

# Board composition and nomination - reflections from a practitioner

**Lars Erik Fredriksson**

**2nd Meeting of the OECD Global Network on  
Privatisation and Corporate Governance of State-Owned  
Enterprises**

*Paris 2-3 March, 2010*

# Background

- **Swedish SOE landscape**
  - 55 SOEs
  - 360 non-executive directors
  - 85-90 % independent directors
- **Myself**
  - Eleven years practice in board recruitment (five years executive search and six years MoE)
  - Involved in 400 recruitments over eleven years









# Board composition

- The investment directors for each company is a board member and employed by the government offices. Most of them have a management consultancy or investment banking background. From 2010 they don't receive any directors fees.



# Board nomination

- Start the board nomination process early – 6-8 months prior to the AGM.
- In building a structured, transparent and accountable process a lot of political interference can be avoided. This is especially important when recruiting a chairman.
- Active politicians on the boards can often lead to conflict of interest. Former politicians can actually be an asset.
- Interview all candidates that are nominated
- Two questions are asked to all new board members:
  - Are you comfortable with the state as an owner?
  - Do you have anything in your background that may reflect badly on the state as an owner?



# Board nomination

- Always take references. You'd be surprised how many people have bad references.
- Do a background check. Is there anything that may reflect badly on the company and the state?
- Research, research, research! There are many talented people out there but for a multibillion dollar company you want the best. Sometimes you need a long-list of fifty people.
- If you can't find good enough candidates use external help. Sometimes executive search consultants may be useful.





# Board nomination

- Board evaluation. Make sure that the board is evaluated every year. Use external help every now and then.
- Hire and fire! Don't be afraid to fire board directors if they don't deliver.





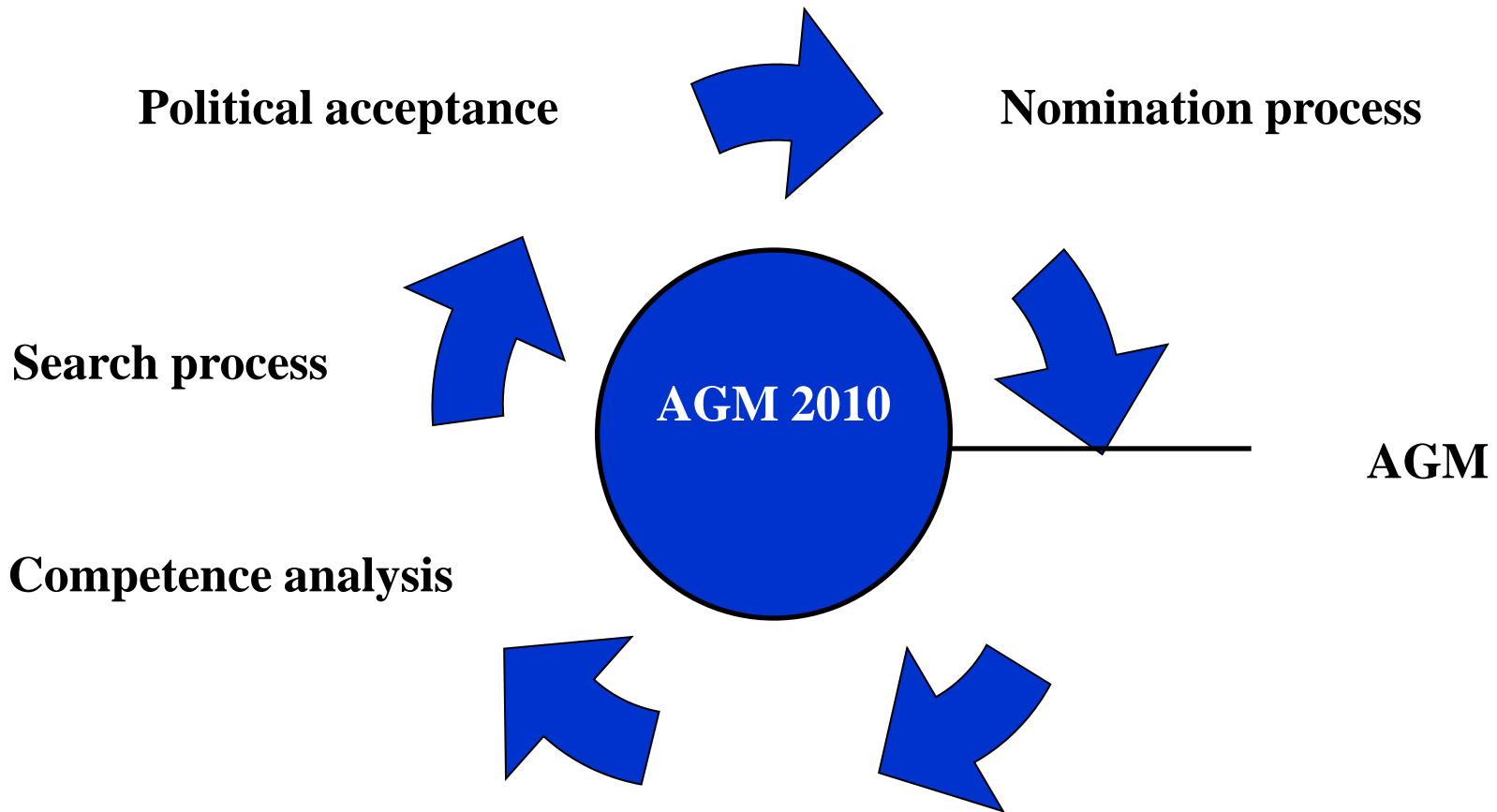
# Board nomination – principles

- Chairman – independent from civil service
- The Chairman has a key function
- Relevant competence to fulfill the strategy of the company
- Board independent from management
- Active ownership with investment director on the board
- Employee representation following the same law as private companies

# Appendix – extra slides

- **Specifics about Swedish SOE board composition and nomination**

# The board nomination process



# Candidate Profile New Chairman

- **A new chairman should have:**
  - Experience from board work and the ability to lead the board's work
  - Good knowledge of corporate governance issues
  - Ability to lead and function as a coach and speaking partner to the CEO
  - Understanding of and acceptance for the state as an owner
  - Effectively function as a link between the board and management
  - Efficiently uphold the dialogue between the board and the owner
  - Ability to represent the company
  - Time and dedication for the assignment
  - Decisive person with integrity

# Candidate profile new board member

## Basic requirements:

- Very high competence in business, business development, industry, finance or other relevant areas
- High integrity and ability to work for the best of the company
- Capacity to reach independent judgements of the business of the company

## Specific requirements:

- Depends on the situation of the company

# Board composition in Swedish SOEs

- The board should always have the right industrial knowledge or other competences that are relevant for the company even when the company is changing or the corporate environment changes
- The board should have a balance regarding competences, experiences, background, age and sex
- The board should be diverse, both geographically and ethnically
- The boards should have gender equality (at least 40 percent of each sex)
- Gender equality in regard to chairs should increase





# Thank you!

**Lars Erik Fredriksson**

**[Lars-erik.fredriksson@enterprise.ministry.se](mailto:Lars-erik.fredriksson@enterprise.ministry.se)**

**[www.regeringen.se/statligaforetag](http://www.regeringen.se/statligaforetag)**