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## **IFC workshop**

# **Establishing an Institute of Directors**

## **Lessons from Finland**

Belgrade, Serbia

18 February, 2009

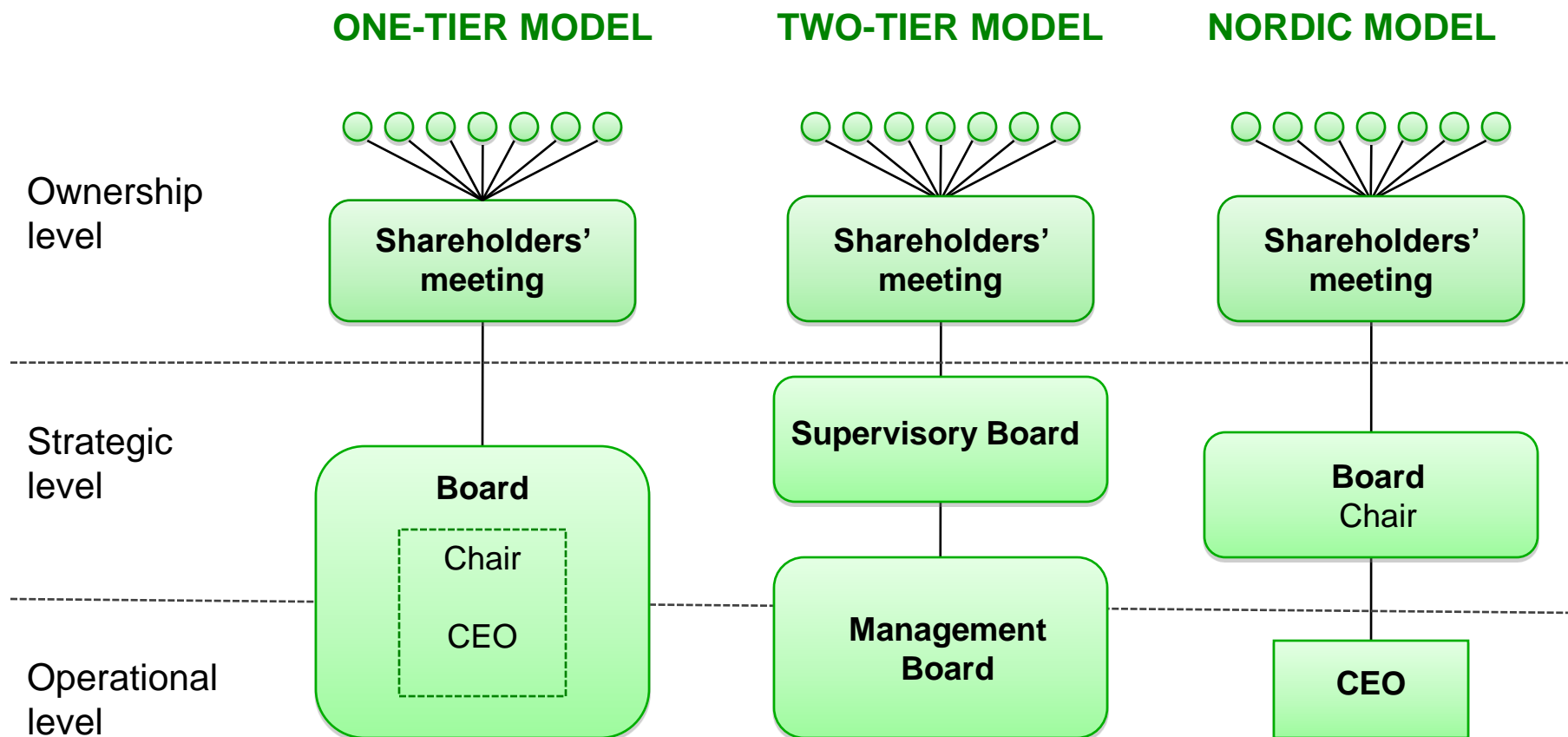
Olli V. Virtanen

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# Olli V. Virtanen

- ✓ Secretary General, the Finnish Association of Professional Board Members 2003 -
- ✓ IFC, GCGF, member of the Public Sector Advisory Group 2007-
- ✓ Board Member of the European Confederation of Directors' Associations (ecoDa) 2008 -
  - Chairman of ecoDa's External Communications Committee 2008 -
- ✓ European Corporate Governance Institute, member 2003-
- ✓ Management consultant 1989 -
  - corporate governance, investor relations
- ✓ Editor-in-Chief and Publisher of Board News magazine 2003 -
- ✓ Board member of two Finnish companies

# Governance models



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# Different interests

## The Board

- ✓ Focus on strategy
- ✓ Appoints, dismisses CEO
- ✓ Control on remuneration
- ✓ Paid in fees, shares
- ✓ Monitoring and oversight
- ✓ Questions executives' ideas

## Executive level

- ✓ Focus on operative matters
- ✓ Reports to the Board
- ✓ Interest to maximise income
- ✓ Bonuses, options...
- ✓ Reports to the Board
- ✓ Makes proposals to the Board

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# Independent Directors – according to Finnish CG code

- ✓ Majority of Directors shall be independent
- ✓ In addition, at least two of the majority shall be independent of significant shareholders
- ✓ Director is NOT independent if he or she
  - has employment relationship with the company
  - has held management position in the company less than three years prior to joining the board
  - has consultancy agreement or otherwise receives compensation
  - holds management position in another company which has business contact with the company
  - holds management position in an other company whose director is a manager of the first company
  - participates in performance-based or share-related compensation system of the company

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# At planning stage of the Finnish Association of Professional Board Members

- ✓ Who should we represent?
- ✓ Quality or quantity?
- ✓ Basic objectives?
- ✓ Legal status?
- ✓ Commercial or non-commercial?
- ✓ How to ensure its place in the 'market place'?
- ✓ Intensity, level of activities?
- ✓ Resources?

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# The Finnish Association of Professional Board Members: BASIC FACTS

- ✓ Established in 2001
- ✓ Over 200 members
- ✓ Represents 'who is who' in Finnish business
- ✓ Non-profit, independent organisation (NGO)
- ✓ Self-financing; membership fees, magazine
- ✓ Membership by application
- ✓ One criteria: two independent board positions

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# FAPBM governance

- ✓ Annual General Meeting elects board members each year – average term 4-5 years
- ✓ Each individual member has one vote
- ✓ No corporate members
- ✓ Board consists of 6 members
- ✓ Board elects Chairman from among itself, plus Vice Chairman and Treasurer
- ✓ Board members do not get any compensation
- ✓ Office run by Secretary General + part time assistant

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# FAPBM - Mission and activities

- ✓ Focus on the development of individual directors
- ✓ Promotes good professional practise by embracing high ethical standards
- ✓ Influences public opinion and advices decision makers
- ✓ Active in lectures and training sessions and public seminars
- ✓ Utilises wide network of contacts and partners
- ✓ Match-maker between members and companies
- ✓ Supports research on cg and boards
- ✓ Publishes books
- ✓ Quarterly Board News magazine

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# Current issues

- ✓ Education among small and medium sized enterprises
  - first independent board member
- ✓ Keeping up to date
- ✓ Composition of the board
  - variety
  - gender issues
- ✓ Roles and responsibility of the board
- ✓ Board committees and their roles
  - audit committee in particular
- ✓ Board in a takeover situation

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# Building a board members' organisation

- ✓ Define membership criteria
- ✓ Focus on independent board members
- ✓ Aim at high calibre membership
- ✓ Profit or non-profit?
- ✓ Focus on education and ethical standards
- ✓ Create tools to disseminate governance issues
- ✓ Keep it independent