



Nærings- og  
fiskeridepartementet

# **Objective-setting and evaluation of SOEs performance: view from Norway**

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Kyiv, 12 October 2015



# Agenda

**1. Introduction**

**2. Objective-setting**

**3. Evaluation of performance**

# Norway – some facts



- Population: 5 million
- OECD member
- Not EU member
- Parliamentarism, consensus oriented
- 18 ministers
- Off-shore petroleum resources, no state debt
- Large state ownership: ~1/3 of the stocks at Oslo Stock Exchange

# Diverse direct state ownership

- Ministries have direct holdings in ~70 companies
- Aggregate market value ~70 billion Euro
- No cross-ownership among the companies

## Largest SOEs, industry, state share



- Oil & gas
- 67 %



- Energy production
- 100 %



- Telecom
- 54 %



- Financial institution
- 34 %



- Aluminium
- 34%



- Mineral fertilizers
- 36%



# Emphasis on a "level playing field"...



**TØFT:** Rosenborgs Fredrik Midtsjø (th) og Valeriy Fedorchuk i Europacupkampen mellom RBK og FC Dnipro på Lerkendal stadion. Foto: Ned Alley / NTB scanpix

- Nearly all SOEs are Limited Liability Companies subject to the **same** laws and regulations as other companies

# ...based on division of the state's roles...

- Separation of roles (organisation, processes)



- One central Ownership Department (35 persons), though still many holdings managed by other Ministries

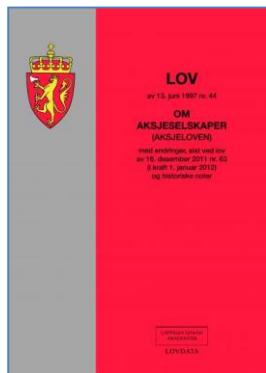
# ...plus stable, predicable and transparent regulations and objectives



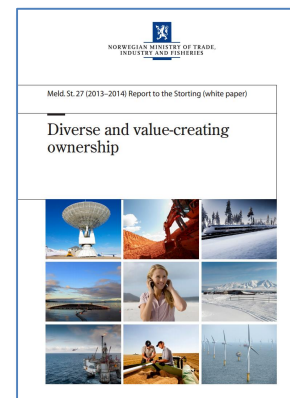
- OECD Guidelines



- Norwegian Code of Practice



- Limited Liabilities Company Act



- White paper on State Ownership, approved by the parliament



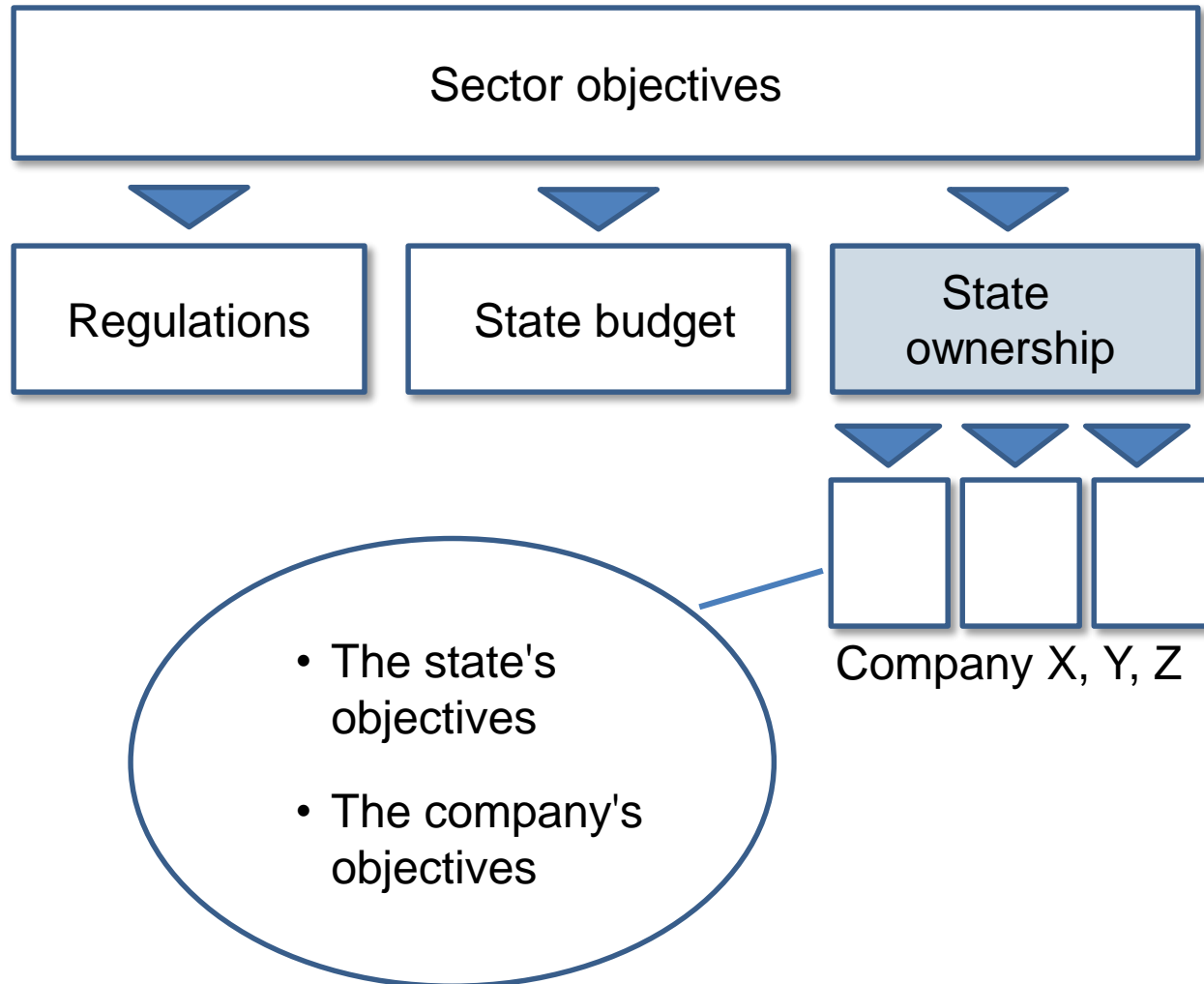
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# State ownership as one of several tools, with objectives on state and company level



# All SOEs classified by the state's objectives

1. Companies with commercial objectives



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2. Companies with commercial objectives and national headquarters



...



3. Companies with commercial objectives and other specific goals



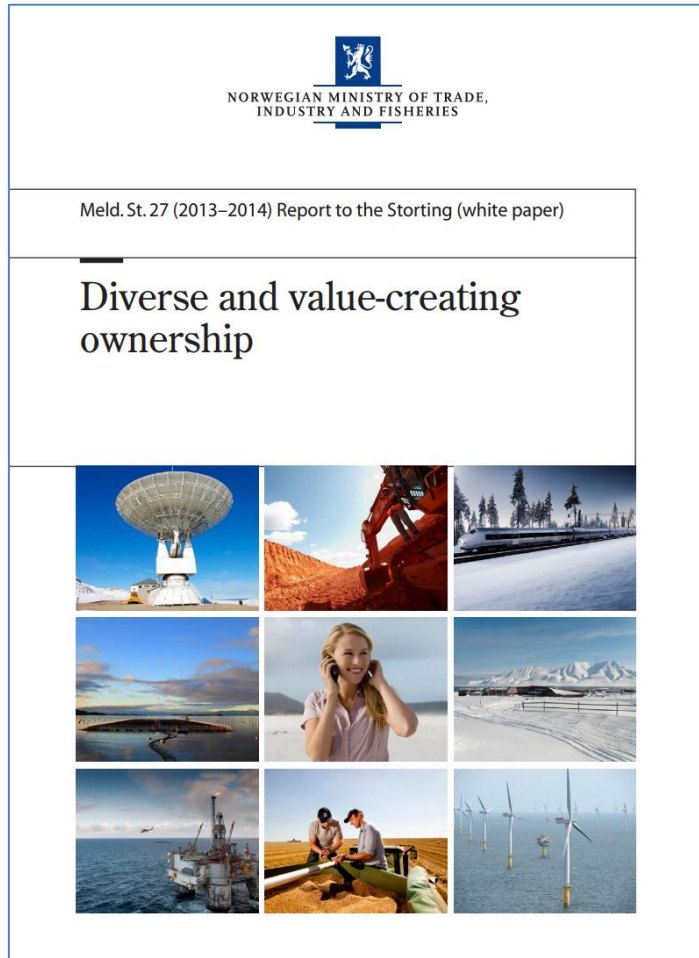
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4. Companies with sectoral policy objectives



...

# State-level: Main reasons for state ownership



- State control over key natural resources
- Maintain national ownership of large "national champions"
- Achieving sector-political goals

# Specific state objectives per company – examples



"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."

## **Kings Bay AS**

"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."





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# Evaluation of performance

## - what we evaluate

### **Issues**

- Achievement of overall goals and expectations, vs. white paper
- Return on equity, incl. annual dividend
- Capital structure
- Overall strategy
- Corporate Social Responsibility (CSR)
- Board composition
- Remuneration (Board and management)
- Any major transactions, rights issues etc.
- Ownership structure (periodical review)
- Other owner-relevant issues

# Evaluation of performance

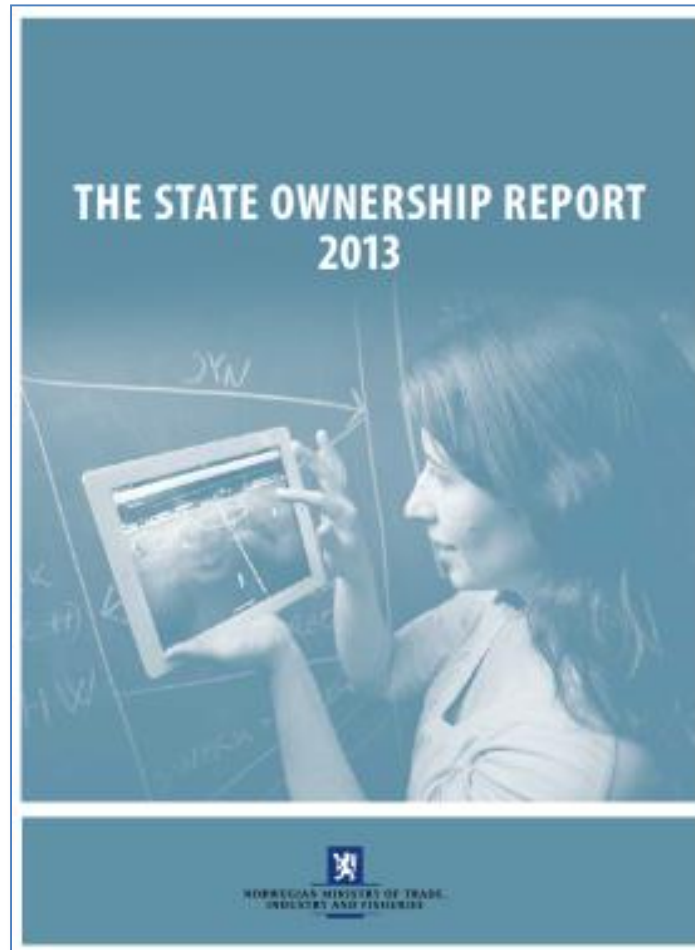
## - how we evaluate and follow up

### **Methods/contact**

- Comparisons with industry peers
- Analysis of time series – past/forecasts
- Strategy analysis, valuations
- Quarterly reports from the companies
- Quarterly reports from our internal teams
- Quarterly meetings with CEO/ CFO/ Chairman of the Board
- Annual interviews with all Board members ahead of general meeting (Board election)
- Annual meeting about CSR issues
- Use of financial and legal advisers
- Contact with Chairman of the Board in all important matters

# Transparency → clarity, trust, performance

- Annual report on state ownership  
[www.eierskap.no](http://www.eierskap.no)



# Thank you

## **The Government's Ownership Policy & The State's Ownership Report**

[www.eierskap.no](http://www.eierskap.no) (press "English" in the upper right corner)

## **Ministry of Trade, Industry and Fisheries**

[www.nfd.dep.no](http://www.nfd.dep.no)

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# Appendix: The State's 10 principles for good ownership

1. All shareholders shall be treated equally.
2. There shall be transparency in the State's ownership of companies.
3. Owner decisions and resolutions shall be made at the general meeting.
4. The State may set performance targets for each company, together with other owners. The board will be responsible for meeting these targets.
5. The capital structure of the company shall be appropriate given the objective of the ownership and the company's situation.
6. The composition of the board shall be characterised by competence, capacity and diversity and shall reflect the distinctive characteristics of each company.
7. Compensation and incentive schemes shall promote the creation of value in the companies and generally be regarded as reasonable.
8. The board shall exercise independent control of the company's management on behalf of the owners.
9. The board shall adopt a plan for its own work and work actively to develop its own competencies. The board's activities shall be evaluated.
10. The company shall recognise its responsibility to all shareholders and stakeholders in the company.



# Appendix: Governance in practice: separate roles for the owners and the Board of Directors

- The State's ownership is formally exercised at the Annual General Meeting
- The Ministry is not represented in any Board of Directors, but in separate Nomination Committees
- The company is managed by the Board of Directors – not by the State
- **By organising companies as independent legal entities, the State has accepted not to influence day-to-day operations**

