

Foreword

This revised Swedish Corporate Governance Code comes into force on 1 January 2020, but with some transitional rules which mean that some of the changes do not need to be applied until a later date.

The current Code came into force on 1 December 2016. In view of the time that has elapsed since the last revision, the Swedish Corporate Governance Board conducted several roundtable discussions in 2018 and 2019, as well as an open referral procedure to identify the need for any amendments to the rules. The overall conclusion from these activities is that the Code works well on the whole, and that no major changes are required, but that there are reasons to review some of the details in the Code.

The Board has continued its efforts to streamline the Code and remove rules that are perceived as unnecessary or that repeat what is already applicable by law. Another reason for a review is the continuing work of the European Commission in the field of corporate governance, primarily the directive on amendments to the shareholders' rights directive. The wording of the rules on nomination committees has been the subject of discussion, as has the role of the company board when it comes to sustainability issues and the purpose of the company. The Board wishes to emphasize that, unless otherwise specified in its articles of association, the purpose of a company is to generate profit for distribution among its shareholders. However, in order for a company to have the freedom to conduct its business in the best possible way for long-term sustainable value creation, it is that company's responsibility to ensure that society continues to have confidence and trust in its business and operations.

A draft revised Code was published for open referral in October 2019. By the closing date in November 2019, just over twenty referral responses had been received. The Corporate Governance Board then compiled and analysed the responses it had received. Following this process, the revised Code text was finalised, and it was published on the Board's website on 1 December 2019. The views and suggestions that were submitted were of great help in this work.

Stockholm, November 2019

Arne Karlsson
Chair of the Swedish Corporate Governance Board

I. The Swedish Corporate Governance Code

1 Aims

Good corporate governance means ensuring that companies are run sustainably, responsibly and as efficiently as possible on behalf of their shareholders. The confidence of legislators and the public that companies act sustainably and responsibly is crucial if companies are to have the freedom to realise their strategies to create value. The confidence of existing and potential shareholders that such is the case is crucial to their interest in investing in companies, thus securing corporate Sweden's freedom to develop and its supply of competence and venture capital.

The aim of the Swedish Corporate Governance Code, ("the Code"), is to improve confidence in Swedish listed companies by promoting positive development of corporate governance in these companies. The Code acts as a complement to legislation and other regulations by specifying a set of norms for good corporate governance at a higher level of ambition than the statutory regulation. However, this norm is not mandatory. Companies may deviate from individual rules, providing they report each deviation, describe their own solution and explain why. In this way, the actors in the market can form their own opinions on the solution the company has chosen.

Another aim of the Code is to provide an alternative to legislation. The Swedish Corporate Governance Board, ("the Board"), believes that self-regulation is often preferable to legislation and regards it as its duty to promote the role of self-regulation within the field of corporate governance. The Code is the primary instrument for this.

2 Target group

As of 2008, the target group for the Code is all companies whose shares or depositary receipts are listed on a regulated market in Sweden. At present, there are two regulated markets in Sweden, Nasdaq Stockholm and NGM Equity.

The companies listed on these markets are of varying size and complexity, ranging from large, globally active companies to small entrepreneur-led companies. The Code is applicable to the full spectrum of these companies and their greatly differing circumstances. This places great demands on the Code to allow flexibility when applying individual rules in practice, but also on companies to dare to choose solutions other than those specified in the Code and to explain these deviations when they feel they are justified.

The Code may also be applied voluntarily by other listed and non-listed companies.

3 Guiding principles

The Board's mission is to ensure that the Swedish Corporate Governance Code fulfils the aims set out above. In concrete terms, this means that the Code is to

- provide a clear norm for good corporate governance in all stock exchange listed companies based on established and accepted principles,
- facilitate good corporate governance in listed companies without causing unnecessary administration or unjustifiable expense, and
- be sufficiently ambitious to provide an alternative to legislation in areas where self-regulation is preferable.

An additional stated goal is to ensure that the Code provides improved conditions for increased harmonisation of corporate governance in the Nordic countries.

When the Code was originally developed, the Code Group, the body which developed the Code, defined a number of guiding principles for its work. The Corporate Governance Board shares the values expressed by these principles, which result in a Code that aims to

- create good conditions for active and responsible ownership,
- safeguard a clear and well-balanced division of roles and responsibilities between owners, boards and executive management,
- ensure that the principle of equal treatment outlined in the Swedish Companies Act is applied in practice, and
- create as much transparency as possible towards shareholders, the capital markets and society in general.

4 The role of the Corporate Governance Board in Swedish self-regulation

The Corporate Governance Board's mission is to promote good corporate governance in companies listed in Sweden, primarily through managing and administering the Code. This means that the Board monitors and analyses the practical application of the Code and makes any changes deemed required on this basis. The Board is one of the threefour bodies that constitute the Association for Generally Accepted Principles in the Securities Market, a non-profit association set up by a number of organisations within the corporate sector to create a single structure for self-regulation within the field.

The Board's task in self-regulation is to set norms for good corporate governance in stock exchange listed companies. The Board does not, however, have a supervisory or adjudicatory role regarding how individual companies apply the Code. The Swedish Securities Council, whose role is to promote good practice on the securities market, may on request issue statementsrulings on how the Code should be interpreted. The task of monitoring and ensuring that companies apply the Code

in a satisfactory manner is a matter for the stock exchanges on which their shares or depositary receipts are traded. Unless the company's auditor has been asked to conduct a more detailed examination, the minimum requirement is that the auditor examine whether a corporate governance report has been produced and that certain information contained in the corporate governance report complies with that which appears in the rest of the company's annual report or, if the corporate governance report is a separate document from the annual report, that it complies with the annual report in its entirety. [The same applies to the company's sustainability reporting.](#) Judgements on the extent to which individual companies' decisions to comply with or deviate from the rules of the Code inspire confidence on the part of investors are in the hands of the actors in the capital markets.

5 The structure and content of the Code

The Code deals with the decision-making system through which shareholders directly or indirectly govern a company. The main emphasis is on boards of directors in their role as central players in corporate governance. As regards shareholders, the line is drawn at shareholders' meetings. Issues such as the interplay between owners and the rules and workings of the stock market are not covered, nor are issues regarding companies' relationships with other stakeholders than those that fall within the mission of the board to manage the company on behalf of the shareholders. ~~This is~~ [These issues are](#) felt to be beyond the framework of an owner-orientated view of corporate governance.

The Code forms part of the self-regulation of corporate sector. It defines a norm for good corporate governance at a more ambitious level than the minimums specified in the Companies Act and other statutory regulation. The key to this is the "comply or explain" mechanism. This means that companies are not obliged to comply with every rule in the Code at all times, but are allowed the freedom to choose alternative solutions which they feel are better suited to their particular circumstances, as long as they openly report every deviation, describe the alternative solution they have chosen and explain their reasons for doing so. In this way, the Code specifies what is often, but not necessarily always, regarded as good corporate governance practice. For individual companies, however, alternative solutions to those contained in the Code may well result in better corporate governance. One or more deviations from the Code does not therefore indicate poorer corporate governance. In many cases, explanations of non-compliance may show that the company has carefully considered its corporate governance processes and found the solutions it finds best in each case.

Most of the rules in the Code are formulated ~~so~~ [in such a way](#) as to allow non-compliance to be identified objectively and explained. For pedagogical reasons, the Code also contains certain rules for which compliance cannot be verified objectively and any non-compliance is therefore unlikely to be reported. This is stated in the text of these particular rules. Similarly, the Code contains some rules which to a greater or lesser extent can be regarded as logical consequences of legal or regulatory requirements. This does not mean, of course, that companies can choose to ignore provisions of legislation or mandatory stock exchange regulations by referring to the Code's comply or explain mechanism.

The actual Code consists of a set of numbered rules in section III. It is with regard to these rules that companies applying the Code must decide to comply or explain, (with the exception of the information requirements in chapter 10, where there is no acceptance of non-compliance by providing an explanation for those companies that apply the Code). To avoid uncertainty about the requirements, the terms "is to" or "may" are used throughout.

This revised Code comes into force on 1 ~~December 2016~~ [January 2020](#) and is applicable from that date.

[Code rule 10.3 is to be applied from 1 January 2020 until 31 December 2020 as follows:](#)

[10.3. The company is to have a section of its website devoted to corporate governance matters, where the company's ten most recent corporate governance reports are to be posted, together with that part of the audit report which deals with the corporate governance report or the auditor's written statement on the corporate governance report.](#)

[The corporate governance section of the website is to include the company's current articles of association, along with any other information required by the Code. It is also to include information regarding:](#)

- [• members of the board, the chief executive officer and the company auditor,](#)
- [• the company's instructions to the nomination committee, and](#)
- [• a description of the company's system for variable remuneration to senior executives and for any and all outstanding share and share price related incentive programmes.](#)

[The corporate governance section of the website is also to include a report on the results of the evaluation carried out in accordance with the second and third bullets in rule 9.1. This is to be posted on the website no later than three weeks before the annual general meeting.](#)

[Code rules 10.5 and 10.6 are applicable from the date of the company's first annual general meeting held after 31 December 2020.](#)

II. The Swedish corporate governance model

Corporate governance in Swedish stock exchange listed companies is regulated by a combination of written rules and generally accepted practices. The framework includes the Swedish Companies Act and the Swedish Annual Accounts Act, supported by the Swedish Code of Corporate Governance and the rules of the regulated markets on which shares are admitted to trading, as well as recommendations and statements from the Swedish Financial Reporting board ~~and statements, rulings~~ by the Swedish Securities Council on what constitutes good practice in the Swedish securities market [and the Council for Swedish Financial Reporting Supervision's review of the financial reports of Swedish listed companies](#).

The Companies Act contains general regulations about the organisation of companies. The Act specifies which governance bodies are to exist in a company, the tasks of each body and the responsibilities of the people in each of these positions. The Code complements the Act by placing higher demands on companies regarding certain matters, while simultaneously allowing them to deviate from rules in individual cases if it is deemed that this will lead to better corporate governance, ("comply or explain").

The Companies Act stipulates that companies must have three decision-making bodies in a hierarchical relationship to one another: the shareholders' meeting, the board of directors and the chief executive officer. There must also be a control body, the statutory auditor, which is appointed by the shareholders' meeting. See illustration.

ILLUSTRATION

1 The ownership role

The preparatory documents to the Swedish Companies Act emphasise the importance of active ownership. Shareholders provide the business sector with risk capital, but they also contribute to the efficiency and dynamism of individual companies and the business sector in general by buying and selling shares, as well as by participating in and exercising influence at shareholders' meetings. Active shareholder participation promotes a healthy balance of power between owners, the board and the executive management.

The shareholders set their own requirements for the companies in which they have invested. In recent years, increasing numbers of investors have come to regard issues such as sustainability, diversity and gender equality, as well as the views of their customers, their employees and society in general, as conditions for the commercial success of their companies.

Ownership structure on the Swedish stock market differs significantly from that in countries such as the United Kingdom or the United States. While the majority of listed companies in those countries have a very diverse ownership structure, ownership in Sweden is often concentrated to single or small numbers of major shareholders, as is the case in many other continental European countries. In around half of listed companies, these shareholders strengthen their positions further through holdings of shares with greater voting rights. They often play an active ownership role and take particular responsibility for the company, for example by sitting on the board of directors. A particular characteristic of Swedish corporate governance is the engagement of shareholders in the nomination processes for boards of directors and auditors, which they exercise through their participation in companies' nomination committees. Nomination committees are not regulated by the Companies Act, but by the Code. A Swedish nomination committee is not a sub-committee of the board, but a drafting body for the shareholders' meeting made up of members who are appointed by the company's owners.

Swedish society takes a positive view of major shareholders taking particular responsibility for companies by using seats on boards of directors to actively influence governance. At the same time, major holdings in companies must not be misused to the detriment of the company or the other shareholders. The Companies Act therefore contains a number of provisions which offer protection to minority shareholders, such as requiring qualified majorities for a range of decisions at shareholders' meetings.

2 The shareholders' meeting

The shareholders' meeting is a limited company's highest decision-making body and a forum for shareholders to exercise influence. The shareholders' meeting can decide on any company matter which does not expressly fall within the exclusive competence of another corporate body. In other words, the shareholders' meeting has a sovereign role over the board of directors and the chief executive officer.

Each shareholder has the right to participate in the shareholders' meeting and to vote according to the number of shares owned. Shareholders who are not able to attend in person may exercise their rights by proxy. Each shareholder also has the right to have items included on the agenda of the meeting, regardless of the number of shares held, providing a request has been submitted to the board of directors in sufficient time for the item to be included in the notice of meeting.

The annual general meeting¹ must be held within six months of the end of the financial year in order to decide on whether to

adopt the income statement and balance sheet and decide on the appropriation of profits or losses. The meeting also decides on discharge of liability for members of the board¹ and the chief executive officer, as well as other issues on which it is obliged by law or its articles of association to decide, such as the election of members of the board² and auditor. Board and auditor fees are also decided by the shareholders' meeting.

The board is to call an extraordinary general meeting if a shareholder minority representing at least ten per cent of the company's shares so requests. The same applies if the statutory auditor requests an extraordinary shareholders' meeting. The board may also call an extraordinary general meeting on its own initiative.

Decisions at shareholders' meetings are taken by vote, and each share carries one vote unless otherwise stated in the articles of association. If the articles of association stipulate that shares have differentiated voting rights, no share may carry voting rights that are more than ten times that of any other share.

Decisions at shareholders' meetings are made by simple majority of the votes cast. Certain decisions, however, such as changes to the articles of association, require a qualified majority. The shareholders' meeting may not make any decision that aims to give undue advantage to one shareholder or individual to the disadvantage of the company or any other shareholder.

3 The board of directors

The board is responsible for the company's organisation and the management of the company's business. The extensive decision-making authority assigned by law to the board of directors is primarily limited by the legal provisions giving the shareholders' meeting exclusive decision-making powers on certain matters, e.g. changes to the articles of association, election of board members and auditors and adoption of the balance sheet and income statement.

The board is obliged to follow any specific directives passed by the shareholders' meeting, providing these do not contravene the Swedish Companies Act or the company's articles of association.

The board may delegate tasks to individual members or non-members of the board, but may not disclaim liability for the company's organisation and management or its obligation to ensure satisfactory control of the company's financial position. When delegating, the board has an obligation to act responsibly and to monitor that such delegation can be maintained.

The board must specify its ways of working in written Rules of Procedure. If there is a division of tasks and responsibilities among the members of the board, e.g. if the board has a committee to prepare certain issues, such as an audit committee, this must be described in its rules of procedure. The board may also delegate decision making to such a committee, but it may not disclaim responsibility for decisions made on this basis.

The board must consist of no fewer than three members, one of which is to be appointed chair. The chair has particular responsibility for leading the work of the board and ensuring that it fulfils its legal obligations.

The Code stipulates that no more than one of the directors elected by the shareholders' meeting may be on the executive management team of the company or one of its subsidiaries. Normally, this place is taken by the chief executive officer. However, it is also common that no member of the executive management is a member of the board.

Hence boards of Swedish listed companies are composed entirely or predominantly of non-executive directors. The Code also states that a majority of the members of the board are to be independent of the company and its management. At least two members must also be independent of the company's major shareholders,³ which means that it is possible for major shareholders of Swedish companies to appoint a majority of members with whom they have close ties. This is in line with the positive view of active and responsible ownership expressed in the preparatory documents to the Swedish Companies Act.

4 The chief executive officer

The chief executive officer is responsible for the company's day-to-day management. Matters of an unusual nature or of exceptional importance due to their scope and the nature of the company's business are not considered part of the day-to-day management.

The chief executive officer must prepare and present issues that are outside the scope of day-to-day management to the board of directors. The board is to provide written instructions on when and how the required information is to be collected and reported to the board.

The chief executive officer is subordinate to the board of directors. The board may instruct the chief executive officer on how day-to-day management issues are to be handled or decided. Within the framework defined by the Swedish Companies Act and the company's articles of association, the chief executive officer is obliged to follow the instructions given by the board. The board itself may also decide on matters that are a part of day-to-day management.

The chief executive officer may be a member of the board but not its chair. Irrespective of whether the chief executive officer is a member of the board, he or she has the right to attend and speak at board meetings providing that the board does not decide otherwise in a particular circumstance.

5 The statutory auditor

The company's statutory auditor is appointed by the shareholders' meeting to examine the company's annual accounts and

accounting practices and to review the board's and the chief executive officer's management of the company. In the case of parent companies, the auditor is also to examine the consolidated accounts. Auditors of Swedish companies are therefore given their assignment by, and are obliged to report to, the owners, and they must not allow their work to be governed or influenced by the board or the executive management.

~~Auditors present their~~ [The auditor](#) reports to the owners at the annual general meeting in the annual audit report. The audit report must contain a statement on whether the annual report has been compiled in accordance with the relevant legislation. The statement is to specify whether the annual report provides an accurate picture of the company's results and position, and whether the director's report is consistent with the rest of the annual report. If the annual report does not include items that are required by the relevant legislation, the auditor must state this and, if possible, provide the necessary information in the audit report. Part of the auditor's assignment is to recommend whether the annual shareholders' meeting should adopt the balance sheet and income statement and whether the company's profit or loss should be appropriated in accordance with the proposals in the director's report.

The auditor is also obliged to report if any member of the board or the chief executive officer has carried out any action or committed any oversight that may result in liability for damages. The same applies if the auditor has found that any member of the board or the chief executive officer has acted in any other way that is in breach of the Companies Act, the relevant legislation on annual accounts or the company's articles of association.

III. Rules for corporate governance

It is considered good stock exchange practice for Swedish companies whose shares are admitted to trading on a Swedish regulated market to apply the Code.

Foreign companies whose shares or depositary receipts are admitted to trading on a regulated market in Sweden are required to apply the Code, the corporate governance code in force in the country where the company has its registered office or the code applicable in the country in which its shares are also listed in order to comply with good stock exchange practice.

A foreign company that does not apply the Code is to state which corporate governance code or corporate governance rules it applies and its reasons for doing so. It is also to report and explain the important aspects in which the company's ~~conduct~~ deviates from the Swedish Code. This explanation is to be provided in or adjacent to the company's corporate governance report or, if no such report exists, on the company's website.

Companies whose shares or depositary receipts are admitted to trading on a regulated market are to apply the Code from the date of their stock exchange listing.

The Code consists of a set of numbered rules. It is with these rules that companies applying the Code must comply or explain. Some sections of the Code have a short introductory text in italics. The aim of these introductory texts is to explain the principles or legislation behind the rules, but they are not part of the actual rules and there is therefore no requirement to comply with them or to report non-compliance. In addition, some of the rules are accompanied by footnotes. Similarly, the comments in these footnotes are not part of the rule text and therefore not subject to the comply or explain requirement.

Chapter 10 of the Code, Information on corporate governance ~~and~~, sustainability and remuneration, is however to be applied by all companies ~~covered by that apply~~ the Code. ~~These~~ Compliance with these rules ~~must be complied with~~ is mandatory, and no explanation of non-compliance is permitted.

1 The shareholders' meeting

Shareholders' influence in the company is exercised at the shareholders' meeting, which is the company's highest decision-making body. The planning and running of the shareholders' meeting ~~is~~ are to create conditions in which shareholders can exercise their ownership role in an active, well-informed manner.

- 1.1 As soon as the date and venue of the shareholders' meeting have been decided, and in the case of annual general meetings no later than in conjunction with the third quarter report, the information is to be posted on the company's website. This information is also to include the closing date for matters to be submitted by shareholders for inclusion in the notice of meeting.
- 1.2 The company chair and as many members of the board as are required for a quorum are to be present at shareholders' meetings. The chief executive officer is to attend.

At least one member of the company's nomination committee, at least one of the company's auditors and, if possible, each member of the board are to be present at the annual general meeting.
- 1.3 The company's nomination committee is to propose a chair for the annual general meeting. The proposal is to be presented in the notice of the meeting.
- 1.4 ~~If the ownership structure warrants it, and it is financially feasible given the financial situation of the company, the company is to offer simultaneous interpretation of the shareholders' meeting into other relevant languages than Swedish, as well as translation of all or parts of the meeting documentation. The same applies to the minutes of the meeting.~~
- 1.5 A shareholder, or a proxy representative of a shareholder, who is neither a member of the board nor an employee of the company is to be appointed to verify and sign the minutes of the shareholders' meeting.

2 The nomination committee

The election and remuneration of the board of directors and the auditor are to be prepared in a structured, clearly stated, shareholder-governed process which provides conditions for well-informed decision-making.

The sole task of the nomination committee is to propose decisions to the shareholders' meeting regarding electoral and remuneration issues and, where applicable, procedural issues for the next nomination committee. Regardless of how they are appointed, members of the nomination committee are to promote the common interests of all shareholders.

Committee members are not to reveal the content and details of nominations discussions unduly. Each member of the nomination committee is to consider carefully whether there is any conflict of interest or other circumstance that makes membership of the nomination committee inappropriate before accepting the assignment.

2.1 The company is to have a nomination committee.

The nomination committee is to propose candidates for the post of chair and other members of the board, as well as fees and other remuneration to each member of the board. In its assessment of the board's evaluation and in its proposals in accordance with rule 4.1, the nomination committee is to give particular consideration to the requirements regarding breadth and versatility on the board, as well as the requirement to strive for gender balance.

The nomination committee is also to present proposals on the election and remuneration of the statutory auditor. The nomination committee's proposal to the shareholders' meeting on the election of the auditor is to include the audit committee's recommendation (or that of the board of directors if it does not have an audit committee).⁴ If the proposal differs from the alternative preferred by the audit committee, the reasons for not following the committee's recommendation are to be stated in the proposal. The auditor or auditors proposed by the nomination committee must have participated in the audit committee's selection process if the company is obliged to have such a procedure.⁵

2.2 The shareholders' meeting is to appoint members of the nomination committee or to specify how they are to be appointed.

This decision is to include ~~procedures~~[a procedure](#) for replacing members of the nomination committee who leave before their work is concluded.

[The shareholders' meeting is to provide written instructions to the nomination committee.](#)⁶

2.3 The nomination committee is to have at least three members, one of whom is to be appointed committee chair.

The majority of the members of the nomination committee are to be independent of the company and its executive management.^{6z} Neither the chief executive officer nor other members of the executive management are to be members of the nomination committee.

At least one member of the nomination committee is to be independent of the company's largest shareholder in terms of votes or any group of shareholders who act in concert in the governance of the company.

2.4 Members of the board of directors may be members of the nomination committee but may not constitute a majority thereof. Neither the company chair nor any other member of the board may chair the nomination committee.

If more than one member of the board is on the nomination committee, no more than one of these may be dependent of a major shareholder in the company.^{7a}

2.5 The company is to announce the names of members of the nomination committee on its website no later than six months before the annual general meeting. If any committee member has been appointed by a particular owner, that owner's name is to be stated. If any member leaves the committee, this information is to be announced. If a new member is appointed to the nomination committee, the corresponding information about the new member is to be provided.

The website is also to provide information on how shareholders may submit recommendations to the nomination committee.

2.6 The nomination committee's proposals are to be presented in the notice of the shareholders' meeting where the elections of board members or auditors are to be held as well as on the company's website.

When the notice of the shareholders' meeting is issued, the nomination committee is to issue a statement on the company's website explaining its proposals regarding the board of directors with regard to the requirements concerning the composition of the board contained in Code rule 4.1. The committee is to provide specific explanation of its proposals with respect to the requirement to strive for gender balance contained in rule 4.1. If the outgoing chief executive officer is nominated for the post of chair, reasons for this proposal are also to be fully explained. The statement is also to include ~~an~~[an](#) account of how the nomination committee has conducted its work and, for certain companies,^{8a} a description of the diversity policy^{9a} applied by the nomination committee in its work.

The following information on candidates nominated for election or re-election to the board is to be posted on the company's website^{10a}:

- the candidate's year of birth, principal education and professional experience,
- any work performed for the company and other significant professional commitments,
- any holdings of shares and other financial instruments in the company owned by the candidate or the candidate's related natural or legal persons¹²,
- whether the nomination committee, in accordance with Code rules 4.4 and 4.5, deems the candidate to be independent of the company and its executive management, as well as of major shareholders in the company. Where circumstances exist that may call this independence into question, the nomination committee is to justify its position regarding candidates' independence,
- in the case of re-election, the year that the person was first elected to the board.

2.7 At a shareholders' meeting where the election of board members or auditors is to be held, the nomination committee is to present and explain its proposals with regard to the requirements concerning composition of the board contained in rule 4.1. The committee is to provide specific explanation of its proposals with respect to the requirement to strive for gender balance contained in rule 4.1.

3 The tasks of the board of directors

The board of directors is to manage the company's affairs in the interests of the company and all [its](#) shareholders [and to ensure and promote a good company culture.](#)

3.1 The principle tasks of the board of directors include

- ~~establishing the overall goals and strategy of the company,~~
- appointing, evaluating and, if necessary, dismissing the chief executive officer,
- establishing the overall goals and strategy of the company,
- identifying how sustainability issues impact risks to and business opportunities for the company,
- defining appropriate guidelines to govern the company's conduct in society, with the aim of ensuring its long-term value creation capability,
- ensuring that there is an appropriate system for follow-up and control of the company's operations and the risks to the company that are associated with its operations,
- ensuring that there is a satisfactory process for monitoring the company's compliance with laws and other regulations relevant to the company's operations, as well as the application of internal guidelines, and
- ensuring that the company's external communications are characterised by openness, and that they are accurate, reliable and relevant.

3.2 The board is to approve any significant assignments the chief executive officer has outside the company.

4 The size and composition of the board

The board is to have a size and composition that ~~enables it~~ensures its capacity to manage the company's affairs efficiently and with integrity.

- 4.1 The board is to have a composition appropriate to the company's operations, phase of development and other relevant circumstances. The board members elected by the shareholders' meeting are collectively to exhibit diversity and breadth of qualifications, experience and background. The company is to strive for gender balance on the board.
- 4.2 Deputies for directors elected by the shareholders' meeting are not to be appointed.
- 4.3 No more than one elected member of the board may be a member of the executive management of the company or a subsidiary.^{14,15}
- 4.4 The majority of the directors elected by the shareholders' meeting are to be independent of the company and its executive management.

A director's independence is to be determined by a general assessment of all factors that may give cause to question the individual's independence and integrity with regard to the company or its executive management. Factors that should be considered include^{12,14}:

- whether the individual is the chief executive officer or has been the chief executive officer of the company or a closely related company within the last five years,
- whether the individual is employed or has been employed by the company or a closely related company within the last three years,
- whether the individual receives a not insignificant remuneration for advice or other services beyond the remit of the board position from the company, a closely related company or a person in the executive management of the company,
- whether the individual has or has within the last year had a significant business relationship or other significant financial dealings with the company or a closely related company as a client, supplier or partner, either individually or as a member of the executive management, a member of the board or a major shareholder in a company with such a business relationship with the company,^{13,15}
- whether the individual is or has within the last three years been a partner at, or has as an employee participated in an audit of the company conducted by, the company's or a closely related company's current or then auditor,
- whether the individual is a member of the executive management of another company ~~if~~and a member of the board of that company is a member of the executive management of the company, or
- whether the individual has a close family relationship with a person in the executive management or with another person named in the points above ~~if~~and that person's direct or indirect business with the company is of such magnitude or significance as to justify the opinion that the board member is not to be regarded as independent.

A closely related company is defined in this context as another company ~~in~~ which ~~the company holds,~~is directly or indirectly, ~~at least ten per cent of the shares, ownership interest or votes, or a financial share that confers an entitlement of at least ten per cent of the yield. If the company owns more than 50 per cent of the shares, ownership interest or votes in another company, it is to be regarded as indirectly holding~~ a subsidiary or associate of the latter company's ownership in other companies.¹⁶

4.5 At least two of the members of the board who are independent of the company and its executive management are also to be independent in relation to the company's major shareholders.

In order to determine a board member's independence and integrity, the extent of the member's direct and indirect relationships with major shareholders is to be taken into consideration.^{14,17} A member of the board who is employed by or is a board member of a company which is a major shareholder is not to be regarded as independent.

In this context, a major shareholder is defined as controlling, directly or indirectly, at least ten per cent of the shares or votes in the company. If a company owns more than 50 per cent of the shares, ownership interest or votes in another

- company, the former is regarded as having indirect control of the latter company's ownership in other companies.
- 4.6 Nominees to positions on the board are to provide the nomination committee with sufficient information to enable an assessment of the candidate's independence as defined in 4.4 and 4.5.
- 4.7 Members of the board are to be appointed for a period extending no longer than to the end of the next annual general meeting.

5 The tasks of directors

Directors are to devote the necessary time and care, and to ensure they have the competence required, to effectively safeguard and promote the interests of the company and its owners. Each director is to act independently and with integrity in the interests of the company and all of its shareholders.

- 5.1 Each director is to form an independent opinion on each matter considered by the board and to request whatever information he or she believes necessary for the board to make well-founded decisions.
- 5.2 Each director is to acquire continuously the knowledge of the company's operations, organisation, markets etc. that is necessary to carry out the assignment.
- 5.3 Each director is responsible for committing the time required to carry out the work of the board in the context of the director's other assignments and commitments.

6 The chair of the board

The chair has a particular responsibility to ensure that the work of the board is well organised and conducted efficiently.

- 6.1 The chair of the board is to be elected by the shareholders' meeting. If the chair relinquishes the position during the mandate period, the board is to elect a chair from among its members to serve until a new chair has been elected by the shareholders' meeting.
- 6.2 If the chair of the board is an employee of the company or has duties assigned by the company in addition to his or her responsibilities as chair, the division of work and responsibilities between the chair and the chief executive officer is to be clearly stated in the board's statutory Rules of Procedure and its Instruction to the Chief Executive Officer.
- 6.3 The chair is to ensure that the work of the board is conducted efficiently and that the board fulfils its obligations. In particular, the chair is to
- organise and lead the work of the board to create the best possible conditions for the board's activities,
 - ensure that new board members receive the necessary introductory training, as well as any other training that the chair and member agree is appropriate,
 - ensure that the board regularly updates and develops its knowledge of the company,
 - be responsible for contacts with the shareholders regarding ownership issues and communicate shareholders' views to the board,
 - ensure that the board receives sufficient information and documentation to enable it to conduct its work,
 - in consultation with the chief executive officer, draw up proposed agendas for the board's meetings,
 - verify that the board's decisions are implemented, and
 - ensure that the work of the board is evaluated annually.

7 Board procedures

The formal procedures for the work of the board of directors are to be stipulated by the board. These procedures are to be clear and well documented. To enable the board to make well-founded decisions, the chief executive officer is to provide ~~the board~~ with the necessary background information and documentation for its work, both before and between board meetings.

~~7.1 The board is to review the relevance and appropriateness of its statutory Rules of Procedure, Instruction to the Chief Executive Officer and Reporting Instruction at least once a year.~~

~~7.2~~

- 7.1 If the board establishes special committees within the board to prepare its decisions on specific issues, its ~~Rules~~rules of ~~Procedure~~procedure are to specify the duties and decision-making powers that the board has delegated to these committees and how the committees are to report to the board. Committees are to keep minutes of their meetings and the minutes are to be made available to the board.
- 7.2 If the board has established an audit committee, the majority of the committee's members are to be independent in relation to the company and its executive management. At least one of the members who is independent in relation to the company and its executive management is also to be independent in relation to the company's major shareholders.¹⁸
- 7.3 The board is responsible for ensuring that the company has good internal controls.

The board is to ensure that the company has formalised routines to ensure that approved principles for financial reporting and internal controls are applied, and that the company's financial reports are produced in accordance with legislation, applicable accounting standards and other requirements for listed companies.

For companies that do not have a separate internal audit function, the board of directors is to evaluate the need for such a function annually and to explain its decision in its report on internal controls in the company's corporate governance report.⁴⁵¹⁹

- 7.4 The description of the company's internal controls included in the corporate governance report is also to include the board's measures for monitoring that the internal controls related to financial reports and reporting to the board function adequately.
- 7.5 At least once a year, the board is to meet the company's ~~statutory~~ auditor without the chief executive officer or any other member of the executive management present.
- 7.6 The board of directors is to ensure that the company's six- or nine-month report is reviewed by the ~~statutory~~company's auditor.

8 Evaluation of the board of directors and the chief executive officer

Regular and systematic evaluation forms the basis for assessment of the performance of the board and the chief executive officer and for the continuous development of their work.

- 8.1 The board of directors is to evaluate its work annually, using a systematic and structured process, with the aim of developing the board's working methods and efficiency. The results of this evaluation are to be reported to the nomination committee.

The corporate governance report is to state how the board evaluation was conducted and reported.

- 8.2 The board is to continuously evaluate the work of the chief executive officer. The board is to examine this issue formally at least once a year, and no member of the executive management is to be present during this evaluation process.

9 Remuneration⁴⁶ of the board and executive management⁴⁷

The company is to have formal and openly stated processes for deciding on remuneration of members of the board and the executive management.

Remuneration and other terms of employment or assignment of members of the board and the executive management are to be designed with the aim of ensuring that the company has access to the competence required at a cost appropriate to the company, and that they have the intended effects for the company's operations.

- 9.1 The board is to establish a remuneration committee, whose main tasks are to :
- prepare the board's decisions on issues concerning principles for remuneration, remunerations and other terms of employment for the executive management,
 - monitor and evaluate programmes for variable remuneration to the executive management, both ongoing programmes and those that have ended during the year, ~~for the executive management~~, and
 - monitor and evaluate the application of the guidelines for remuneration ~~of~~ to the board and executive management that the ~~annual general~~shareholders' meeting is legally obliged to establish⁴⁸²⁰, as well as the current remuneration structures and levels in the company.
- 9.2 The chair of the board may chair the remuneration committee. The other ~~share-holders~~shareholders' meeting-elected members of the committee are to be independent of the company and its executive management.⁴⁹²¹
- If the board considers it is more appropriate, the entire board may perform the remuneration committee's tasks, on condition that no board member who is also a member of the executive management participates in this work.
- 9.3 If the remuneration committee or the board uses the services of an external consultant, it is to ensure that there is no conflict of interest regarding other assignments this consultant may have for the company or its executive management.
- 9.4 Variable remuneration is to be linked to predetermined and measurable performance criteria²⁰²² aimed at promoting the company's long-term value creation.
- 9.5 Variable remuneration paid in cash is to be subject to predetermined limits regarding the total outcome.²⁴²³
- 9.6 The shareholders' meeting is to decide on all share and share-price related incentive ~~schemes~~programmes for the executive management. The decision of the ~~share-holders~~shareholders' meeting is to include all the principle conditions of the ~~scheme~~programme.²²²⁴
- 9.7 Share and share-price related incentive programmes are to be designed with the aim of achieving increased alignment between the interests of the participating individual and those of the company's shareholders. The vesting period or the period from the commencement of an agreement to the date for acquisition of shares is to be no less than three years.
- Programmes that involve acquisition of shares are to be designed so that a personal holding of shares in the company is promoted.
- Programmes designed for board members are to be devised by the company's owners and to promote long-term ownership of shares.²³²⁵
- 9.8 Fixed salary during a period of notice and severance pay are together not to exceed an amount equivalent to the individual's fixed salary for two years.
- 9.9 Guidelines regarding remuneration to the board and executive management are also to cover salary and other remuneration to other members of the executive management.²⁶

10 Information on corporate governance ~~and~~ sustainability²⁴ and remuneration²⁷

The board of directors is to inform the shareholders and the capital market annually regarding corporate governance functions in the company and how the company applies the ~~Swedish Corporate Governance Code~~. This information is to be published in a corporate governance report^{25,28} and on the company's website. The corporate governance report should focus on company-specific conditions and need not duplicate the content of existing legislation or other regulation.

The boards of certain companies are to provide annually, in a sustainability report ~~and~~ made available on the company's website, the information to shareholders and the capital market on sustainability issues that is necessary for an understanding of the company's development, position and results, as well as the environmental impact of its operations.^{26,29}

The remuneration report that is to be presented annually to the annual general meeting for approval is to be made available on the company's website.³⁰

10.1 In its corporate governance report, the company is to state clearly

- which Code rules it has not complied with,
- explain the reasons for each case of non-compliance and
- describe the solutions it has adopted instead.

10.2 As well as the items stipulated by legislation,^{27,31} the following information is to be included in the corporate governance report if it is not presented in the annual report:

- the composition of the company's nomination committee. If any member of the committee has been appointed by a particular owner, the name of this owner is also to be stated,
- the information on each member of the board that is required by the third paragraph of Code rule 2.6,
- the division of work duties among members of the board and how the work of the board was conducted during the most recent financial year, including the number of board meetings held and each member's attendance at board meetings,
- the composition, tasks and decision-making authority of any board committees, and each member's attendance at the respective committee's meetings,
- how board evaluation²⁸ ~~is~~ was conducted and reported,
- a description of internal controls in accordance with paragraph 3 of rule 7.3 and with rule 7.4,
- for the chief executive officer:
 - year of birth, principal education and work experience,
 - significant professional commitments outside the company, and
 - holdings of shares and other financial instruments in the company or similar holdings by related natural or legal persons³³, as well as significant shareholdings and partnerships in enterprises with which the company has important business relations, and
- any infringement of the stock exchange rules applicable to the company, or any breach of good practice on the securities market reported by the relevant exchange's disciplinary committee or the Swedish Securities Council during the most recent financial year.

10.3 The company is to have a section of its website devoted to corporate governance matters, where the company's ten most recent corporate governance reports are to be posted, together with that part of the audit report which deals with the corporate governance report or the auditor's written statement on the corporate governance report^{29,34}.

The corporate governance section of the website is to include the company's current articles of association, along with any other information required by the Code.^{30,35} It is also to include information regarding:

- members of the board, the chief executive officer and the statutory company auditor,^{34,36} and
- ~~a description of the company's system of variable remuneration to the board and executive management, and of each outstanding share and share-price related incentive scheme.~~
- ~~The board is also to publish the results of the evaluation required by points two and three of Code rule 9.1 in the corporate governance section of the company's website no later than three weeks before the annual general meeting.~~ the company's instructions to the nomination committee.³⁷

10.4 Companies which are legally required to publish a sustainability report ~~or~~ and companies which ~~without being subject to this requirement~~ voluntarily publish such a report are to make available on their websites the ten most recent years' sustainability reports, along with that part of the auditor's report which covers the sustainability report or the auditor's written statement on the sustainability report.^{32,38}

The remuneration report is to contain a reference to where in the company's annual report the information required by chapter 5, sections 40-44 of the Annual Accounts Act (1995:1554) is to be found.

The remuneration report is to contain a summary description of each outstanding share and share-price related incentive programme and any such programme that was completed during the year.

- ¹ The annual general meeting is the ordinary general meeting where the annual accounts are to be presented.
- ² The Companies Act states that the members who receive the most votes are regarded as elected. This means that there is no majority requirement, and that a vote against has the same weight as an abstention. A common misunderstanding is that the Board must be elected as a single unit at the shareholders' meeting. Even if there is only one proposal presented, the Companies Act gives each shareholder the right to propose its own candidates and to demand a vote on each of the proposed candidates. The latter also applies to discharge of liability, which under the Companies Act is determined individually for each member of the board and the chief executive officer.
- ³ Major shareholders are defined as those controlling ten per cent or more of the shares or votes in the company.
- ⁴ This rule corresponds to the requirements regarding the board's proposal for the post of auditor if the company does not have a nomination committee, see article 16.5 of the European Parliament and Council Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public interest entities and repealing Commission Decision 2005/909/EC, in its original version.
- ⁵ Those companies which according to their latest annual or consolidated accounts fulfil at least two of the following three criteria: an average number of employees during the financial year of less than 250; a total balance sheet not exceeding EUR 43 million; and an annual net turnover not exceeding EUR 50 million. Also, listed companies that have an average market capitalization of less than EUR 100 million based on the closing price for the previous three calendar years are exempted from the requirement that the auditor or auditors proposed must have participated in the audit committee selection process.
- ⁶ [The instructions, which do not need to be approved annually, may form part of the shareholders' meeting's decision to appoint members or comprise a separate document. The instructions may permit the nomination committee to incur costs for the company for the work of the committee.](#)
- ⁷ For assessment of independence with regard to the company and its management, see 4.4.
- ⁷⁻⁸ For assessment of independence with regard to the company's major shareholders, see 4.5.
- ⁸⁻⁹ [The diversity policy requirement applies](#) to listed companies which fulfil more than one of the requirements stated in chapter 6, section 10, paragraph 1, points 1-3 of the Annual Accounts Act (1995:1554).
- ⁹⁻¹⁰ The diversity policy may consist of Code rule 4.1.
- ¹⁰⁻¹¹ If a board member is nominated by a party other than the nomination committee, the nominating party is to submit the required information to the company, including the nominating party's assessment of the nominee's independence with regard to the company, its management and major shareholders in the company.
- ¹¹
- ¹² [The company itself chooses how to define a related party in the light of the purpose of the provision to clarify the board member's influence on and financial exposure to the company.](#)
- ¹³ The chief executive officer and an executive chair of the board may thus not both be members of the board if the latter is also a member of the company's executive management. A member of the board may, however, be employed and receive remuneration from the company without being a member of the executive management, e.g. a member of the board who is honorary chair of the board or who acts as an "ambassador" for the company or similar.
- ¹³⁻¹⁴ The results of the nomination committee's deliberations are to be reported in accordance with the fourth bullet of the third paragraph in 2.6.
- ¹⁴⁻¹⁵ This point is not to be regarded as applicable to a normal business relationship as a customer of a bank.
- ¹⁴
- ¹⁶ [An associated company is a company over which the company has a significant influence. Such influence is normally considered to be held if a party has a shareholding of at least 20 per cent of the votes in the company. See chapter 1, sections 5 and 8 \(final paragraph\) of the Annual Accounts Act \(1995:1554\).](#)
- ¹⁷ The results of the nomination committee's deliberations are to be reported in accordance with the fourth bullet of the third paragraph in 2.6.
- ¹⁵
- ¹⁸ [Provisions regarding the establishment of an audit committee and the tasks of an audit committee are found in chapter 8, sections 49 a-b of the Companies Act \(2005:551\). Chapter 8, section 49 a of the Companies Act states that the members of the committee may not be employed by the company, and at least one member must have accounting or auditing skills. For assessment of independence, see 4.4 and 4.5.](#)
- ¹⁹ The inclusion in the company's corporate governance report of a report on internal controls and risk -management in connection with financial reporting is a requirement stipulated in chapter 6, section 6, paragraph 2, bullet 2 of the Annual Accounts Act (1995:1554).
- ¹⁶ ~~For the purposes of this chapter, remuneration is defined as (i) fixed salaries and fees, (ii) variable remuneration, including share and share-price related incentive programmes, (iii) pension schemes, and (iv) other financial benefits.~~
- ¹⁷ ~~The term "board and the executive management" refers to individuals whose compensation and benefits are to be reported separately by the company according to chapter 5, section 20, paragraphs 1 and 3 of the Annual Accounts Act, (1995:1554), i.e. members of the board, the chief executive officer and each member of the company's executive management. The term executive management refers to this same group of people with the exception of members of the board.~~
- ¹⁸
- ²⁰ The stipulation that the ~~annual general~~^{shareholders'} meeting is to establish guidelines for executive remuneration is ~~to be~~ found in chapter 7, section 61 of the Swedish Companies Act (2005:551). The guidelines are to contain the criteria stated in chapter 8, ~~section 51, paragraph 1 and section 52, paragraph 1 of the Act, where it is stated specifically that the guidelines are not to cover fees and other remuneration for board work~~^{sections 51-53 of the Act}.
- ¹⁹⁻²¹ For assessment of independence with regard to the company and its executive management, see 4.4.
- ²⁰⁻²² The criteria may be of different kinds, including own investment, e.g. through participation in a share savings programme. The term measurable is used to indicate that it should be possible to evaluate to what extent the criteria have been fulfilled.
- ²¹⁻²³ Such limits do not need to be specified as cash amounts, but may also be defined in other ways.
- ²²⁻²⁴ Issues such as decision-making processes and what type of information and documentation is required to make decisions on share and share-price related incentive programmes are also regulated by mandatory rules in Chapter 16 of the Companies Act and by ~~statements from~~^{rulings made by} the Swedish Securities Council, primarily ~~Statement~~^{Ruling} AMN 2002:1.
- ²³⁻²⁵ That board members who are not also employees of the company are not to participate in programmes designed for the executive management or other employees is a result of Swedish Securities Council ~~Statement~~^{Ruling} AMN 2002:1.
- ²⁴
- ²⁶ [Chapter 8, section 51 of the Swedish Companies Act \(2005:551\) states that the board of directors is to draw up a proposal to the annual general meeting regarding guidelines for salary and other remuneration to the members of the board of directors, the chief executive officer and the deputy chief executive officer.](#)
- ²⁷ The rules in Chapter 10 of the Code are to be complied with by all companies that apply the Code. No deviation with accompanying explanation is permitted with regard to these rules.
- ²⁵⁻²⁸ The requirement to produce a corporate governance report is stipulated in chapter 6, sections 6-9 of the Annual Accounts Act (1995:1554).
- ²⁶⁻²⁹ The requirement to publish a sustainability report, and which companies are required to do so, is contained in chapter 6, sections 10-14 and in chapter 7, sections 31a-31c of the Annual Accounts Act (1995:1554).

²⁷

³⁰ [The requirements regarding submission of a remuneration report for approval by the annual general meeting, the content of the report and making it available on the company's website are found in chapter 7, section 62 and chapter 8, section 53 a of the Companies Act \(2005:551\).](#)

³¹ The information to be included in the corporate governance report is stipulated in chapter 6, section 6 of the Annual Accounts Act (1995:1554).

³⁸⁻³² See rule 8.1.

³⁹

³³ [See footnote 12](#)

³⁴ The requirement for an auditor review of the corporate governance report if it is included in the director's report or of the information that is otherwise found in the company's or group's director's report is ~~stipu-lated~~[stipulated](#) in chapter 9, section 31 of the Companies Act (2005:551). The requirement for auditor review if the ~~cor-porate~~[corporate](#) governance report is published separately from the annual report is stipulated in chapter 6, section 9 of the Annual Accounts Act (1995:1554).

³⁰⁻³⁵ See 1.1, 2.5 and 2.6.

³⁴⁻³⁶ See the second and seventh points in the first paragraph of rule 10.2 regarding information on members of the board and the chief executive officer.

³²

³⁷ [If the instructions to the nomination committee are only to be found in the minutes of the annual general meeting, the information may state this.](#)

³⁸ The requirement concerning auditor review of the sustainability report if it is included in the management report is contained in chapter 9, sections 31 and 38 of the Companies Act (2005:551). The requirement concerning auditor review if the sustainability report is published separately from the annual report is contained in chapter 6, section 14 and chapter 7, section 31c of the Annual Accounts Act (1995:1554).