

Stockholm, 17 November 2022

To: Institutional Shareholder Services ISS

Sent via email to policy@issgovernance.com

Comments on ISS's Proposed Benchmark Policy Changes for 2023

Comments by the Swedish Corporate Governance Board

The Swedish Corporate Governance Board (the "CG Board") is a self-regulatory body on the Swedish Securities Market, since 2004 responsible for the Swedish Corporate Governance Code. For further information, see https://www.bolagsstyrning.se/_3701.

Even if the last response date passed yesterday, the CG Board hereby expresses its strong opposition regarding including the proposed section *XV. Accountability for Capital Structure with Unequal Voting Rights*, in the ISS Benchmark Policy. The aim of the rule, to remove differences in voting rights, has proven both in theory and practice to be counterproductive and harmful for the economy, and is also contrary to the current European trend to allow and rather encourage shares with different voting rights.¹ We enclose the 2007 EU Commission commissioned Sherman&Sterling Study regarding proportionality between ownership and control in EU listed companies, as well a recent article from the Journal of Corporate Law Studies regarding London Allowing dual class Premium listings: A Swedish comment, as examples to further underline our view.

The tool proposed by ISS to create change – to open up for law suits for damages towards individual board members by voting against discharge, because the company has shares with different voting rights – is not good governance, but rather amounts to a form of blackmailing. To vote against the company's nomination committee proposal for the best candidates to the Board of Directors, based on the different voting rights criteria, will not only harm listed companies but also the entire investor community as it would have a material negative impact on the listed companies' ability to attract experienced and knowledgeable directors.

We sincerely hope that ISS, as a very influential corporate governance body, rethinks its position in this area.

Björn Kristiansson
Executive member
The Swedish Corporate Governance Board

¹ See for example https://finance.ec.europa.eu/regulation-and-supervision/consultations/finance-2021-listing-act-targeted_en.