

Good Governance Tools: Cross-Pollination from Nordic Corporate Law

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Abstract

This article aims to analyze the extent to which good governance principles applicable to Nordic companies may be an appropriate good governance tool for a public or organizational entity.

The company is an advanced organizational invention for its purpose, and Nordic companies are generally regarded as highly productive and well run. Nordic companies approached as small-scale units of governance are therefore analyzed in this article as examples of the implementation of good governance principles and practices. In Nordic corporate law, a set of self-regulatory norms are a prominent part of what constitutes good corporate governance. The principles underlying these self-regulatory norms are scrutinized in this article, and the Norwegian Code of Practice for Corporate Governance is at the heart of the analysis. The norms are generally detailed and operationalized, and as such they may serve as examples of how concerns, such as accountability, transparency, predictability, conflicting interests and loyalty, clarity and equality, are put into practice. The norms also advocate value and standard setting. Although there are significant differences between the corporate sphere and the public or organizational sphere, the similarities are in many ways greater, and corporate norms may serve as good governance tools when scaled up to other issue domains or levels as done in this article.

Keywords: *Corporate Governance, principles of good governance, Nordic Codes on Corporate Governance, environmental governance, Norwegian Code of Practice for Corporate Governance, Norsk anbefaling for eierstyring og selskapsledelse.*

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1. Introduction

1.1 Background

A company may be viewed as a small-scale unit of governance.¹ It is a delimited construction, thoroughly regulated, and accountable for its own business. A variety of

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activities and operations may be carried out by the company, and its ultimate objective is maximizing profits.² There are fundamental resemblances in the regulation of companies in the Nordic countries of Denmark, Finland, Iceland, Norway and Sweden, and Nordic companies in general are regarded as highly productive and well run.³ The principles behind the Nordic governance model may as such be of particular interest in the search for good governance tools.

Each of the Nordic corporate governance codes is directly applicable to the stock exchange listed companies of the respective Nordic country.⁴ This article investigates the principles underlying Nordic corporate governance codes that are of a more general nature and thus does not give an exhaustive account of the principles enshrined therein.⁵ The underlying principles highlighted in this article include accountability, transparency, predictability, clarity and equality. The Nordic corporate governance codes provide examples of how these principles are operationalized in a corporate setting. By accentuating and to some extent generalizing these principles, the study shows the extent to which these principles may be appropriate in other governance settings, such as in the public or organizational sphere.

1.2 Approaches to Governance

Fleckner and Hopt distinguish between external corporate governance and internal corporate governance.⁶ External corporate governance refers to the larger societal context of which the company is a part and concerns the relationship between the company and externalities, such as the state and creditors. In contrast, internal corporate governance is concerned with the company's internal affairs, focusing on the relationships between owners and the top decision making organs.⁷ Although this article focuses on internal corporate governance, distinguishing between internal and external corporate governance is not always easy, as internal corporate governance to some extent also considers the interest of stakeholders outside of the company. Internal corporate governance is often referred to simply as corporate governance, as is the case in this article.

Governance may in turn be approached by looking to the governance system or the governing process. A governance system is comprised, in the words of Young, of arrangements that social groups develop either spontaneously or through deliberate actions to perform the function of governance in a variety of settings.⁸ In contrast, the governing process is the interaction within this system over time. The Nordic corporate governance codes include principles on both the governance system and the process of governing, without addressing this division specifically. This article will address both in a similar manner.

The general notion of good governance includes such concerns as accountability, openness, participation, effectiveness, equity and coherence.⁹ The underlying principles of the Nordic corporate governance codes include elements of these concerns, perhaps in a different wrapping as investigated below.

1.3 Corporate Governance

Good governance in the corporate sphere is often referred to as corporate governance. There are several definitions of corporate governance. One commonly referred to

definition is “the system by which companies are directed and controlled”.¹⁰ Hence, direction and control are essential, as highlighted by Fleckner and Hopt.¹¹ However, the system may also be accentuated in this context by adding a process, as the principles of corporate governance presented in this article comprise both. Another corporate governance definition is:

Corporate governance involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.¹²

This definition also highlights the objectives of the company, how to reach these objectives and monitoring achievements underway. As the discussion below shows, principles of corporate governance may also include defining corporate values and setting ethical standards, which are highlighted in this article as essential. Thus, another element may be included in the definition, which is standard setting. Combining these definitions and elements, corporate governance may be expressed as the system and process of direction and control to reach the objective of the company while meeting a set standard.

Essential for corporate governance is balance of power.¹³ At the top of the hierarchy of the Nordic company is the owner or shareholder, followed by the board and the management. According to the agency-theory, there is an inherent conflict of interest between and within these organs, which is addressed and mitigated by corporate governance principles.¹⁴ The agency-theory presupposes that conflicting interests exist between the agent and its principal, traditionally referred to as a principle-agent conflict and often described referring to Adam Smith’s statements on managers watching more vigilantly over their own money than over other people’s money.¹⁵ The principle-agent conflict implies that an agent, such as a governing organ or a controlling shareholder, is taking care of somebody else’s values, i.e. the interest of the company or of all of the shareholders.¹⁶ The conflict of interest hence refers to the potential motivation of the company’s governing organs, the loyalty of which should always rest with the company, as opposed, for instance, to the shareholder who appoints them or their own interest.

An example of a potential principle-agent conflict exists between the shareholders and the manager, where the manager may be motivated by the short-term interest of the company that he or she manages if, for instance, the short-term interest of the company is a premise for the manager’s remuneration or perceived reputation. A second order of conflict exists among the shareholders, where there are minority shareholders and a controlling shareholder who holds the majority of the shares and accordingly the voting rights. Voting power could in principle mean that a majority shareholder could decide anything based on its interests at the expense of minority shareholders. These are examples of principal-agent conflicts that are addressed and mitigated by corporate governance principles.

The corporate governance norms addressed in this article regard both the composition of the governance system and the process or operation of governance. The norms

are relatively detailed. They are applied by a number of companies, which annually reporting on their compliance, as a result of which they are broadly operationalized. Generalizing from governance in a small-scale corporate micro setting scaled up to a larger level or to another issue domain must be done with caution. However, in Young's words, "it does not make sense to give up on the search for generalizable propositions just because some significant differences among issue domains are apparent".¹⁷ Moreover, keeping in mind the difficulty of transplanting models from one system to another remains. This article focuses on the underlying principles and tools in the corporate governance principles. Either individually or in combination, they are a relevant supplement outside the corporate sphere, as, in the words of Poto, "it is evident that the similarities of a private entity and a public structure, in many ways, are greater than the differences between them".¹⁸

In the following sections, the sources of the Nordic corporate governance principles will first be observed in section 2, followed by an account of the compliance mechanism in section 3. Thereafter, the recommendations of the Norwegian Code of Practice for Corporate Governance¹⁹ will be dealt with as categorized by the underlying principles in the subsections to section 4: 1) Accountability; 2) Corporate Values and Standard Setting; 3) Good Management Practices; 4) Equality of Shareholders and Minority Protection; 5) Conflicting Interests and Loyalty; and 6) Openness and Transparency. Finally, some concluding remarks are given in section 5 to summarize the findings and the general appropriateness of the underlying principles.

2. Sources of Nordic Corporate Governance Principles

A question can be raised as to why this article makes general assumptions about Nordic corporate governance, given that every Nordic company is established under the statutory laws of its respective Nordic country. The Nordic countries, however, have the same legal traditions, and Nordic company law has developed since the earliest companies acts of the late 1800s.²⁰ Additionally, cooperation between scholars across the Nordic region continues today, resulting, for instance, in publications on Nordic corporate governance.²¹ In addition, the corporate governance bodies of the Nordic countries cooperate and address corporate governance as Nordic.²²

The written and unwritten rules, norms and practices that constitute the regulatory framework for every corporate governance system stems from three different norm systems.²³ The first category is the norms provided by statutory regulation, including the companies acts and related rules and regulation. In addition to defining what constitutes a company, the companies acts set out the hierarchical decision-making organs of the companies and their powers.

Another category of norms, at the other end of the scale, is informal norms. In a corporate governance setting, examples of such norms may be striving for consensus in the board's decision-making and norms of a more procedural kind, such as when and how to address a matter in a board meeting.²⁴ The analysis of such norms does not fall within the scope of this study.

A third category of norms is comprised of self-regulatory norms, and it is in this category that the Nordic codes of corporate governance belong. Hence, this article will primarily investigate this category of norms.²⁵ The self-regulatory norms are of particular interest, as they are defined by the business sector itself²⁶ with little or no interference by the government,²⁷ and hence they express what internally is regarded as good governance. Nevertheless, the self-regulatory norms provided by the codes do place themselves in their normative context and refer to statutory norms where relevant.

The Nordic corporate governance codes stem from the corporate governance code movement that swept from the UK to the rest of the world.²⁸ Encouraged by the EU Commission, each Nordic country developed and adopted its own code of practice for corporate governance early in the first decade of the 2000s.²⁹ King and Toffel explain that self-regulatory norms are implemented due to institutionalization and strategic interest.³⁰ It may be added that the codes probably reflect uncontroversial values and meet identified needs.³¹ Otherwise, the broad acceptance and implementation of the norms across the Nordic countries for a number of different companies may not have been facilitated.

3. Comply-or-explain Principle

The Nordic codes of corporate governance are all based on the comply-or-explain principle. This means that the companies must do a self-evaluation of whether they comply with the principles included in the codes or, if not, justify the deviation and the solution opted for instead.³² The idea behind the comply-or-explain principle in the codes acknowledges both that the principles may not be suitable in all instances and that there may be fair reason to deviate from them. Furthermore, the codes are meant to be ambitious on-going tools for improvement, implying that meeting the requirements must also be challenging and that deviations because of this are expected.³³ On the contrary, the broad and available option to deviate from the recommendations included in the code may as well be termed, in the words of Hansen, as “comply or excuse”.³⁴

The comply-or-explain-principle implies that in general the norms of the codes are recommendations, not injunctions. The Norwegian Code of Practice for Corporate Governance in general literally sets out what the company “should” do.³⁵ A relevant exception is the first section, which provides that a company “must” implement good corporate governance and “must” provide an account of corporate governance by the board of directors in a report accompanying the annual accounts, as this is also a statutory requirement and listing requirement of the stock exchange.³⁶

The comply-or-explain principle and the reporting requirement result in an annual self-evaluation by a company adhering to the code. At the very least, this provides an opportunity for regular development of the governance of the company in relation to the principles provided therein.

In the following paragraph, the content and the underlying considerations behind the principles are addressed. The Norwegian Code of Practice for Corporate Governance is at the core of the analysis.

4. Good Governance Tools and Principles

4.1 Accountability

The first section of the Norwegian Code of Practice for Corporate Governance makes the board of directors accountable for ensuring that the company implements good corporate governance.³⁷ This implies two perhaps simple, yet important aspects. First, ensuring that governance is “good” is identified as a task to be put on the agenda and dealt with annually. Second, the section appoints one particular organ, the board of directors, to be accountable for carrying out this task to ensure that governance is good.

As explained in the introduction, governance in general encompasses a system and processes relating to complex interaction among diverse actors. In light of this complexity, the codes ensure that good governance is established as a task and that accountable organs or persons are appointed responsible. In every governing unit, a top-level managing organ may be identified as accountable for good governance and for bringing this issue to the table periodically.

4.2 Corporate Values and Standard Setting

The first section of the Norwegian Code of Practice for Corporate Governance further recommends that the board of directors define basic corporate values and formulate ethical and corporate social responsibility guidelines.³⁸ Provided that they are implemented, guidelines for corporate values and ethical and corporate social responsibility may provide an important basis for the way the company carries out its activities towards people, society and the environment.³⁹

The values and guidelines will typically convey which values cannot be put at risk in pursuing the economic objectives of the company. For instance, ethical guidelines normally include policies on anti-corruption, honesty and respect towards fellow employees and customers, whistle-blowing⁴⁰ and impartiality. Corporate social responsibility guidelines generally refer to topics such as human rights, employee rights, the environment, fair operating practices, consumer issues, and community involvement and development.⁴¹

The section of the code regarding corporate values and standard setting illustrates how a company can ensure that its activities meet a certain standard and that the objectives of the company do not justify means to achieving said objective unless the means comply with established standards. This may be relevant for other governing units that serve economic purposes, such as companies do, or serve other purposes. Achieving ideal goals while at the same time focusing on the standards to which activities must meet may, for instance, ensure that woolen blankets purchased for refugees are not woven using child labor, or that biofuel is not produced in violation of the land rights of indigenous people.

These examples show that corporate values and standard setting are essential for a responsible company, an issue the author finds important to highlight.

4.3 Good Management Practices

Some of the recommendations in the Norwegian Code of Practice for Corporate Governance contain what perhaps may best be described as good management practices, perhaps even basic management practices. These include recommendations to describe in writing the activities that the company carries out, its strategy and goals, having an annual plan, and reporting on the expected outcome.⁴² These recommendations may in turn ensure predictability for the shareholders and clarification for the involved organs, issues which should not be underestimated. Predictability enables steering expectations to be met and consequently satisfaction to be reached. Clarification for all of the involved organs on where the company is headed and milestones reached will in turn result in their moving in the same direction.

Furthermore, the code recommends that the board of directors ensure that the company has sound internal control and systems for risk management.⁴³ Internal control arrangements will facilitate the supervisory responsibilities of the board of directors and support the quality of the company's reporting. Managing risks includes being informed of existing and potential risks posed by the company's activities. Risk management and internal control can be categorized under the basic tools for good management.

The recommendations of the Norwegian Code of Corporate Governance concerning good management practices illustrate what may be regarded as common sense tools in management practices: writing down, planning, and gaining and disseminating information about where the company is headed. These tools result in predictability and clarification, and hence better management. The range and scope of such measures is broad.

4.4 Equality of Shareholders and Minority Protection

Equality of shareholders is an important principle in corporate governance and aims to mitigate the potential conflict of interest typically found between a controlling shareholder and a minority shareholder. The controlling shareholder, holding the majority of shares, has greater power through its voting rights, relative to its number of shares, compared to a minority shareholder. The Norwegian Code of Practice for Corporate Governance has several recommendations aimed to balance these interests that supplement the statutory regulation in this regard. Some of these recommendations probably have little relevance outside of the corporate sphere given the subtleties of shares, including the possibility that companies can merge or be taken over.

Other recommendations in the code concerning shareholder equality are of a more general nature. These recommendations include regulations on the equal distribution of information, procedures for interactions between shareholders and the company, and procedures for carrying out meetings of the shareholders, such as the regulation of giving notice and voting.⁴⁴ The equal distribution of information and procedures for interaction may facilitate real decision-making in meetings, as opposed to

informal decision-making in the corridors, and may protect the company from being inappropriately influenced by a strong shareholder.

Furthermore, the code recommends that a nomination committee be appointed, the composition of which should consider the interests of all of the shareholders. The nomination committee should also propose candidates to the board of directors, taking into account, among other qualifications, the interests of all of the shareholders.

The shareholders are the ultimate owners of the company, and in this regard they may be compared to parties to a treaty establishing a forum, or similarly members of an organization, conference of parties or the like. The recommendations in the Norwegian Code of Practice for Corporate Governance concerning equality of information, procedures for meetings and nomination committees may provide examples of how equality among such actors may be pursued.

4.5 Conflicting Interests and Loyalty

The agent-principal theory described in section 1.3 above implies that, in principle, the interests of somebody working for the company may not always rest with the company as a starting point, but should be put first.⁴⁵ In an extreme example, not putting the interest of the company at the front when carrying out duties for the company may be regarded as corruption or the like. Extreme examples are dealt with in the criminal codes and are not addressed in the corporate governance codes. Not putting company interests at the forefront may also be in breach of statutory or company regulation of impartiality.⁴⁶ In addition, the Norwegian Code of Corporate Governance intends to mitigate some aspects of conflicts of interest. The code addresses some manifestations of where the interest or the duty of loyalty should be, which may affect the performance of the company and, as such, is significant for the company, even though these manifestations may not constitute a breach of other regulations.

One group of recommendations in the Norwegian Code of Corporate Governance in this regard concerns the remuneration of boards of directors and management.⁴⁷ These recommendations set out *inter alia* that the remuneration of boards of directors should not be linked to the performance of the company and restricts linking the management's remuneration to the short-term performance of the company. Linking the remuneration of a director or board member to performance or to the short-term interest of the company may be neither illegal nor unethical, but it may contradict the long-term interest of the company and as such may not constitute an example of good governance.

Furthermore, the code has some recommendations relating to how economic transactions with close associates should be handled.⁴⁸ The economic transactions at hand include, for instance, any major purchase or acquisition of goods and services. When the other party to the transaction, such as a host organization, host country or consultant, also has a role in the company at hand, special care should be taken to ensure that the transaction is not influenced by the relationship, but is entered into as if it were entered into with an independent third party.

The Norwegian Code of Corporate Governance also addresses conflict of interest issues in the composition and operation of the decision-making organs. The code recommends that the composition of the board of directors meet the company's need for expertise and independence.⁴⁹ This also encapsulates a broader concept that the loyalty of the board of directors shall be with the company and not, for instance, with a shareholder for whom the board member in question is working or by whom the board member was appointed.⁵⁰ Regardless of these principles, the code further recommends that two members of the board of directors be independent of any main shareholder, thus implying that the loyalty obligation upon the individual is not enough and that more is needed to strengthen the independence of the board.⁵¹ The code also includes recommendations that the board of directors should be independent of its inferior executive management in addition to its superior shareholders.⁵²

In a broader governance context, the underlying principle of loyalty and conflict of interest may have a wide scope of application. When it comes to good governance, applied to both the private and the public sector: "It is always about actors' relations and about preventing the conflicting interests of the parties from becoming obstacles to the pursuit of the entity's common interest".⁵³ If a person from a sectoral directorate, such as a petroleum directorate, is appointed as a board member to a cross-sectoral institution, if a member of an indigenous organization is appointed as a board member to a water management body, or if a developing country is appointed to the board of the World Bank, which interest would she or he pursue? Where does her or his loyalty lie? There is probably no simple answer to these questions, but clarification and awareness of conflicting interests, loyalty and loyalty drivers are likely to serve as tools to improve governance.

4.6 Openness and Transparency

Openness and transparency are essential for good corporate governance according to all the Nordic codes. This is reflected *inter alia* in the reporting recommendations not only related to financial statements and remuneration, but also related to corporate governance as such.⁵⁴ The reporting recommendations on corporate governance are further described in section 3 above.

The Norwegian Code of Practice for Corporate Governance addresses some manifestations of the principle of openness or transparency, whereas others are provided for by statutory law and informal norms.⁵⁵ The code recommends that companies establish guidelines on reporting financial and other information based on openness.⁵⁶ The recommendation hence accentuates the value of openness when deciding when and how to disseminate company information. Furthermore, the code recommends simultaneously distributing and publishing information on a company web page.⁵⁷ Additionally, this recommendation ensures open disclosure of vital company information.

These recommendations exemplify some practical solutions related to openness, which can be adopted in other governance settings.

5. Concluding Remarks

The principles underlying the Norwegian Code of Practice for Corporate Governance addressed in this article are general in nature and may as such be appropriate in other governance settings. The examples of how these broad principles are put into practice may serve as good governance tools summarized as follows.

The principle of accountability is generally recognized as a good governance principle.⁵⁸ In the Nordic corporate sphere, the principle is applied operationally *inter alia* by identifying corporate governance as a task to be put on the agenda periodically. Furthermore, the organ accountable for this task is identified. This illustrates how accountability can be put into practice.

Another prominent principle of governance underlying the code is equality. For instance, the code provides for how equality among owners of different influence may be facilitated by equal distribution of information and procedural regulation of the interaction of owners and the company, thereby facilitating concurrency between real and formal decision-making. Additionally, it shows how equality among owners or parties may be put to practice in appointing steering organs by appointing nomination committees with a mandate to consider the interests of all of the shareholders. The study hence provides examples on how the general principles of equality may be operationalized.

Defining (corporate) values and setting a standard for activities, including those of an ethical or environmental nature, is a fundamental principle for any responsible entity. In this manner, the Norwegian Code of Practice for Corporate Governance illustrates how values and standard setting may be put to practice.

The recommendations described in this study as good management practices may also be a different variant of a good governance tool. The practices of planning, structure, documentation and the like provide for predictability and clarity, which can enhance governance in a wider sense.

Clarification of conflicting interests, including defining where loyalty should rest, is another underlying principle of the code. Awareness of loyalty and loyalty drivers result in a clarification of roles and responsibilities and serves to mitigate the principal-agent conflict of interest and the likelihood of misplaced loyalty. This variant of good governance is of a general nature and may as such also be appropriate in other governance settings.

Openness and transparency in a Nordic corporate setting means that companies regularly report publicly not only on their financial accounts and remuneration, but also on corporate governance as such. Regular reporting on good governance provides for self-evaluation of good governance, which may be an appropriate means for focusing on and improving governance in any governance setting.

A further question may be raised regarding typical good governance principles the Norwegian Code of Practice for Corporate Governance does not contain. A participatory process is not included in the principles⁵⁹ perhaps because of the relatively broad employee representation provided by statutory law. Furthermore, since

a company is a hierarchical system, its nature is more dictatorial than democratic in its decision-making system. The code does not provide for consensus-based decision making either. This may be explained by the hierarchical nature of a company, or because effectiveness implies otherwise.⁶⁰

The underlying principles of Nordic corporate governance covered by this study provide governance tools and principles that can be used in both the private and public spheres. These generally applicable good governance principles, and examples of how they are put into practice, may, building on the metaphor of Lau Hansen, enable a cross pollination across the corporate sphere to other governance systems.⁶¹

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NOTES

1. The article will generally consider limited liability companies also referred to as private limited companies, the most common form of company organization in the Nordic countries.
2. A company may have a number of objectives; however, its economic purpose of maximizing profits is essential and reflected in statutory regulation.
3. Per Lekvall and Jesper Lau Hansen, *The Nordic Corporate Governance Model* (Stockholm: SNS förlag, 2014).
4. Although the application area is the listed companies, the Norwegian Code of Corporate Governance holds that the code may also be appropriate for unlisted companies, the shares of which are subject to regular trading. However, this article shows that some of the principles underlying the codes may have a much wider area of application.
5. For instance, the recommendations closely related to the free negotiability of the shares will not be investigated as opposed to the more generally applicable accountability and transparency concerns.
6. Andreas M. Fleckner and Klaus J. Hopt, *Comparative Corporate Governance: A Functional and International Analysis* (Cambridge: Cambridge University Press, 2012).
7. Ibid.
8. Oran R Young, *On Environmental Governance: Sustainability, Efficiency, and Equity* (Routledge, 2016).
9. Ibid.; *Making Law Work: Environmental Compliance and Sustainable Development, Vols 1 and 2*, ed. D. Zaelke, D. Kaniaru, and E. Kružíková, vol. 8 (London: Cameron May Ltd, 2005); OECD, *G20/Oecd Principles of Corporate Governance* (OECD Publishing).
10. Adrian Cadbury, *Report of the Committee on the Financial Aspects of Corporate Governance* (London: GEE, 1992).
11. Fleckner and Hopt.
12. OECD.
13. Fleckner and Hopt.
14. A more modern concept of corporate governance is the stewardship theory, which focuses on managerial behavior and holds that the key motivating factor is a job well done as opposed,

- for instance, to the manager's own economic interest. The biggest difference between the two theories is the approach to motivation, being financial or higher level needs, such as achievements, see Beata Glinkowska and Boguslaw Kaczmarek, "Classical and Modern Concepts of Corporate Governance (Stewardship Theory and Agency Theory)," *Management* 19, no. 2 (2015). The Nordic Corporate Governance Model is more influenced by the agency theory, see Lekvall and Lau Hansen; S. Thomsen, "The Nordic Corporate Governance Model," *Manag. Organ. Rev.* 12, no. 1 (2016).
15. Smith, Adam. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Edwin Cannan, ed. (London: Methuen & Co., Ltd. 1904). Library of Economics and Liberty [Online] available from <http://www.econlib.org/library/Smith/smWN20.html>; accessed 22 February 2017; Internet.
 16. The company interest does not always coincide with the interest of all of the shareholders, as other stakeholders or concerns may be relevant when defining the company interest, such as creditors and the environment.
 17. Young. See p. 18.
 18. See Lara Fornabaio and Margherita Poto in this volume.
 19. The Norwegian Code of Practice for Corporate Governance, published 30 Oct 2010, in the original Norwegian version and in the English translation is available at www.nues.no.
 20. Tore Bråthen, *Selskapsrett*, 4 ed. (2013). Jesper Lau Hansen, *Nordic Company Law : The Regulation of Public Companies in Denmark, Finland, Iceland, Norway and Sweden* (Copenhagen: DJØF Publ., 2003).
 21. Such as the cooperation behind *The Nordic Corporate Governance Model*, Lekvall and Lau Hansen.
 22. Danish Corporate Governance Committee et al., "Corporate Governance in the Nordic Countries", (Internet2009).
 23. Lekvall and Lau Hansen.
 24. As observed by the author in board meetings, however, the application area of these norms, whether wide or narrow, is unknown.
 25. The Danish code is published here: <https://corporategovernance.dk/recommendations-corporate-governance>; the Finnish code is published here: <http://cgfinland.fi/en/recommendations/the-finnish-corporate-governance-code/>; the Icelandic code is published here: <http://chamber.is/services/corporate-governance>; the Norwegian code is published here: <http://www.nues.no/en/frontpage/slideshow/The+Norwegian+Code+of+Practice+for+Corporate+Governance.9UFRnY0D.ips>; and the Swedish code is published here: <http://www.corporategovernanceboard.se/the-code>. All sites accessed on 23 March 2017.
 26. The development of self-generating systems along with other norm systems is not peculiar to the corporate world; it has occurred in other governance systems, see Young.
 27. Jesper Lau Hansen, "Catching up with the Crowd -- but Going Where? The New Codes on Corporate Governance in the Nordic Countries.," *International Journal of Disclosure and Governance* 3, no. 3 (2006).
 28. Fleckner and Hopt.
 29. The Danish code came first.
 30. Andrew A King and Michael W Toffel, "Self-Regulatory Institutions for Solving Environmental Problems: Perspectives and Contributions from the Management Literature," (2007).
 31. Hansen.
 32. See for instance as set out in Section 1 of the Norwegian code.
 33. Lekvall and Lau Hansen.
 34. Hansen.
 35. Where the Norwegian code sets out what is already required by statutory law, the term "must" is used. However, the statutory requirements are not a focus in this article.

36. See for instance the Norwegian Accounting Act section 3-3b included in 2010 and the continuing obligations of stock exchange listed companies issued by the Oslo Stock Exchange, section 7. The statutory and stock exchange requirements were included after the self-regulatory norms were first manifested.
37. Not as explicitly formulated in the Swedish, Danish, Finnish or Icelandic codes, however obligations, in these codes and relevant statutory regulations, to organize the company duly and to report and inform on good governance provides for similar solutions. See supra note 24.
38. Similarly, the Danish code section 2.2 recommends policies on corporate social responsibility, the Swedish code provides for guidelines for the company's conduct in society in section 3 and a sustainability report in section 10, the Finnish code states in section II that the board of directors ensures the establishment of corporate values only, and the Icelandic code provides for policy on social responsibility and ethical guidelines
39. Comments to section 1 of the Norwegian code.
40. Whistle-blowing in this regard refers to revealing wrongdoing to somebody outside of the hierarchical line within the organization or to the public.
41. The international standard for corporate social responsibility (CSR), ISO 26000, covers these topics. Some scholars argue that corporate social responsibility and corporate governance should be merged, see Beate Sjøfjell, "Responsible Corporate Governance," *European Company Law* 7, no. 1 (2010).
42. Section 2 of the Norwegian code includes a recommendation that the company's business should be clearly defined, that the company should have clear objectives and strategy for its business, and that all of these elements should be reported on annually. Section 3 of the code includes a recommendation that the company should establish a clear and predictable dividend policy. Section 9 of the code has a recommendation that the board of directors should produce an annual plan for its work with particular emphasis on objectives, strategy and implementation. Section 9 further sets out that the board of directors should issue instructions for its own work and for executive management. Similar although less detailed recommendations are found in the Danish code sections 1 and 2, the Swedish code section 3, the Finnish code recommendation 11 and the Icelandic code section 2.4
43. Section 10 of the Norwegian code. Risk management and internal control are two related, yet diverse concepts. Internal control often relates to financial reporting and as such secures the quality of the reporting, whereas risk management in addition to the risk in financial reporting may also embrace operational risks, market risk etc., which provides decision-makers with information.
44. Sections 4 and 6 of the Norwegian code. The principle of equal treatment is common to the Nordic countries, however the extent to which procedural regulations are covered by the codes vary. See section 1 of the Danish code, guiding principles and section 1 of the Swedish code, the introduction to and recommendation 1 to the Finnish code and section 2.10 of the Icelandic code.
45. That being said, it is not always easy to establish what the company interest is. See for instance Bråthen. page 61 and Irja Vormedal, "Corporate Strategies in Environmental Governance: Marine Harvest and Regulatory Change for Sustainable Aquaculture," *Environmental Policy and Governance* 27, no. 1 (2017).
46. Impartiality may for instance be regulated in the ethical guidelines of a company or other company policy or in employment contracts.
47. Sections 11 and 12 of the Norwegian code. Correspondingly in section 4 of the Danish code, section 9 of the Swedish code, section V of the Finnish code and section 2.7.7 of the Icelandic code.
48. Section 4 of the Norwegian code and in like manner in recommendation 28 of the Finnish code. This topic is further subject to statutory regulation.

49. Section 8 of the Norwegian code. Similar in section 3 of the Danish code, 4 and 5 of the Swedish code, recommendations 8-10 of the Finnish code and section 2.2 and 2.3 of the Icelandic code.
50. Ibid.
51. Ibid.
52. Ibid.
53. See Lara Fornabaio and Margherita Poto, in this volume.
54. Openness and transparency are highlighted in section 13 of the Norwegian code, section 3.1, and the guiding principles for the Swedish code, sections 1 and 4 of the Danish code, the preamble and introduction to the Finnish code and section 6 of the Icelandic code.
55. Statutory norms relate to both financial reporting, and informal norms such as publishing the names and CVs of board members and management on the company's web pages.
56. Section 13 of the Norwegian code.
57. Ibid.
58. See section 1.2 and footnote 9 in this article.
59. Participatory rights are at the core of good governance in some governance settings. See Margherita Paola Poto, "Participatory Engagement and the Empowerment of the Arctic Indigenous Peoples," *Environmental Law Review* 19, no. 1 (2017).
60. Effectiveness in the sense that it may take less time for one or some persons to agree upon something than for more or all to agree, such as, for example, all members of the board of directors. Informal norms may, however, facilitate seeking consensus as regards the board of directors.
61. Hansen.

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