambita's head office is in Oslo.

The government has decided to place the company in category 1 «Companies with commercial objectives» with effect from 1 January 2014, since as of this date it will be in full competition with other distributors, and subject to the same framework conditions as they are. As a consequence of this, the company's purpose as set out in its statutes must also be amended, since it will no longer be under obligation to fulfil any social mandates.

#### *The objective of the state's ownership*

The objective of the state's ownership of Ambita AS is purely commercial. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The government is of the opinion that there are no special grounds for the state to be a long-term owner of the business and is therefore receptive to considering solutions that entail a reduc-

tion in its holding. On this basis, in the budget proposal for 2015, the government will ask parliament for a mandate to fully or partially dispose of its holding in Ambita AS. Any use of the mandate would depend on commercial assessments relating to, for example, company-specific and market-specific factors.

### 9.1.2 Baneservice AS

Table 9.2 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	2005
State holding:	100 %
Owner:	Ministry of Transport and Communications
Number of employees:	292
Book equity:	101
Operating revenues:	426
Operating profit/loss:	-29
Profit/loss after tax and minority interests:	-23

#### *The company's purpose*

The company's purpose is to offer services and products for developing, building, maintaining and operating railway infrastructure and other related activities, including in other areas where the company's expertise and resources can be utilised. Activities may be performed by the company itself, by wholly owned subsidiaries or through participation in or cooperation with other companies.

#### *The company's activities*

Baneservice is a continuation of the former Bane-Service business unit of Jernbaneverket, the Norwegian National Rail Administration. The company builds and maintains track, and catenary, signalling and telecommunications installations for railways, tramways and light rail. The company is one of the leading full-spectrum suppliers of railway engineering services in Norway. The company also has a wholly owned subsidiary in Sweden which supplies marshalling services for terminal operations. Baneservice's head office is in Lysaker.

#### *The objective of the state's ownership*

The objective of the state's ownership of Baneservice AS is purely commercial. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The government is of the opinion that there are no special grounds for the state to be a long-term owner of the business and is therefore receptive to considering solutions that entail a reduction in its holding. On this basis, in the budget proposal for 2015, the government will ask parliament for a mandate to fully or partially dispose of its holding in Baneservice AS. Any use of the mandate would depend on commercial assessments relating to, for example, company-specific and market-specific factors and would also be viewed in the context of the outcome of the Ministry of Transport and Communications' reform of the railways sector.

### 9.1.3 Cermaq ASA

Table 9.3 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Public limited company
Founded:	1994
State holding:	59.17 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	4,361
Value of the company:	9,990
Operating revenues:	5,155
Operating profit/loss:	2,877
Profit/loss after tax and minority interests:	3,886

#### *The company's purpose*

The purpose of the company is to undertake sustainable aquaculture and other activities that naturally belong with this. The company will play an active role in research and development in the aquaculture industry. Activities may be performed by the company itself, by subsidiaries or through participation in or cooperation with other companies.

*The company's activities*

Cermaq's vision is to be a global fish-farming company and a leader in the sustainable production of salmonid species. The group is one of the largest farmers of salmon and trout, with production facilities in Chile, Canada and Norway. Cermaq is listed on the Oslo Stock Exchange and has its head office in Oslo.

*The objective of the state's ownership*

The objective of the state's ownership of Cermaq ASA is purely commercial. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The government is of the opinion that there are no special grounds for the state to be a long-term owner of the business. On this basis, the government has been granted parliament's mandate to sell, through payment in cash and/or shares in another company in the same sector, all of the state's shareholding in Cermaq ASA as part of an industrial solution. In the budget proposal for 2015, the government will ask for an extended mandate to allow full or partial disposal of the state's shares in Cermaq ASA, in line with equivalent powers for the other companies in category 1. Any use of the mandate would depend on commercial assessments relating to, for example, company-specific and market-specific factors.

**9.1.4 Entra Holding AS**

Table 9.4 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	2000
State holding:	100 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	152
Book equity:	7,878
Operating revenues:	1,575
Operating profit/loss:	612
Profit/loss after tax and minority interests:	453

*The company's purpose*

The company's primary purpose is to cater for the state's requirement for premises. The company can own, buy, sell operate and manage property and perform other associated activities. The company can also own shares or holdings in, and participate in, other companies that perform activities as mentioned above. The company is to be run on commercial principles.

*The company's activities*

Entra Holding is the parent company of the Entra group, and owns all the shares in Entra Eiendom AS including 25 wholly or partially owned subsidiaries. The company develops, leases, manages, operates, buys and sells real estate in Norway and is one of the country's leading property companies. It is run on commercial principles in competition with other, private, commercial property companies. The company's portfolio covers primarily Oslo, Stavanger, Bergen and Trondheim. Entra Holding's head office is in Oslo.

*The objective of the state's ownership*

The objective of the state's ownership of Entra Holding AS is purely commercial. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The government is of the opinion that there are no special grounds for the state to be a long-term owner of the business. On this basis, the government currently has a mandate from parliament to «sell all shares in Entra Holding AS». A privatisation process has been initiated. In 2013, the mandate from parliament was extended from applying to «down to 33.4 per cent» to applying to «all shares», in order to allow greater scope of alternatives for providing options for divestment. To the extent required, in the budget proposal for 2015, the government will ask for this mandate to be maintained.

### 9.1.5 Flytoget AS

Table 9.5 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	1992
State holding:	100 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	349
Book equity:	968
Operating revenues:	897
Operating profit/loss:	223
Profit/loss after tax and minority interests:	170

#### *The company's purpose*

The purpose of the company is to operate train services to and from Oslo Airport, together with associated investments and services.

#### *The company's activities*

Flytoget operates high-speed trains between Drammen and Oslo Airport. The company transports around 6 million passengers annually, which equates to around 10 per cent of all train passengers in Norway and approximately 20 per cent of all train passengers in the Greater Oslo region. The company's market share of ground transport access services to Oslo Airport in 2013 was 32.8 per cent. Flytoget's head office is in Oslo.

#### *The objective of the state's ownership*

The objective of the state's ownership of Flytoget AS is purely commercial. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The government is of the opinion that there are no special grounds for the state to be a long-term owner of the business and is therefore receptive to considering solutions that entail a reduction in its holding. On this basis, in the budget proposal for 2015, the government will ask parliament for a mandate to fully or partially dispose of its holding in Flytoget AS. Any use of the mandate would depend on commercial assessments relat-

ing to, for example, company-specific and market-specific factors.

### 9.1.6 Mesta AS

Table 9.6 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	2003
State holding:	100 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	1,520
Book equity:	897
Operating revenues:	4,011
Operating profit/loss:	73
Profit/loss after tax and minority interests:	166

#### *The company's purpose*

Mesta AS's purpose is to offer services and products for developing, building, operating and maintaining transport infrastructure and other related activities, including in other areas where the company's expertise and resources can be utilised. Activities may be performed by the company itself, by wholly owned subsidiaries or through participation in other companies or cooperation with others.

#### *The company's activities*

Mesta is one of Norway's largest road operating and maintenance companies. The company was formed when the production unit of the Norwegian Public Roads Administration was separated out into a limited company subject to market competition. In recent years, the company has undertaken a comprehensive restructuring process which has helped provide a lower cost base, better competitiveness and a more targeted business strategy. Mesta's head office is in Lysaker.

#### *The objective of the state's ownership*

The objective of the state's ownership of Mesta AS is purely commercial. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The government is of the opinion that there are no special grounds for the state to be a long-term owner of the business. On this basis, the government currently has a mandate from parliament to «sell all shares in Mesta AS». In the budget proposal for 2015, the government will ask for this mandate to be maintained, in line with equivalent powers for the other companies in category 1. Any use of the mandate would depend on commercial assessments relating to, for example, company-specific and market-specific factors.

### 9.1.7 SAS AB

Table 9.7 Company information and key figures. The figures are for 2013 and in NOK millions<sup>1</sup>.

Corporate form:	Public limited company
Founded:	1946
State holding:	14.3 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	14,127
Value of the company:	5,128
Operating revenues:	38,057
Operating profit/loss:	1,665
Profit/loss after tax and minority interests:	161

<sup>1</sup> The figures are in Norwegian kroner, converted from the SAS group figures in Swedish kronor. Due to differences in accounting years, the figures relate to the period November 2012–October 2013.

#### *The company's purpose*

The purpose of the company is directly or indirectly to conduct air traffic operations chiefly through the Scandinavian Airlines System Denmark-Norway-Sweden (SAS) Consortium, other transport and travel-related business as well as any business compatible therewith.

#### *The company's activities*

SAS is one of Scandinavia's leading airlines, whose primary purpose is to offer competitive passenger services originating in the home market in Northern Europe. In 2012/2013 the company flew more than 28 million passengers to 120 destinations. The company is also part of the global airline alliance Star Alliance. SAS is listed on the Oslo, Stockholm and Copenhagen stock exchanges and its head office is in Stockholm.

In connection with the company's wish to be able to utilise different sources of capital, the government currently has a mandate for the Ministry of Trade, Industry and Fisheries to vote in 2014 at the annual general meeting of SAS AB to empower the board to issue financial instruments which include equity and debt components (hybrid capital), including preference shares and convertible loans, with the limitation that the state's percentage of voting shares in SAS AB does not fall below 7.5 per cent.

#### *The objective of the state's ownership*

The objective of the state's ownership of SAS AB is purely commercial. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The government is of the opinion that there are no special grounds for the state to be a long-term owner of the business. On this basis, the government currently has a mandate from parliament to «sell shares in SAS AB in connection with an industrial solution». In the budget proposal for 2015, the government will ask for an extended mandate to allow full or partial disposal of the state's shares in SAS AB, in line with equivalent powers for the other companies in category 1. Any use of the mandate would depend on commercial assessments relating to, for example, company-specific and market-specific factors.

### 9.1.8 Veterinærmedisinsk Oppdragscenter AS

Table 9.8 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	1988
State holding:	34 %
Owner:	Ministry of Agriculture and Food
Number of employees:	42
Book equity:	76
Operating revenues:	541
Operating profit/loss:	32
Profit/loss after tax and minority interests:	25

#### *The company's purpose*

The purpose of the company is to help improve fish and animal health and improve utilisation of genetic resources in fish by offering goods, services and research and test facilities based on international high-level competence and quality. The company aspires to promote the conversion of ideas from the veterinary and fish health area into commercially interesting projects.

#### *The company's activities*

Veterinærmedisinsk Oppdragscenter is a knowledge-based company with a scientific foundation in Norwegian veterinary medicine and related environments. The company supplies goods and services to the Norwegian aquaculture industry and goods to the Norwegian veterinary market through a separate wholesale and pharmacy concession. The company also supplies clinical infection trials to the international pharmaceutical, feed and breeding industries working on national and international aquaculture through research facilities. The company operates in a competitive market on a commercial basis. Veterinærmedisinsk Oppdragscenter's head office is in Oslo.

#### *The objective of the state's ownership*

The objective of the state's ownership of Veterinærmedisinsk Oppdragscenter AS is purely commercial. The company is to be run on a commer-

cial basis and with the aim of delivering a competitive return.

The government is of the opinion that there are no special grounds for the state to be a long-term owner of the business and is therefore receptive to considering solutions that entail a reduction in its holding. On this basis, in the budget proposal for 2015, the government will ask parliament for a mandate to fully or partially dispose of its holding in Veterinærmedisinsk Oppdragscenter AS, in line with equivalent powers for the other companies in category 1. Any use of the mandate would depend on commercial assessments relating to, for example, company-specific and market-specific factors.

## 9.2 Category 2 – Companies with commercial objectives and an objective of maintaining head office functions in Norway

### 9.2.1 Aker Kværner Holding AS

Table 9.9 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	2007
State holding:	30 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	1
Value of the company:	12,714
Operating revenues:	0.0
Operating profit/loss:	-1.5
Profit/loss after tax and minority interests:	-444

#### *The company's purpose*

The purpose of the company is to own 110,333,615 shares in Aker Solutions ASA and 110,333,615 shares in Kværner ASA.

#### *The company's activities*

Aker Kværner Holding administers shares in Aker Solutions ASA and Kværner ASA. The company owns 40.3 per cent of the shares in Aker Solutions ASA and 41.0 per cent of the shares in Kværner ASA and has one employee.



The state owns 30 per cent of the shares in Aker Kværner Holding AS, while Aker ASA owns 70 per cent. The state and Aker ASA have mutually committed themselves to retaining combined ownership of Aker Solutions ASA and Kværner ASA for a period of at least 10 years (from 2007). Aker Kværner Holding AS has the same rights in Aker Solutions ASA and Kværner ASA as other shareholders. The owners of Aker Kværner Holding AS have signed a shareholder agreement which, in practice, ensures negative control for the state and Aker ASA in respect of a number of key issues in Aker Solutions ASA and Kværner ASA.

Kværner is a leading, specialist supplier of engineering, procurement and construction (EPC) services for offshore oil and gas platforms and onshore installations. The company has around 2,800 employees. Kværner is listed on the Oslo Stock Exchange and has its head office in Fornebu.

Aker Solutions supplies products, systems and services to the oil and gas industry. The company's technologies and competence contribute to establishing, increasing and extending production from oil fields worldwide. The company has around 26,000 employees in more than 30 countries. Aker Solutions is listed on the Oslo Stock Exchange and has its head office in Fornebu.

On 30 April 2014, Aker Solutions published a proposal for a demerger of the Aker Solutions group. The state is provisionally inclined to support this proposal, but its final view will be determined when the demerger plan and other final documentation are in place.

#### *The objective of the state's ownership*

The objective of the state's ownership of Aker Kværner Holding AS is to help ensure that industrial expertise in petroleum-related activities are developed and that such activities are run from Norway. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The government notes that the state has signed a shareholder agreement with Aker ASA concerning the ownership of Aker Kværner Holding AS.

### 9.2.2 DNB ASA

Table 9.10 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Public limited company
Founded:	1999
State holding:	34 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	12,452
Value of the company:	176,725
Operating revenues:	46,619
Operating profit/loss:	22,710
Profit/loss after tax and minority interests:	17,526

#### *The company's purpose*

The purpose of the company is to own or participate in other enterprises that perform banking, insurance or financing activities or connected activities within the framework of applicable legislation.

#### *The company's activities*

DNB is Norway's largest finance group, and one of the largest in the Nordic region by market value. The bank has a presence throughout Norway and has several international offices. In total, the company has more than 2.1 million retail customers and more than 220,000 business customers. The online bank has around 1.7 million users.

Through DNB Eiendom and DNB Næringseiendom, the group is Norway's largest estate agency. It is also one of the world's leading shipping and offshore banks, the world's leading seafood industry bank and a foremost bank in the energy sector. The group's portfolio of major business customers includes large Norwegian and international companies and finance institutions, local and county authorities and public-sector enterprises in Norway.

DNB Markets is Norway's largest securities company and serves customers from its head office in Oslo, a number of regional brokers and international branches. DNB Asset Management is the country's largest asset manager with more than 500,000 investment fund customers and some 400 institutional customers in Norway and

Sweden. DNB Livsforsikring has more than 1 million life and pension insurance customers, and DNB Skadeforsikring has around 210,000 personal accident insurance customers in Norway. DNB is listed on the Oslo Stock Exchange and has its head office in Oslo.

#### *The objective of the state's ownership*

The objective of the state's ownership of DNB ASA is to maintain a large and skilled finance group with head office functions in Norway. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The government notes that a state holding that provides negative control contributes to this. The government will therefore retain the state's holding in DNB ASA, and does not see it as appropriate to reduce it to below 34 per cent.

### 9.2.3 Kongsberg Gruppen ASA

Table 9.11 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Public limited company
Founded:	1987
State holding:	50.001 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	7,493
Value of the company:	15,300
Operating revenues:	16,323
Operating profit/loss:	1,659
Profit/loss after tax and minority interests:	1,228

#### *The company's purpose*

The purpose of Kongsberg Gruppen ASA is to engage in technological and industrial activities in the maritime, defence and related sectors. The

company may participate in and own other companies.

#### *The company's activities*

Kongsberg Gruppen is an international group which supplies high technology systems and solutions in offshore, petroleum industry, merchant shipping, defence and space.

The group has four business areas. Kongsberg Maritime supplies systems for positioning, monitoring, navigation and automation for merchant shipping and the offshore industry. Kongsberg Oil & Gas Technologies supplies technological subsea products and solutions, and information systems for drilling operations, production and the subsea environment. Kongsberg Defence Systems is Norway's leading supplier of defence and space-related systems, with products and systems for command and control, weapons control and monitoring, communications solutions and missiles. Kongsberg Protech Systems is a world-leading supplier of remote-controlled weapons control systems. Their main product is the Protector Remote Weapon Station. Kongsberg Gruppen is listed on the Oslo Stock Exchange and has its head office in Kongsberg.

#### *The objective of the state's ownership*

The objective of the state's ownership of Kongsberg Gruppen ASA is to maintain a knowledge-based and high-technology industrial group with head office functions in Norway. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The government notes that a state holding that provides negative control contributes to this. On this basis, in the budget proposal for 2015, the government will ask parliament for a mandate to possibly reduce the state's holding in Kongsberg Gruppen ASA down to 34 per cent. Any use of the mandate would depend on commercial assessments relating to, for example, company-specific and market-specific factors. The government does not consider it appropriate to reduce state ownership to below 34 per cent.

### 9.2.4 Nammo AS

Table 9.12 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	1998
State holding:	50 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	2,139
Book equity:	1,835
Operating revenues:	3,703
Operating profit/loss:	489
Profit/loss after tax and minority interests:	327

#### *The company's purpose*

The purpose of the company is to develop, produce and market ammunition products and to cooperate with other companies and enterprises with similar objectives. The company is run on commercial principles.

#### *The company's activities*

Nammo's core activity is ammunition and rocket motors for military and civil purposes, and the environmentally friendly recycling and destruction of old and outdated ammunition, including cluster munitions. Markets beyond the Nordic home market comprise an increasingly large share of the business. In 2013, 77 per cent of operating revenues derived from non-Nordic countries. The largest shares of the company's export market are made up of the USA and Canada, 39 per cent combined, and other European countries, 22 per cent of turnover. Nammo's head office is at Raufoss.

#### *The objective of the state's ownership*

The objective of the state's ownership of Nammo ASA is to maintain a knowledge-based and high-tech group with head office functions in Norway. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The government notes that the state has signed a shareholder agreement with Patria Holding Oyj of Finland concerning the ownership of Nammo AS. Any changes to the state's shareholding with a view to developing Nammo AS's business must be assessed in relation to the provisions in this agreement.

### 9.2.5 Norsk Hydro ASA

Table 9.13 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Public limited company
Founded:	1905
State holding:	34.26 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	12,564
Value of the company:	56,008
Operating revenues:	65,358
Operating profit/loss:	1,674
Profit/loss after tax and minority interests:	-920

#### *The company's purpose*

The purpose of the company is industry, trade and transport, and the utilisation of energy and raw materials, and to undertake other associated activities. These activities may be performed through participation in or cooperation with other enterprises.

#### *The company's activities*

Norsk Hydro is a global supplier of aluminium, active along the entire value chain, from raw materials extraction to finished product. The company has activities around the world, linked to, for example, the production of primary metal and the manufacture of finished products. It has factories in Norway at Karmøy, Høyanger, Årdal, Sundalsøra and Holmestrand. The company also has a substantial energy business, and is Norway's second largest generator of electrical power. It is active in more than 50 countries on all continents. Norsk Hydro is listed on the Oslo Stock Exchange and has its head office in Oslo.

*The objective of the state's ownership*

The objective of the state's ownership of Norsk Hydro ASA is to maintain a knowledge-based and high-technology industrial group with head office functions in Norway. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The government notes that a state holding that provides negative control contributes to this. The state's holding is currently close to the minimum level that secures negative control. The government will therefore retain the state's holding in Norsk Hydro ASA, and does not see it as appropriate to reduce it to below 34 per cent. The government does not intend to extend the existing parliamentary mandate to increase the state's holding in Norsk Hydro ASA up to 39.9 per cent.

**9.2.6 Statoil ASA**

Table 9.14 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Public limited company
Founded:	1972
State holding:	67 %
Owner:	Ministry of Petroleum and Energy
Number of employees:	23,413
Value of the company:	468,731
Operating revenues:	637,400
Operating profit/loss:	155,300
Profit/loss after tax and minority interests:	39,900

*The company's purpose*

The purpose of Statoil ASA is oil and gas exploration and production, transportation, refining and marketing of petroleum and its derivatives and other energy forms, as well as other activities. These activities may also be performed through participation in or cooperation with other enterprises.

*The company's activities*

Statoil is an international energy company with around 23,400 employees and activities in 33 coun-

tries. The company's primary activity is production of oil and gas, and Statoil is the operator for around 69 per cent of oil and gas production on the Norwegian Continental Shelf. In 2013, 37 per cent of the company's equity production came from international activities. The company is among the world's largest net sellers of crude oil and condensate, and a major seller of natural gas in the European market. The company also has considerable downstream activities and renewable energy, such as offshore wind power. Through a special instruction, adopted at Statoil's Annual General Meeting of 25 May 2001, the company has been given responsibility for selling the state's petroleum alongside its own. Statoil is listed on the Oslo and New York Stock Exchanges and has its head office in Stavanger.

*The objective of the state's ownership*

The objective of the state's ownership of Statoil ASA is to maintain a knowledge-based and high-technology industrial group with head office functions in Norway. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

On the basis of guidelines specified in a sale and marketing instruction, Statoil is responsible for managing, transporting and selling the Norwegian state's oil and gas in conjunction with Statoil's own reserves. This arrangement presupposes that the state is the majority owner of Statoil.

**9.2.7 Telenor ASA**

Table 9.15 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Public limited company
Founded:	1994
State holding:	53.97 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	33,100
Value of the company:	219,304
Operating revenues:	104,027
Operating profit/loss:	21,327
Profit/loss after tax and minority interests:	8,749

*The company's purpose*

The purpose of the company is to engage in telecommunications and other related activities. These may be conducted by the company itself, by subsidiaries or through participation in other companies or cooperation with others.

*The company's activities*

Telenor is one of the world's largest suppliers of telecommunications services. Its primary activity is in mobile telephony and data services, and the company has more than 160 million mobile subscribers. The group has mobile activities in 13 countries, divided into three regions: the Nordics, Central and Eastern Europe and Asia. Through its holdings in VimpelCom Ltd, the group has mobile activities in a further 17 countries. Telenor is a leading provider of mobile and fixed telephony in Norway, Sweden and Denmark, and has a substantial position in the Scandinavian broadband market. Through Telenor Broadcast, the group is a major supplier of TV and satellite broadcasting services in the Nordic region. In Central and Eastern Europe, the group occupies a strong position as mobile service provider in Hungary, Serbia, Montenegro and Bulgaria. The group is one of the largest mobile operators in Asia, with considerable activities in the growth markets of Thailand, Malaysia, Bangladesh, Pakistan and India. The group is also in the process of establishing itself in Myanmar. Telenor is listed on the Oslo Stock Exchange and has its head office in Fornebu.

*The objective of the state's ownership*

The objective of the state's ownership of Telenor ASA is to maintain a knowledge-based and high-technology group with head office functions in Norway. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The government notes that a state holding that provides negative control contributes to this. On this basis, in the budget proposal for 2015, the government will ask parliament for a mandate to possibly reduce the state's holding in Telenor ASA down to 34 per cent. Any use of the mandate would depend on commercial assessments relating to, for example, company-specific and market-specific factors. The government does not consider it appropriate to reduce state ownership to below 34 per cent.

**9.2.8 Yara International ASA**

Table 9.16 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Public limited company
Founded:	2004
State holding:	36.21 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	9,759
Value of the company:	72,689
Operating revenues:	85,052
Operating profit/loss:	7,791
Profit/loss after tax and minority interests:	5,748

*The company's purpose*

The purpose of the company is to perform industrial, commercial and transport activities, and other related business. These activities may also be performed through participation in or cooperation with other enterprises.

*The company's activities*

Yara International is a Norway-based, internationally oriented chemicals business with core activities in the production, sale and distribution of nitrogen-based chemicals for various uses. The products' most important application is mineral fertiliser for agricultural uses, but they also have applications in industrial companies, and in environmental technology for emissions reductions. This wide range of applications helps stabilise earnings in volatile global markets. Yara International is listed on the Oslo Stock Exchange and has its head office in Oslo.

*The objective of the state's ownership*

The objective of the state's ownership of Yara International ASA is to maintain a knowledge-based and high-technology industrial group with head office functions in Norway. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The government notes that a state holding that provides negative control contributes to this. The state's holding is currently close to the minimum

level that secures negative control. The government will therefore retain the state's holding in Yara International ASA, and does not see it as appropriate to reduce it to below 34 per cent.

### 9.3 Category 3 – Companies with commercial objectives and other specifically defined objectives

#### 9.3.1 Aerospace Industrial Maintenance Norway SF

Table 9.17 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	State enterprise
Founded:	2011
State holding:	100 %
Owner:	Ministry of Defence
Number of employees:	461
Book equity:	343
Operating revenues:	461
Operating profit/loss:	-28
Profit/loss after tax and minority interests:	-18

##### *The company's purpose*

The purpose of the company is to maintain and upgrade equipment, primarily in the domain of military aviation and other associated activities. The enterprise and its personnel shall assist the Norwegian armed forces in their military operations at home and abroad.

##### *The company's activities*

Aerospace Industrial Maintenance Norway was established on 15 December 2011 through the conversion of the Air Force Depot Kjeller into a state enterprise. The company supplies maintenance and modification services for aircraft, helicopters, components and ground equipment to the Norwegian armed forces and other customers. The company comprises 22 different specialist service centres organised into aircraft maintenance, engine maintenance, electronics maintenance, mechanical processes and engineering services. Aerospace Industrial Maintenance Norway's head office is at Kjeller.

##### *The objective of the state's ownership*

The objective of the state's ownership of Aerospace Industrial Maintenance Norway SF is to ensure that the state enterprise can undertake contractual tasks of strategic significance for the Norwegian armed forces in a cost-efficient manner. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

#### 9.3.2 Argentum Fondsinvesteringer AS

Table 9.18 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	2001
State holding:	100 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	23
Book equity:	7,279
Operating revenues:	1,440
Operating profit/loss:	1,367
Profit/loss after tax and minority interests:	1,287

##### *The company's purpose*

The company shall invest its assets in private equity funds and investment companies. Through its activities, the company shall contribute to

- better access to venture capital and equity for innovative, research-based business and industry
- strengthening competent, long-term ownership in business
- improving competitiveness and future value creation in Norwegian business and industry
- triggering new opportunities in sectors and industrial clusters where Norway is already powerful
- developing productive networks between owners, managers, R&D environments and enterprises

The company's activities are to be undertaken on commercial terms.

*The company's activities*

Argentum Fondsinvesteringer was established to administer the state's investments in active equity funds (private equity) with the objective of competitive returns and a more dynamic capital market for unlisted companies. The company has grown into a specialised capital management business directed towards active equity funds in Norway and Northern Europe, and the energy sector internationally. The investment model is based on the fund-in-fund principle, whereby the company commits capital to private equity funds which primarily raise capital in the international capital markets. The company's core competence is the evaluation and selection of active equity funds and administrators. At 31 December 2013, the company had investments in 76 funds, which in turn own 461 unlisted companies. The company also cooperates with other investors and has established four investment programmes: Nordic Private Equity Programme, Argentum Investment Partner, Argentum Secondary, Nordic Additional Funding. The company is the largest investor in Norwegian venture capital funds. Argentum Fondsinvesteringer's head office is in Bergen.

*The objective of the state's ownership*

The objective of the state's ownership of Argentum Fondsinvesteringer AS is to achieve a good return on investments in private equity funds, contribute to a more dynamic capital market for unlisted companies and co-invest in such funds with private investors, and, as an investor, to promote the development of the private equity sector. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The state's ownership objective is provided for by the state being an owner of the company, and not through special guidelines from the owners on the company's operations.

**9.3.3 Eksportfinans ASA**

Table 9.19 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Public limited company
Founded:	1962
State holding:	15 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	53
Book equity:	12,075
Operating revenues:	-6,680
Operating profit/loss:	-6,844
Profit/loss after tax and minority interests:	-4,850

*The company's purpose*

The company's purpose is to operate a financing business. This includes the financing of exporting industries, and for local and county authority purposes.

*The company's activities*

Eksportfinans manages a portfolio of loans to Norwegian exporters and foreign buyers of Norwegian capital goods. The loans are guaranteed by The Norwegian Export Credit Guarantee Agency's (GIEK) and/or banks. The company also manages a substantial portfolio of international securities. Activities are financed through bonds issued on the international capital markets. In November 2011, it became clear that a new government agency would take over the scheme for state-funded export credits. Eksportfinans's head office is in Oslo.

*The objective of the state's ownership*

The objective of the state's ownership of Eksportfinans ASA is to contribute, as a shareholder, to the company managing to best effect its existing portfolio of assets, liabilities and obligations in accordance with applicable contracts.

### 9.3.4 Electronic Chart Centre AS

Table 9.20 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	1999
State holding:	100 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	20
Book equity:	15
Operating revenues:	23
Operating profit/loss:	1.4
Profit/loss after tax and minority interests:	1.6

#### *The company's purpose*

The purpose of the company is to develop and operate an official electronic nautical chart service for maritime businesses, and undertake associated activities, including cooperating with, participating in or setting up other naturally related enterprises.

#### *The company's activities*

Electronic Chart Centre's mission is to develop and operate an authorised electronic nautical chart service for the international maritime industry. The work is performed in accordance with international standards and through established international cooperation. The company was founded in 1999 as the Norwegian operator in a joint European regional centre (PRIMAR), with responsibility for administering, quality-assuring and publishing authorised electronic navigation charts. The company's activity is conducted under agreement with the Hydrographic Service of the Norwegian Mapping Authority, and currently comprises the administration of official nautical navigational chart data from 17 hydrographic offices through the PRIMAR cooperation (PRIMAR is a regional coordination centre for official electronic navigational charts). The company also has electronic nautical charts from 35 other countries in its database, and work is ongoing to extend global chart coverage. The international cooperation is organised and headed by the Hydrographic Service, while Electronic Chart

Centre AS is responsible for day-to-day operations of the countries' common electronic nautical chart service. Electronic Chart Centre's head office is in Stavanger.

#### *The objective of the state's ownership*

The objective of the state's ownership of Electronic Chart Centre AS is to allow Norway to fulfil its obligations under international conventions concerning safety at sea, as well as meeting the public need for increased maritime safety by managing and publishing authorised electronic nautical charts owned by the hydrographic offices. Electronic Chart Centre AS aims to support Norway's position as a maritime nation by promoting increased safety at sea both domestically and internationally. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The state's ownership objective is provided for by the state being an owner of the company, and not through special guidelines from the owners on the company's operations.

### 9.3.5 Investinor AS

Table 9.21 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	2008
State holding:	100 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	21
Book equity:	2,052
Operating revenues:	14
Operating profit/loss:	-36
Profit/loss after tax and minority interests:	-4.4

#### *The company's purpose*

The company's purpose is to contribute to value creation by offering venture capital to internationally oriented competitive companies, primarily start-ups. In addition to risk capital, the company aims to provide competent, active ownership of the portfolio companies. The company's catchment area is to be the whole of Norway.



Investments shall be made on a commercial basis, and on the same terms as private investors. The company may make investments in the form of shares or subordinated loans.

The company shall prioritise investments in sectors with business environments that offer potential international competitive advantages, that safeguard the utilisation of important natural resources, that make use of new technologies and skills and/or that help reduce environmental impacts and anthropogenic climate change. Of the original subscribed equity, NOK 500 million shall be reserved for investment in marine business and industry. The company also has NOK 500 million at its disposal, reserved for investments in the forestry and wood-processing industries.

The investment focus is to be early stage enterprises, with a flexibility in the direction of expansion phase enterprises where consistent with the company's purpose. The company may also make follow-up investments in later phases. The investments are to be made with a long-term perspective. The company must have a disposal strategy for companies in the portfolio.

The company's share capital in individual portfolio companies should not exceed 49 per cent. Where a portfolio company undergoes a capital increase, Investinor's share of this increase will, as a rule, again not exceed 49 per cent, but with an option in exceptional cases to rise to 70 per cent, provided that the risk in the overall portfolio does not change significantly.

The company is not able to take out loans.

#### *The company's activities*

Investinor is an investment company that aims to create value by investing risk capital and exercising active, informed ownership in internationally oriented, competitive Norwegian companies in the early or expansion stages. The portfolio is concentrated on strong Norwegian sectors that have the preconditions necessary for international success. The company makes its investments on a commercial basis, in conjunction with private co-investors, seeking to generate a good long-term return, with appropriate risk diversification. Investinor's head office is in Trondheim.

#### *The objective of the state's ownership*

The objective of the state's ownership of Investinor AS is to boost value creation in Norwegian business and industry through investments in start-up companies, early stage companies and,

to a lesser extent, those in the expansion stage. State ownership is also intended to help develop experience and expertise in owning and developing companies in the early stage of growth. Investinor shall invest on equivalent terms to private investors. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

As an owner, the state has defined in the company's statutes particular policies for its activities.

The state considers it appropriate to undertake an evaluation of Investinor AS after five years of operation.

### **9.3.6 Kommunalbanken AS**

Table 9.22 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	1999
State holding:	100 %
Owner:	Ministry of Local Government and Modernisation
Number of employees:	56
Book equity:	8,216
Operating revenues:	1,602
Operating profit/loss:	1,496
Profit/loss after tax and minority interests:	1,083

#### *The company's purpose*

The purpose of the company is to provide loans to municipal and county authorities, IKS (intermunicipal companies) and other companies that undertake local authority business, against a local or central government guarantee or other suitable security. The company may take on other tasks that may naturally form part of the company's activities.

#### *The company's activities*

Kommunalbanken provides loans for investment purposes in the municipal sector. It has a market share of just under 50 per cent. All of the country's county authorities, 98 per cent of the municipalities and a number of municipal and intermunicipal companies have loans from the bank. At year-end 2013, the bank's loans to the municipal sector

came to NOK 240 billion. The bank has a key function as a stable credit provider to the municipal sector under the best possible lending terms. Kommunalbanken's head office is in Oslo.

#### *The objective of the state's ownership*

The objective of the state's ownership of Kommunalbanken AS is to facilitate the financing of the municipal sector. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

### **9.3.7 NSB AS**

Table 9.23 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	2002
State holding:	100 %
Owner:	Ministry of Transport and Communications
Number of employees:	13,523
Book equity:	7,676
Operating revenues:	14,145
Operating profit/loss:	1,457
Profit/loss after tax and minority interests:	1,030

#### *The company's purpose*

The company's social mission is to provide efficient, accessible, safe and eco-friendly transport of passengers and goods. The company operates passenger train transport in Norway, transport of passengers and freight in Norway and the other Nordic countries, and other operations that are naturally related to these. The activities may be performed by the company itself, by wholly

owned subsidiaries or through other companies it has holdings in or cooperates with. The company may operate in other Nordic countries to the extent that this strengthens the company's competitiveness on the Norwegian market and/or increases its ability to fulfil the social mission on which the state's ownership is based.

#### *The company's activities*

NSB operates passenger transport by train and bus, freight transport by train, property business and support functions. The largest share of passenger transport by train relates to public procurement; other activities are run on a commercial basis. The group's activities extend to much of Norway and parts of Denmark and Sweden. The company was formerly a public sector enterprise. In 1996, this was split into the NSB BA special law company and Jernbaneverket, the Norwegian National Rail Administration, and in 2002 the special law company was converted into a limited company owned by the state. NSB's head office is in Oslo.

#### *The objective of the state's ownership*

The objective of the state's ownership of NSB AS is to help secure efficient, accessible, safe and eco-friendly passenger and goods transport by rail in Norway. This is the company's social mission. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The Ministry of Transport and Communications' ownership report on the company's activities was last submitted to parliament in the spring of 2013; see Report no. 31 (2012–2013) to the Storting: Activities of NSB AS. Since the change of government, the Ministry of Transport and Communications has been working to reform the railways sector. The outcome of this work may affect the company.

### 9.3.8 Posten Norge AS

Table 9.24 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	2002
State holding:	100 %
Owner:	Ministry of Transport and Communications
Number of employees:	19,941
Book equity:	6,050
Operating revenues:	23,557
Operating profit/loss:	641
Profit/loss after tax and minority interests:	510

#### *The company's purpose*

Posten Norge AS is a wholly owned state limited company. The company shall fulfil the requirements of the Postal Services Act. The company's social mission is to ensure provision of a nationwide postal service at a reasonable price and of good quality. This mission is described in the company's licence. The company shall operate a postal and logistics business on a competitive basis. The company may also engage in together with other naturally related activities. The activities may be performed by the company itself, by wholly owned subsidiaries or through other companies which Posten Norge AS has shares in or cooperates with. The company shall perform tasks as determined through legislation or its licence, or through decisions by its annual general meeting.

#### *The company's activities*

Posten Norge is a Nordic postal and logistics group which develops and supplies integrated solutions in postal, communications and logistics services. The markets for the group's services are growing strongly, driven by globalisation and technological changes, which are altering consumer behaviour and leading to increased competition. Due to a fall in the volume of letters, the company has undertaken significant reorganisation of its postal business. At the same time, it has grown strongly in the logistics segment, primarily through acquisitions. The company's strategy is to develop a Nordic, integrated and industrialised

group. The company was formerly a public sector enterprise. In 1996, the public sector enterprise was converted into a special law company (Posten BA), and in 2002 it was converted into a limited liability company owned by the state. Posten Norge's head office is in Oslo.

#### *The objective of the state's ownership*

The objective of the state's ownership of Posten Norge AS is to ensure nationwide provision of a universal service at a reasonable price and of good quality. This is the company's social mission. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The Ministry of Transport and Communications' ownership report on the company's activities was last submitted to parliament in the spring of 2012; see Report no. 18 (2011–2012) to the Storting: Activities of Posten Norge AS. The government is working on a new postal law, in which it will be proposed to implement the EU's third postal services directive. Such a change would have certain consequences for Posten Norge AS's licence.

### 9.3.9 Statkraft SF

Table 9.25 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	State enterprise
Founded:	1992
State holding:	100 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	3,493
Book equity:	62,849
Operating revenues:	24,367
Operating profit/loss:	13,113
Profit/loss after tax and minority interests:	-351

#### *The company's purpose*

Statkraft SF's purpose is to own all the shares in Statkraft AS, to provide loans to Statkraft AS, to own power stations that are leased out and shares in companies that operate power stations abroad, as well as to trade in energy and undertake activi-

ties naturally associated with the above. Statkraft AS's purpose is, singly or through participation in or cooperation with other companies, to plan, engineer, build and operate power plants, to undertake physical and financial energy trading, and perform other naturally associated activities.

#### *The company's activities*

Statkraft is Norway's largest power producer, with around one third of total domestic production, and is Europe's largest producer of renewable energy. The group produces and develops hydro-electric power, wind power, gas power and district heating, and is a major player on the European energy exchanges with expertise in physical and financial energy trading. In Norway, the group is the largest supplier of energy to Norwegian industry. Outside of Europe, Statkraft SF is engaged in power generation and the development of new production both on its own account and through ownership of SN Power in partnership with Norfund. Industrial expertise and understanding of the market gained in the home markets in Norway and the Nordic region have enabled the company to grow internationally, for example through hydro-power projects in emerging markets and wind power projects off the UK coast. The company has holdings in 391 power plants and district heating plants in Europe, Asia and South America with total combined output of more than 17,000 MW. Of the total installed output, 80 per cent is in Norway and the Nordic region, 19 per cent in North-western Europe and 3 per cent in South-eastern Europe and outside of Europe. The group's total annual power production is in the region of 60 TWh, of which some 90 per cent derives from renewable energy sources. Statkraft's head office is in Oslo.

#### *The objective of the state's ownership*

The objective of the state's ownership of Statkraft SF is to contribute to profitable and responsible management of Norwegian natural resources. State ownership is also intended to help ensure that head office functions remain in Norway and to help develop Norwegian expertise in renewable energy, which can also be used to undertake profitable power projects internationally. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

### 9.3.10 Store Norske Spitsbergen Kulkompani AS

Table 9.26 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	1916
State holding:	99.94 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	336
Book equity:	1,492
Operating revenues:	1,319
Operating profit/loss:	-76
Profit/loss after tax and minority interests:	-64

#### *The company's purpose*

The purpose of Store Norske Spitsbergen Kulkompani Aktieselskap is to operate or otherwise exploit the company's assets and rights on Svalbard. The company can also participate in and operate other associated businesses. The company may use its expertise in environmentally friendly resource utilisation on Svalbard and in Finnmark and Troms counties.

#### *The company's activities*

The primary activity of Store Norske Spitsbergen Kulkompani is coal mining on Svalbard. The company currently has coal mining operations in three mines, reducing to two from 2015. The company is actively prospecting and performing project development to secure a future operating basis, including new activities, on Svalbard. The main mine is Svea Nord. This is in the last stage of production in the core area, which will be worked out in 2015. Svea Nord will be replaced by the new mine at Lunckefjell, north-east of the current main mine. Lunckefjell is under development and will be in full production during 2015. The company's coal mining operation is run on a commercial basis and is subject to very strict environmental legislation. The company's provisional plans for coal mining operations stretch more than 15 years ahead, and the company has a resource base that provides a basis for coal mining on Svalbard for

even longer. Store Norske Spitsbergen Kulkompani's head office is in Longyearbyen.

#### *The objective of the state's ownership*

The objective of the state's ownership of Store Norske Spitsbergen Kulkompani AS is to help maintain and develop the Longyearbyen community in a way that underpins the general objectives of Norway's Svalbard policy. The company is to be run on a commercial basis and with the aim of delivering a competitive return.

The state's ownership objective is provided for by the state being an owner of the company, and not through special guidelines from the owners on the company's operations.

## **9.4 Category 4 – Companies with sectoral-policy objectives**

### **9.4.1 Andøya Space Center AS**

Table 9.27 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	1997
State holding:	90 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	65
Book equity:	62
Operating revenues:	94
Operating profit/loss:	7.1
Profit/loss after tax and minority interests:	2.9

#### *The company's purpose*

Andøya Space Center AS's purpose is to supply services and products for space and atmospheric research, environmental monitoring and technology testing and verification, as well as contribut-

ing to knowledge development and interest in these areas.

#### *The company's activities*

Andøya Space Center (formerly Andøya Raketttskytefelt) was founded in 1997 through separation from the Norwegian Space Centre. The background to the company is the activities initiated in 1962 in Andøya, under the auspices of the Norwegian Defence Research Establishment and one of the precursors of the Research Council of Norway, originally to meet military and civil radio communication requirements. In addition to the parent company, the Andøya Space Center AS consists of the Andøya Test Center AS and NAROM (Norwegian Centre for Space-related Education) subsidiaries. The company is owned by the Ministry of Trade, Industry and Fisheries (90 per cent) and Kongsberg Defence Systems AS (10 per cent). The company supplies services to national and international research institutions (launch of sounding rockets and release of research balloons) and to technology development enterprises (testing of rocket motors). The company is seeing increasing activity relating to the development, testing and use of unmanned aerial systems, and undertakes student-oriented work through the NAROM subsidiary. Around 45 per cent of the company's total revenues come from contributions it receives from Norwegian and foreign agencies through the Esrange Andøya Special Project (EASP) multilateral agreement between Sweden, Norway, Germany, France and Switzerland. In addition to the grants from the EASP agreement, the company has its own revenues from the sale of services, notably to the Norwegian armed forces. Andøya Space Center's head office is at Andøya.

#### *The objective of the state's ownership*

The objective of the state's ownership of Andøya Space Center AS is to strengthen Norwegian research and high-technology business activities through the operation and development of infrastructure for technology testing and scientific research. It is a requirement for the company to be run efficiently.

### 9.4.2 Avinor AS

Table 9.28 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	2003
State holding:	100 %
Owner:	Ministry of Transport and Communications
Number of employees:	3,156
Book equity:	11,969
Operating revenues:	9,978
Operating profit/loss:	1,620
Profit/loss after tax and minority interests:	891

#### *The company's purpose*

The company's social mission is to own, operate and develop a nationwide network of airports for the civilian sector and a joint air navigation service for the civilian and military sectors. The owner determines which airports the company shall operate. The company is to be run in a safe, effective and environmentally friendly manner, and to ensure good accessibility for all travelling groups. To the greatest extent possible, the company should be self-financing from revenues from its main activities and other airport-related business activities. Within the company, there must be co-financing between the commercially profitable and unprofitable units. The activities may be performed by the company itself, by wholly owned subsidiaries or by other companies it has holdings in or cooperates with. The company shall perform socially mandated tasks as laid down by the owner.

#### *The company's activities*

Avinor was established in 2003 through conversion into a public corporation of the Luftfartsver-

ket administrative agency. The company administers the national aviation infrastructure which is a prerequisite for a nationwide air transport network in Norway. The company has two primary areas of activity: operation of a nationwide network of airports for civil aviation and operation of air navigation services for civil and military aviation. This comprises 46 airports (12 of them co-operated with the armed forces in Norway) and control towers, control centres and other technical infrastructure for air navigation. In addition, the company undertakes commercial activities associated with the airports through airport hotels, parking facilities, duty free sales and leasing of premises for refreshments and other services. Activities are operated such that profitable airports help finance unprofitable ones. The air navigation services are to be self-financing by being priced at cost. Around half of the group's revenues come from fees that the airlines pay for services Avinor provides. The remainder of the revenues are commercial revenues from airport-related business activity. Avinor's head office is in Oslo.

#### *The objective of the state's ownership*

The objective of the state's ownership of Avinor AS is to operate and develop a nationwide network of airports for the civilian sector and joint air navigation services for the civilian and military sectors. This is the company's social mission. Together with other government instruments, state ownership of Avinor AS contributes to an appropriate nationwide air service. Within this sectoral-policy framework, the company also has an obligation to ensure sound administration of the state's assets. It is a requirement for the company to be run efficiently.

The Ministry of Transport and Communications' ownership report on Avinor's activities was last submitted to parliament in the spring of 2013; see Report no. 38 (2012–2013) to the Storting: Activities of Avinor AS.

**9.4.3 Bjørnøen AS**

Table 9.29 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	1918
State holding:	100 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	0
Book equity:	4.1
Operating revenues:	0.2
Operating profit/loss:	0.0
Profit/loss after tax and minority interests:	0.0

*The company's purpose*

The purpose of Bjørnøen AS is the operation and utilisation of the company's properties on Svalbard and other associated activities.

*The company's activities*

Bjørnøen owns all the ground and some cultural heritage buildings on Bjørnøya. Administratively, the company is controlled by Kings Bay which also supplies management services to Bjørnøen. Some of the state subsidy to Kings Bay is transferred for the operation of Bjørnøen. Bjørnøen's head office is in Ny-Ålesund.

*The objective of the state's ownership*

The objective of the state's ownership of Bjørnøen AS is to administer properties on Bjørnøya and thereby also support Norwegian sovereignty considerations. It is a requirement for the company to be run efficiently.

**9.4.4 Eksportkreditt Norge AS**

Table 9.30 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	2012
State holding:	100 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	42
Book equity:	39
Operating revenues:	99
Operating profit/loss:	13
Profit/loss after tax and minority interests:	12

*The company's purpose*

The purpose of the company is to manage a state scheme for financial services in connection with Norwegian exports of capital goods and services. In order to promote the purpose, the company may in its own name 1) provide state-financed export credits in accordance with international agreements, and 2) provide loans on market-based terms as an alternative to loans as referred to in 1). Where special considerations dictate, the loans can be issued in the state's name.

*The company's activities*

Eksportkreditt Norge administers the state scheme for financial services for Norwegian exports of capital goods and services (the export credit scheme). The scheme is intended to help Norwegian exporters to compete on similar terms to other exporters with access to national export credit schemes. This means that the company may offer, on behalf of the state, Commercial Interest Reference Rate (CIRR) loans in compliance with an OECD-related agreement on export financing. In addition, the company can offer loans on market terms to borrowers who qualify for CIRR loans. In order for the company to offer financing, the Norwegian Export Credit Guarantee Agency (GIEK) and/or one or more well-rated financial institutions must provide guarantees. The company caters for the entire procedure associated with the promotion, sales, applications processing, disbursements and follow-up of loans

under the export credit scheme. The loans under the export credit scheme appear on the national balance sheet, and the state is liable for all risks associated with the lending activity. The company's operation is financed exclusively through state subsidy, and all the revenues from the lending activity devolve to the state. Eksportkreditt Norge's head office is in Oslo.

#### *The objective of the state's ownership*

The objective of the state's ownership of Eksportkreditt Norge AS is to promote Norwegian exports through competitive, accessible and effective export financing. It is a requirement for the company to be run efficiently.

#### **9.4.5 Enova SF**

Table 9.31 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	State enterprise
Founded:	2001
State holding:	100 %
Owner:	Ministry of Petroleum and Energy
Number of employees:	62
Book equity:	10
Operating revenues:	88
Operating profit/loss:	-3.7
Profit/loss after tax and minority interests:	-3.3

#### *The company's purpose*

The purpose of the company is to promote environmentally friendly transition in energy consumption and generation, as well as development of energy and climate technology. Enova's activities shall contribute to develop environmentally friendly energy solutions, reduce greenhouse gas emissions and strengthen security of energy supply.

#### *The company's activities*

Enova manages the Energy Fund. The Energy Fund has been established to ensure a long-term financing source for Enova's activities. The company is obliged to administer the Energy Fund

assets in a cost-efficient and targeted manner. The Energy Fund derives revenues from a levy on the electricity grid tariff, returns from the fund for climate, renewable energy and energy conversion, and from interest earned on the capital balance of the fund from preceding years. Enova's head office is in Trondheim.

#### *The objective of the state's ownership*

The objective of the state's ownership of Enova SF is to achieve energy policy goals. It is a requirement for the company to be run efficiently.

#### **9.4.6 Gassco AS**

Table 9.32 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	2001
State holding:	100 %
Owner:	Ministry of Petroleum and Energy
Number of employees:	362
Book equity:	16
Operating revenues:	0.0
Operating profit/loss:	0.0
Profit/loss after tax and minority interests:	-0.2

#### *The company's purpose*

Gassco's purpose is to operate transport systems for natural gas on and from the Norwegian Continental Shelf, including pipelines and terminals, either itself or through participation in or cooperation with other companies, along with associated activities.

#### *The company's activities*

Gassco is the operator of the integrated transport system for gas from the Norwegian Continental Shelf to Europe. The integrated transport system consists of pipelines, processing facilities, platforms and gas terminals on the European mainland and in the UK. The company's operational duties comprise technical operation and administration of installations and facilities on behalf of the Gassled joint venture, which owns the gas



transport system. The company's operational duties also encompass the planning of new gas infrastructure, the allocation of transport capacity to the gas shippers, and the coordination and control of gas flows through the pipeline network to the markets. The company advises the Ministry of Petroleum and Energy on the development of the regulatory framework, the setting of tariffs and the processing of plans for facilities and operation. Gassco's head office is at Karmøy.

#### *The objective of the state's ownership*

The objective of the state's ownership of Gassco AS is to assume the operator responsibility for the transport of gas from the Norwegian Continental Shelf. The transport and processing facilities must serve all gas producers and contribute to an efficient overall exploitation of the resources on the Continental Shelf. As the entity responsible for the operation of the transport systems, Gassco AS must act impartially towards all the systems' users. It is a requirement for the company to be run efficiently.

#### **9.4.7 Gassnova SF**

Table 9.33 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	State enterprise
Founded:	2007
State holding:	100 %
Owner:	Ministry of Petroleum and Energy
Number of employees:	38
Book equity:	24
Operating revenues:	88
Operating profit/loss:	0.2
Profit/loss after tax and minority interests:	1.0

#### *The company's purpose*

The purpose of Gassnova SF is to manage the Norwegian state's interests regarding Carbon Capture and Storage (CCS) and to implement the projects determined by the enterprise meeting. The objective of the enterprise's activities is to yield results in the form of cost reductions for CCS. Gassnova SF shall advise the Ministry of

Petroleum and Energy regarding CCS. Gassnova SF shall facilitate the Norwegian state's participation in CCS projects to provide maximum benefit for the state or state-owned entities. Gassnova SF shall also manage the support scheme for development of CCS technologies, the CLIMIT programme, in cooperation with the Research Council of Norway. Gassnova SF does not have a commercial purpose.

#### *The company's activities*

Gassnova contributes to technology development through the CLIMIT programme, administration of the state's interest in the CO2 Technology Centre Mongstad DA, and project implementation. The company shall also provide the Ministry of Petroleum and Energy with expert advice on CCS issues. Gassnova's head office is in Porsgrunn.

#### *The objective of the state's ownership*

The objective of the state's ownership of Gassnova SF is to manage the state's interests regarding CCS. It is a requirement for the company to be run efficiently.

#### **9.4.8 Innovation Norway**

Table 9.34 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Special law company
Founded:	2003
State holding:	51 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	758
Book equity:	1,252
Operating revenues:	1,276
Operating profit/loss:	190
Profit/loss after tax and minority interests:	164

#### *The company's purpose*

Innovation Norway's purpose is to act as a national and local authority instrument for realising value-generating business development throughout Norway.

*The company's activities*

Innovation Norway is one of the business-oriented funding agencies. The company is intended to promote commercially and socially beneficial business development, and spur regional business opportunities through sub-goals of facilitating more entrepreneurs, more high-growth companies and more innovative businesses. The company administers business-oriented policy instruments on behalf of various ministries and county-level authorities. These instruments cover financing, competence, branding and promotion, networking and consultancy services. The company also derives income from the interest margin on loan schemes, equity-based schemes and user-paid services. Innovation Norway's head office is in Oslo.

*The objective of the state's ownership*

The objective of the state's ownership of Innovation Norway is to promote a nationally-coordinated service of business-oriented measures and schemes to spur commercially and socially beneficial business development and promote regional business opportunities. As an owner, the Ministry of Trade, Industry and Fisheries aspires to enhance Innovation Norway's role as a pivotal player in the shaping and execution of national and regional business and innovation policy. It is a requirement for the company to be run efficiently.

**9.4.9 Kings Bay AS**

Table 9.35 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	1916
State holding:	100 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	25
Book equity:	12
Operating revenues:	60
Operating profit/loss:	4.7
Profit/loss after tax and minority interests:	3.9

*The company's purpose*

The purpose of Kings Bay AS is the operation and utilisation of the company's properties on Svalbard and other associated activities. The company's activities shall have the particular objective of providing services to and promoting research and scientific activities, and to help develop Ny-Ålesund as an international Arctic scientific research station.

*The company's activities*

Kings Bay owns the ground and most of the buildings in Ny-Ålesund on Svalbard. The company is responsible for the location's infrastructure and for protecting the environment and cultural heritage. With the exception of services such as the police, rescue and emergency preparedness, essentially all services at the location are managed and provided by the company. Currently, 14 research institutions from ten countries have permanent stations at Ny-Ålesund. The Norwegian Polar Institute and Norwegian Mapping Authority also have stations at Ny-Ålesund. Other commercial activity in and around Ny-Ålesund must be adapted to the framework defined by the research activity. Kings Bay's head office is in Ny-Ålesund.

*The objective of the state's ownership*

The objective of the state's ownership of Kings Bay AS is to ensure that Ny-Ålesund can be developed as a Norwegian centre for international Arctic scientific research on Svalbard. Ny-Ålesund is to be a green research station, which entails that Kings Bay must implement necessary measures to reduce the environmental impact of activities in the Ny-Ålesund areas to a minimum. Further growth in research activity must take place within an appropriate environmental framework. It is a requirement for the company to be run efficiently.

#### 9.4.10 Nofima AS

Table 9.36 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	2007
State holding:	56.84 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	386
Book equity:	30
Operating revenues:	505
Operating profit/loss:	10
Profit/loss after tax and minority interests:	9.4

##### *The company's purpose*

The purpose of the company is to help boost competitiveness in the food, fisheries and aquaculture industries through research and development, including participation in other enterprises engaged in such activity. The company's mission is to develop research projects in close cooperation with users. The company does not have a commercial purpose, and is partially financed through public subsidies. Any surplus from activities must be entirely used for the company's non-profit purposes. The company does not pay dividends to the shareholders.

##### *The company's activities*

Nofima delivers research-based expertise and consultancy to the value chains that produce food, whose raw materials come from fishing, aquaculture, stable or field. The company's primary focus is to assist the members of the value chain to develop solutions that yield better profitability in both the short and long terms. The company employs a wide range of instruments for developing profitable solutions. Long-term, applied and industry-oriented research projects stretching over several years create the foundation for the company's expertise. This research forms the basis of the advice given to individual producers or companies. One important aspect of the company's work is to ensure that the projects are relevant to the industry, are correctly executed and

that the results are of high quality and are actually put into use. Nofima's head office is in Tromsø.

##### *The objective of the state's ownership*

The objective of the state's ownership of Nofima AS is to help ensure that Norway has a strong expert research environment able to meet the needs of the food, fisheries and aquaculture industries for long-term, strategic industrial research. It is a requirement for the company to be run efficiently.

#### 9.4.11 Norfund

Table 9.37 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Special law company
Founded:	1997
State holding:	100 %
Owner:	Ministry of Foreign Affairs
Number of employees:	54
Book equity:	10,201
Operating revenues:	165
Operating profit/loss:	4.8
Profit/loss after tax and minority interests:	328

##### *The company's purpose*

Norfund's purpose is to provide equity and other risk capital, and offer loans and guarantees for the development of sustainable business activity in developing countries. The objective is to establish viable, profitable business that would not otherwise get off the ground due to its high risk.

##### *The company's activities*

Norfund is a development policy instrument aimed at the private sector in developing countries. The company aims to contribute to development by making sustainable and profitable investments in business activities in developing countries, which would not otherwise be realised due to the high risk. Norfund invests in new companies and in the expansion and modernisation of existing ones, and aims to combine a concern for profitability with the overarching objective of pro-

moting sustainable development. The company invests in conjunction with other partners, and is always a minority interest owner. It prioritises investment in Africa, south of the Sahara and the least developed countries (LDCs) and focuses on areas where Norway possesses special expertise and interests, notably renewable energy. The company operates in regions with demanding and uncertain framework conditions. It prioritises investments in renewable energy, finance institutions and agriculture and agriculture-related industries. At year-end 2013, Norfund's total investment portfolio was NOK 9.6 billion. Norfund's head office is in Oslo.

#### *The objective of the state's ownership*

The objective of the state's ownership of Norfund is to assist in the development of sustainable business activity in developing countries by financing viable, profitable activities which would otherwise not be realised due to the high financial risk. The fund is responsible for providing equity and other risk capital, and offering loans and guarantees for the development of sustainable business activity in developing countries. The activities must be undertaken in compliance with the fundamental principles of Norwegian development policy. It is a requirement for the company to be run efficiently.

#### **9.4.12 Norwegian Seafood Council AS**

Table 9.38 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	1991
State holding:	100 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	66
Book equity:	314
Operating revenues:	468
Operating profit/loss:	13
Profit/loss after tax and minority interests:	18

#### *The company's purpose*

The company's purpose is to promote value creation in the fisheries and aquaculture industries by increasing demand and awareness of Norwegian seafood in Norway and abroad. The company does not have a commercial purpose.

#### *The company's activities*

The Norwegian Seafood Council's primary mission is to perform general marketing of Norwegian seafood. The activities cover four areas: joint marketing, market information, market access and information and preparedness. This is intended to boost demand for and awareness of Norwegian seafood abroad. The company regularly performs surveys of the consumption of and attitude to seafood in general and Norwegian seafood in particular. The company issues statistics on the export and import of Norwegian seafood based on Norwegian national trade statistics. It also maintains a register of Norwegian seafood exporters. It is financed by the fisheries and aquaculture industries through a levy on the export of seafood (the market fee), and an annual fee of NOK 15,000 from registered fish exporters (around 450 at any one time). The Norwegian Seafood Council's head office is in Tromsø.

#### *The objective of the state's ownership*

The objective of the state's ownership of the Norwegian Seafood Council AS is to have a sectoral-policy instrument to help boost value creation in the fisheries and aquaculture industries through increased demand for and awareness of Norwegian seafood at home and abroad. It is a requirement for the company to be run efficiently.

### 9.4.13 Norsk Helsenett SF

Table 9.39 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	State enterprise
Founded:	2009
State holding:	100 %
Owner:	Ministry of Health and Care Services
Number of employees:	136
Book equity:	105
Operating revenues:	271
Operating profit/loss:	-5.6
Profit/loss after tax and minority interests:	-3.0

#### *The company's purpose*

The purpose of Norsk Helsenett SF is to ensure the existence of a suitable and secure infrastructure for efficient interaction between all parts of the health and care services, and to contribute to the simplification, streamlining and quality assurance of electronic services for the benefit of patients and the population in general. In providing the services, the company must take into account the general economic interest on a permanent basis, with reference to rules on state subsidy in the EEA agreement.

The company has a non-economic purpose, and it is not intended to generate a surplus greater than is necessary to ensure prudent operation. The company is however focused on both financial results and efficient resource allocation such that the services offered are of good quality and designed and implemented cost efficiently.

#### *The company's activities*

Norsk Helsenett customers are local authorities, general practitioners, hospitals and associated units, other health personnel groups and third-party service providers such as operations and system providers, public registers and databases etc. All local authorities, health enterprises, GPs and pharmacies as well as many consultants are connected to the health network. The services available in the health network are comprehensive, consisting in part of services provided by the

company itself and in part of services provided by hundreds of different third-party providers. The basic service comprises the health network with messaging, access to an address directory, secure internet access and associated customer service. Other services include transmission over the network of reimbursement claims to HELFO, a national service for patient transport involving booking and pooling patient journeys, and a national settlement system for patient journeys. The company operates a range of national solutions such as [www.helsenorge.no](http://www.helsenorge.no), a national patient records system, and also has a key role in a number of national ICT projects in the sector. Norsk Helsenett's head office is in Trondheim.

#### *The objective of the state's ownership*

The objective of the state's ownership of Norsk Helsenett SF is to secure access to necessary health data on a secure ICT platform for the administration and communication of secure information and use of telemedical solutions in the sector. It is a requirement for the company to be run efficiently.

### 9.4.14 Norsk Rikskringkasting AS

Table 9.40 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	1933
State holding:	100 %
Owner:	Ministry of Culture
Number of employees:	3,740
Book equity:	1,260
Operating revenues:	5,356
Operating profit/loss:	-8.1
Profit/loss after tax and minority interests:	28

#### *The company's purpose*

Under Section 6–1, para. 3 of the Broadcasting Act, the purpose of the company is to provide public service broadcasting and related activities. The purpose is expanded on in Sections 12–17 of the company's statutes.

*The company's activities*

Norsk Rikskringkasting (NRK) is the country's largest media company with daily coverage of 88 per cent of the population. By market shares, the company is the largest in radio and television and the second largest in news-based websites. In addition to traditional broadcasting, under the present statutes, the company must be present on and develop new services for all important media platforms in order to achieve the broadest reach with its combined programming. The company's three TV channels, 16 radio channels and www.nrk.no website offer broad content on a range of platforms. The digital terrestrial network is the company's primary distribution platform for television. Digitisation of the TV terrestrial network was completed in December 2009. The plan is for the transition to digital radio to be completed in 2017, or at the latest 2019. Public service broadcasting is a key instrument of Norwegian cultural and media policy and must be independent of all special interests, both political and financial. Under the statutes, the main channels must be available to the entire population, while the company must seek the widest possible distribution of its other programming. The company is represented throughout Norway and has correspondents in various locations abroad. Through subsidiaries, the company may undertake commercial activities with the object of generating revenues for public service broadcasting; see Section 6–4 of the Broadcasting Act. Norsk Rikskringkasting's head office is in Oslo.

*The objective of the state's ownership*

The objective of the state's ownership of Norsk Rikskringkasting AS is to ensure good provision of public service broadcasting in Norway. Public service broadcasting is a key instrument in Norwegian cultural and media policy. The state's involvement in the company is based on it having an important social role. This applies to public ownership, funding by licence and the programme requirements. Norsk Rikskringkasting AS has a special responsibility for promoting democratic, social and cultural values in the community. It is a requirement for the company to be run efficiently.

**9.4.15 Norsk samfunnsvitenskapelig datatjeneste AS**

Table 9.41 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	2003
State holding:	100 %
Owner:	Ministry of Education and Research
Number of employees:	75
Book equity:	16
Operating revenues:	54
Operating profit/loss:	1.3
Profit/loss after tax and minority interests:	4.0

*The company's purpose*

The purpose of the company is to manage data for and provide services to the research sector. In collaboration with national and international entities, the company's mission is to perform development work within its remit.

*The company's activities*

Norsk samfunnsvitenskapelig datatjeneste was established in 2003 having previously been part of the Research Council of Norway. The company has a mission to facilitate and improve the working conditions for Norwegian empirical research. Activities are organised on the basis of the company's national responsibility for providing central infrastructure services to Norwegian research. This entails the company acting on a broad basis to secure access to data for researchers and students by collecting, processing, filing, maintaining and distributing data. Norsk samfunnsvitenskapelig datatjeneste's head office is in Bergen.

*The objective of the state's ownership*

The objective of the state's ownership of Norsk samfunnsvitenskapelig datatjeneste AS is to ensure data management for and service provision to the research sector. The company cooperates with national and international entities to perform development activities in line with its mis-

sion. The company has a duty to adopt a neutral stance in relation to its cooperation partners. State ownership contributes to ensuring that the education and research sector's data provision and service management needs are met. It is a requirement for the company to be run efficiently.

#### 9.4.16 Norsk Tipping AS

Table 9.42 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	1946
State holding:	100 %
Owner:	Ministry of Culture
Number of employees:	381
Book equity:	159
Operating revenues:	21,668
Operating profit/loss:	3,862
Profit/loss after tax and minority interests:	3,946

##### *The company's purpose*

In accordance with the gambling regulations laid down by the Ministry, the company's mission is to organise and operate gambling in safe forms under public control, with the aim of preventing gambling's negative consequences, while, through rational operation of the company, ensuring that as much as possible of the surplus from gambling goes to the purposes referred to in section 10 of the Gambling Act.

##### *The company's activities*

Norsk Tipping has the sole right to offer a range of gambling facilities in Norway, and operates its business in compliance with the Gambling Act; see the company's mission statement. The national budget for 2014 sets out a change in the distribution of the surplus from gambling. This was decided by the Storting through its treatment of a specific proposal concerning the issue: Draft resolution 205 L (2012–2013) and Recommendation 45 L (2012–2013). The gambling surplus is to be distributed as follows: 56 per cent for sporting purposes, 14.9 per cent for extra-budgetary cultural purposes, 18 per cent for humanitarian and charitable organisations and 11.1 per cent for cul-

tural purposes accounted for in the national budget. In addition, funds are set aside for gambling addiction research, information, prevention and treatment. Norsk Tipping's head office is at Hamar.

##### *The objective of the state's ownership*

The objective of the state's ownership of Norsk Tipping AS is to channel Norwegians' desire to gamble into moderate and responsible propositions that do not create social problems. It is a requirement for the company to be run efficiently.

#### 9.4.17 Petoro AS

Table 9.43 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	2001
State holding:	100 %
Owner:	Ministry of Petroleum and Energy
Number of employees:	64
Book equity:	25
Operating revenues:	268
Operating profit/loss:	-4.0
Profit/loss after tax and minority interests:	-0.5

##### *The company's purpose*

The purpose of Petoro AS is to hold the responsibility for and to attend to the commercial aspects related to the state's direct financial interest in petroleum activities on the Norwegian Continental Shelf (NCS), and business associated herewith.

##### *The company's activities*

Petoro is a state-owned limited company which manages the state's direct financial interest (SDFI) in Norwegian oil and gas activities. SDFI comprises the state's participation as a direct investor in petroleum activities on the NCS. The company is the licensee for the state's shares in fields, pipelines, exploration licences and onshore facilities on the NCS and is the licensee for the state's share in three exploration licences on the

Icelandic Continental Shelf. The main objective of the company's management of SDFI is to achieve the highest possible revenue for the state. The company's main duties are: 1) Management of the SDFI assets held by the government in joint ventures at any given time, 2) Monitoring Statoil's marketing and sales of the petroleum produced from the SDFI, in line with the instruction issued to Statoil and 3) Financial management for the SDFI, including the keeping of accounts. The company's operations are financed by appropriations from the central government budget. The appropriations cover administrative expenses related to the management of the commercial aspects of the SDFI. This includes its own administrative expenses and the purchase of external services. Petoro's head office is in Stavanger.

#### *The objective of the state's ownership*

The objective of the state's ownership of Petoro AS is to ensure the best possible management of the state's direct financial interest in petroleum activities on the NCS. It is a requirement for the company to be run efficiently.

#### **9.4.18 Simula Research Laboratory AS**

Table 9.44 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	2002
State holding:	100 %
Owner:	Ministry of Education and Research
Number of employees:	140
Book equity:	33
Operating revenues:	135
Operating profit/loss:	3.0
Profit/loss after tax and minority interests:	4.2

#### *The company's purpose*

The purpose of the company is to undertake fundamental long-term research in selected areas in software and communication technology, and through such research to promote innovation in business and industry. The company does not have a commercial purpose, and does not distribute dividends to its owners.

#### *The company's activities*

Simula Research Laboratory has three primary duties: research at a high international level, education in partnership with Norwegian universities and innovation based on the company's research. The decision to found the company was made during parliamentary discussion of the budget for 2000. The Simula centre was set up as a project of the University of Oslo in 2001, and established as a limited company in 2002. Creation of the company was a step in the state's IT-Fornebu initiative, when it became owner of the company. Simula Research Laboratory AS is the parent company of a group comprising the wholly-owned subsidiaries Simula Innovation AS and Kalkulo AS and the part-owned subsidiary Simula School of Research and Innovation AS (Simula 56 per cent, Statoil 21 per cent, Bærum municipality 14 per cent, Telenor Communication II AS 7 per cent, Norwegian Computing Center 1 per cent, Sintef Holding AS 1 per cent). Simula Research Laboratory's head office is in Fornebu.

#### *The objective of the state's ownership*

The objective of the state's ownership of Simula Research Laboratory AS is to contribute to fundamental long-term research in selected areas in software and communication technology. State ownership of the company helps ensure a high international level of research in Norway, and produces highly qualified researchers. The state's financing contributes to achievement of the company's objective. It is a requirement for the company to be run efficiently.



### 9.4.19 SIVA SF

Table 9.45 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	1968
State holding:	100 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	46
Book equity:	1,153
Operating revenues:	343
Operating profit/loss:	30
Profit/loss after tax and minority interests:	3.7

#### *The company's purpose*

Through its real estate and innovation activities, SIVA is a government instrument for facilitating ownership and development of companies and industrial and knowledge clusters throughout Norway. SIVA has a special responsibility for promoting growth in remote areas.

#### *The company's activities*

SIVA is part of the business public support system aimed at triggering commercially and socially beneficial projects that would not otherwise get started. The company's areas of activity are real estate and innovation. Within its real estate activities, the company offers construction and leasing of buildings and physical infrastructure for business and innovation clusters. The activity is intended to alleviate companies' risks and capital requirements and lower the entry barriers where market mechanisms make this especially demanding. The real estate activity is operated on commercial terms. Within innovation, the company performs assignments on behalf of three ministries, providing support for incubation activities and so-called business gardens throughout Norway. The company emphasises network building and skills transfer between research and innovation centres, private industry and public activities. The activities are aimed at facilitating the establishment and growth of companies in industrial and knowledge clusters, and interlink these in

regional, national and international networks. SIVA's head office is in Trondheim.

#### *The objective of the state's ownership*

The objective of the state's ownership of SIVA SF is to promote profitable business development in companies and regional industrial and knowledge clusters, in particular in remote areas, by facilitating physical and organisational infrastructure. As the owner, the Ministry of Trade, Industry and Fisheries wishes to further develop the company as an effective, targeted tool in the business-oriented public support system, with prime expertise within its areas of responsibility. It is a requirement for the company to be run efficiently.

### 9.4.20 Space Norway AS

Table 9.46 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	1995
State holding:	100 %
Owner:	Ministry of Trade, Industry and Fisheries
Number of employees:	2
Book equity:	65
Operating revenues:	28
Operating profit/loss:	8.5
Profit/loss after tax and minority interests:	12

#### *The company's purpose*

The company's purpose is to own and lease out space-related infrastructure and to make other investments in space-related activities, including owning shares in other companies engaged in such activities.

#### *The company's activities*

Space Norway (formerly Norsk Romsenter Eienendom) has a mission to promote business and infrastructure development relating to Norwegian space-related activities. The company was formerly managed through the state agency Norwegian Space Centre. The company has been a key sectoral-policy instrument for developing Norwe-

gian space-related activities over many years. Within the framework of its sectoral-policy mandate, the company is to be operated on a commercial basis. At present, its primary activities are the administration of ownership of the subsea fibre cable from Harstad to Longyearbyen, a long-term lease of a transponder on Telenor's Thor 7 satellite (which is for ensuring communication to the Troll research station in Antarctica) and 50 per cent ownership in Kongsberg Satellite Services AS (KSAT). Space Norway's head office is in Oslo.

#### *The objective of the state's ownership*

The objective of the state's ownership of Space Norway AS is to contribute to the operation and development of space-related infrastructure in order to meet national user requirements and facilitate value creation based on space-related activities in Norway. It is a requirement for the company to be run efficiently.

#### **9.4.21 Statnett SF**

Table 9.47 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	State enterprise
Founded:	1992
State holding:	100 %
Owner:	Ministry of Petroleum and Energy
Number of employees:	1,079
Book equity:	12,135
Operating revenues:	4,561
Operating profit/loss:	346
Profit/loss after tax and minority interests:	82

#### *The company's purpose*

Statnett SF is the system operator for the Norwegian power system. Under its statutes, the enterprise is responsible for ensuring rational operation and development of the central grid in accordance with socio-economic criteria. On its own or in conjunction with others, Statnett SF is to plan, design, build and operate transmission infrastructure. Statnett SF is to undertake the tasks incumbent upon it under the terms of legislation and licences. Statnett SF shall otherwise follow commercial principles.

#### *The company's activities*

Statnett is the system operator for the Norwegian power system, which entails a responsibility for ensuring a proper balance between generation and consumption of electrical power in Norway at all times. The company currently owns around 90 per cent of the central grid, as well as interconnectors to other countries. The company shall ensure the rational development of the grid way in accordance with economic criteria. The company's revenues are regulated by the Norwegian Water Resources and Energy Directorate. Norway currently has interconnections to Sweden, Denmark, Finland, the Netherlands and Russia. In 2013, Statnett applied for a licence to allow power exchanges with Germany and the UK. Statnett's head office is in Oslo.

#### *The objective of the state's ownership*

The objective of the state's ownership of Statnett SF is to contribute to the socially and economically rational operation and development of the central grid. The company shall otherwise follow commercial principles. The company is the system operator for the Norwegian power system and is responsible for critical infrastructure. These are tasks of major significance for national security. The state's ownership of Statnett SF helps the enterprise to be perceived as a neutral market participant. It is a requirement for the company to be run efficiently.

### 9.4.22 Statskog SF

Table 9.48 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	State enterprise
Founded:	1993
State holding:	100 %
Owner:	Ministry of Agriculture and Food
Number of employees:	125
Book equity:	1,680
Operating revenues:	339
Operating profit/loss:	27
Profit/loss after tax and minority interests:	19

#### *The company's purpose*

The purpose of the company is to manage, operate and develop public forest and mountain lands, and associated resources and other naturally associated activities. Within this framework, the enterprise may, through participation in or cooperation with other entities, administer and manage properties and other forms of service within the enterprise's area of activity.

The properties are to be managed efficiently with a view to achieving a satisfactory financial return. An active nature conservation policy shall be conducted and consideration given to outdoor recreational interests. The resources shall be utilised in a balanced fashion and renewable resources protected and developed.

#### *The company's activities*

Statskog manages around 60,000 km<sup>2</sup> of land, which is roughly one fifth of Norway's surface area. This is essentially all mountain and wilderness. The company is the country's largest forest owner, with around 6 per cent of the total productive forest in Norway. The company's commercial activities comprise forestry, wilderness management and other land and property management. The company has a mission to stimulate and facilitate public access to hunting, fishing and other outdoor pursuits. Other management and devel-

opment of the enterprise's properties are based on its primary objective of helping fulfil national policies for the use and protection of forest and wilderness areas, and to increase its own and others' value creation in respect of the properties. Beyond this commercial activity, the company undertakes administrative duties on behalf of the state. These comprise national administrative duties, supervision of property and common land, administration of hunting and fishing on state land etc. Statskog's head office is in Namsos.

#### *The objective of the state's ownership*

The objective of the state's ownership of Statskog SF is to ensure efficient resource management for the benefit of society, to meet the public demand for hunting, fishing and outdoor recreational facilities and so forth. Much of the company's holdings are common land, use of which is regulated through various legal frameworks. National ownership allows the state to achieve various political goals associated with the administration of forest and wilderness areas. The company is to be operated on a commercial basis.

For a number of years, Statskog SF has targeted the development of renewable energy based on its properties' resources. The government assessment is that Statskog SF's investments in renewable energy do not fall within the enterprise's core activities and expertise, and they entail increased risk and uncertain benefits. The majority of the revenues from power production will derive from leasing waterfall rights, and the government therefore believes that Statskog SF should limit its activities to this.

The government wishes to promote private forestry by selling areas from Statskog SF, equivalent to its purchases in recent years, with reference to the government's political platform (the Sundvolden Declaration). In pursuit of this, the government will assess different models for the privatisation of Statskog SF's forestry activity. This includes continuing, and potentially also expanding, the ongoing rationalisation sales. It may also be appropriate to evaluate other forms of privatisation of Statskog SF's forestry activities. A mapping will be performed of the extent to which public access to hunting and the conditions for hunting, fishing and outdoor recreation may be affected by privatisation, and how it can be ensured that this is not weakened.

**9.4.23 UNINETT AS**

Table 9.49 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	1993
State holding:	100 %
Owner:	Ministry of Education and Research
Number of employees:	105
Book equity:	160
Operating revenues:	294
Operating profit/loss:	5.5
Profit/loss after tax and minority interests:	11

*The company's purpose*

The purpose of UNINETT AS is to develop and operate the academic research network in Norway so that higher education and research is offered cost-effective communications services on a par with best international practice in the academic domain. UNINETT AS is to be a driving force in the use of forward-looking and open standards for electronic infrastructure in Norway, and simulate development and competition in this field.

*The company's activities*

UNINETT operates the academic research network in Norway. The company supplies a network infrastructure comprising production services and a separate test network comprising experimental services. The institutions connected include Norwegian universities and university colleges, non-commercial research institutions and other research and educational institutions. The company also has project-based links to commercial research environments and public institutions. Other institutions and users may also be offered the company's services if there are no alternative service providers and this benefits the company's primary target group. UNINETT's head office is in Trondheim.

*The objective of the state's ownership*

The objective of the state's ownership of UNINETT AS is to secure the operation and development of a national electronic network for information exchange between groups and users in Norwegian research and education. State ownership of UNINETT AS aims to safeguard the overarching concern of coordination and expansion of the whole national infrastructure for advanced research and higher education. It is a requirement for the company to be run efficiently.

**9.4.24 University Centre in Svalbard AS**

Table 9.50 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	2002
State holding:	100 %
Owner:	Ministry of Education and Research
Number of employees:	99
Book equity:	20
Operating revenues:	134
Operating profit/loss:	3.0
Profit/loss after tax and minority interests:	3.0

*The company's purpose*

The purpose of the company is to provide study options and perform research based on Svalbard's geographical location in a High North area, and the particular advantages this offers through the use of nature as a laboratory and arena for observations and data collection and analysis. The study options are to be at university level and offered as a supplement to the education provided at universities on the mainland, and form part of an ordinary course of study leading to exams and degrees at bachelor, master and doctoral levels. The studies offered must have an international profile, and teaching will be done in English. The company does not have a commercial purpose. Any surplus from operations must be used for the company's primary purpose.

*The company's activities*

University Centre in Svalbard (UNIS) was founded as a limited liability company in 2002, replacing the Universitetsstudiene på Svalbard foundation that was set up in 1994. The company has the world's northernmost university studies and has established itself as a key player in the Svalbard research platform. UNIS has grown significantly since it was established and plays a key role in Svalbard in general and in Longyearbyen in particular. The company aspires to be a leading international centre for Arctic studies. UNIS has become an important feature and resource in the local community. The company receives the majority of its allocation from the budget of the Ministry of Education and Research. University Centre in Svalbard's head office is in Longyearbyen.

*The objective of the state's ownership*

The objective of the state's ownership of University Centre in Svalbard AS is to contribute to the centre's university level study provision and research activities based on Svalbard's location in the High North. In terms of research policy, Svalbard is considered to be an important arena for the internationalisation of Norwegian research and cooperation with foreign researchers; see also report no. 22 (2008–2009) to the Storting on Svalbard. It is a requirement for the company to be run efficiently.

**9.4.25 AS Vinmonopolet**

Table 9.51 Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Limited company
Founded:	1922
State holding:	100 %
Owner:	Ministry of Health and Care Services
Number of employees:	1,802
Book equity:	479
Operating revenues:	12,307
Operating profit/loss:	86
Profit/loss after tax and minority interests:	85

*The company's purpose*

Vinmonopolet is one of the most important instruments for ensuring the responsible sale of alcohol. Through its sole rights on the retail sale to consumers of alcoholic drinks containing more than 4.7 per cent by volume, the mission of Vinmonopolet is to help restrict the sale of alcoholic drinks and thereby the damage they do.

*The company's activities*

Vinmonopolet's activities consist of the sale of alcoholic items and non-alcoholic party drinks to the extent and in the manner determined by law, with reference to Section 3, Act no. 18 of 19 June 1931 on wine monopoly. Pursuant to Section 3–1 of Act no. 27 of 2 June 1989 on the sale of alcoholic beverages (the Alcohol Act), AS Vinmonopolet has a sole right to the retail sale of alcoholic beverages of more than 4.7 per cent alcohol by volume. The company is a key means of achieving the purposes of the Alcohol Act. With effect from 1 January 1999, the company has been responsible for the import, wholesale and retail of alcohol on Svalbard through its Nordpolet AS subsidiary. The alcohol policy framework defines clear limitations for the company's commercial operation, not least that the company may not conduct sales promotional activities. Furthermore, it is a key plank in the company's social mission to ensure that sales are made in controlled ways with particular attention paid to social control. Vinmonopolet's head office is in Oslo.

*The objective of the state's ownership*

The objective of the state's ownership of AS Vinmonopolet is to ensure that the sale of alcoholic drinks of more than 4.7 per cent by volume takes place in controlled ways so as to limit the harmful effects of alcohol in Norway for the individual and for society. Due to the alcohol policy objective of restricting the sale of alcohol, no targets are defined for the company's financial results beyond the requirement to operate as efficiently as possible.

#### 9.4.26 Regional health authorities

Table 9.52 Central Norway RHA. Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Health enterprise
Founded:	2001
State holding:	100 %
Owner:	Ministry of Health and Care Services
Number of employees:	21,835
Book equity:	5,803
Operating revenues:	18,338
Operating profit/loss:	351
Profit/loss after tax and minority interests:	286

Table 9.53 Northern Norway RHA. Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Health enterprise
Founded:	2001
State holding:	100 %
Owner:	Ministry of Health and Care Services
Number of employees:	17,402
Book equity:	7,346
Operating revenues:	14,943
Operating profit/loss:	424
Profit/loss after tax and minority interests:	488

Table 9.54 South-Eastern Norway RHA. Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Health enterprise
Founded:	2007
State holding:	100 %
Owner:	Ministry of Health and Care Services
Number of employees:	76,730
Book equity:	24,654
Operating revenues:	68,033
Operating profit/loss:	556
Profit/loss after tax and minority interests:	483

Table 9.55 Western Norway RHA. Company information and key figures. The figures are for 2013 and in NOK millions.

Corporate form:	Health enterprise
Founded:	2001
State holding:	100 %
Owner:	Ministry of Health and Care Services
Number of employees:	26,821
Book equity:	9,928
Operating revenues:	23,923
Operating profit/loss:	622
Profit/loss after tax and minority interests:	648

#### *The purpose of the enterprises*

Through their duty of care, the regional health authorities (RHAs) have overall responsibility for ensuring access to health services for the region's population by offering high-quality and equitable specialised health services to all who need them, when they need them regardless of age, gender, place of residence, personal finances or ethnic background, and to facilitate research and training.

*The enterprises' activities*

The regional health enterprises are the Central Norway RHA (Helse Midt-Norge), the Northern Norway RHA (Helse Nord), South-Eastern Norway RHA (Helse Sør-Øst) and the Western Norway RHA (Helse Vest). They have the following main remits: treatment of patients, training of health personnel, research, and providing instruction for patients and next of kin. Helse Midt-Norge, Helse Nord, Helse Sør-Øst and Helse Vest have their head offices in respectively Stjørdal, Bodø, Hamar and Stavanger.

They each have overall responsibility for operations and investments in their own region. Activities are to be undertaken within the objectives, performance requirements and frameworks established through statutes, decisions in enterprise general meetings and conditions applying to parliamentary allocations. The regional health authorities must coordinate their activities in subordinate health trusts in order to achieve appropriate and rational utilisation of resources. The RHAs must fulfil sectoral-policy objectives that emerge from national health, research and education policy decisions and plans. Their overall activities must be founded on consideration for users. The RHAs must ensure the establishment of necessary cooperation with and guidelines in respect of the local authorities in both administrative and medical terms so as to guarantee patients a comprehensive health and social service proposition. The same applies in respect of cooperation partners such as national child and family protection and other relevant state responsibilities.

The RHAs own subordinate health enterprises consisting of somatic and psychiatric hospitals, and other activities within the specialised health service. The authorities are independent legal entities with boards at both regional and local level. Formal responsibilities etc. are regulated through the Health Authorities and Health Trusts Act while the duties they are required to perform are primarily regulated through other acts, notably the Specialised Health Services Act, the Patients' Rights Act, and the Mental Health Care Act.

As stated in the government's policy platform, the regional health authorities are to be discontinued once a national health and hospital plan has been drawn up. The aim is to present a national health and hospital plan (white paper) to be considered by the Storting in 2015. Until the plan has been adopted and implemented, the regional health authorities shall retain a central coordination and management role.

*The objective of the state's ownership*

The objective of the state's ownership of the regional health authorities is to guarantee specialised health services for the region's population by offering high-quality and equitable specialised health services to all who need them, when they need them regardless of age, gender, place of residence, personal finances or ethnic background, and to facilitate research and training. It is a requirement for the health enterprises to be run efficiently.

## 10 Financial and administrative consequences

The main objectives of this report are to discuss the government's work to lay the foundations for diversified and value-creating ownership that can contribute to strengthening competitiveness in Norwegian business and industry and economy. The government wants to facilitate strengthening of private ownership and reduce the state's ownership over time. Nonetheless, Norway will retain considerable state ownership for the foreseeable future, and the government wishes to exercise this ownership in a professional and predictable manner.

Measures relating to strengthening private ownership will be dealt with in the forthcoming national budgets. A reduction of the state's holdings in individual companies can take place in a number of ways. Potential sale of the state's shares will entail a change in the state's asset placement. Reductions in the state's shareholdings through non-participation in capital increases or mergers with other companies through stock deals, often referred to as dilution, do not lead to revenue on the national budget.

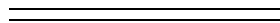
The report emphasises that reductions of state ownership will take place gradually over time and, in making its decisions, the government will assess both market-related and company specific factors. The government will not make changes or support transactions unless this is financially beneficial for the state in each individual case.

In its exercise of state ownership, the government will emphasise areas where the state has sound preconditions for bringing value, such as strategic and financial follow-up of the companies, the election of boards, good corporate governance and company management. This may support achievement of the objectives that the state has in its ownership.

The Ministry of Trade, Industry and Fisheries

r e c o m m e n d s :

Recommendation of the Ministry of Trade, Industry and Fisheries of 20 June 2014 concerning diverse and value-creating ownership to be submitted to the Storting.





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