



The Swedish Corporate Governance Board issues a new instruction

On 17 June 2016, two revisions to the Swedish Corporate Governance Code (“the Code”) will come into force. The revisions will occur through Instruction 1 – 2016.

The EU Audit Package, which comprises a regulation on auditors and audits (Auditor Regulation)¹ and a directive² amending the 2006 Auditor Directive, which comes into force and is to be implemented in Swedish law on 17 June 2016, mean certain minor amendments to the Code rules concerning the work of nomination committees and audit committees are required.

Election of auditors

The Code states that the nomination committee is to propose a candidate or candidates to the post of auditor. The Auditor Regulation places this task in the hands of audit committees, and in certain cases required the proposal to be preceded by a procurement process. The Auditor Regulation also states, however, that Member States may permit companies' nomination committees to perform the tasks of the audit committee in this matter. The possibility for those companies that wish to continue to allow the nomination committee express its opinion on the issue of the appointment of the auditor and submit its proposal to the shareholders' meeting will therefore be introduced into Swedish law.

According to the Auditor Regulation, the board of directors' proposal to the shareholders' meeting on the election of statutory auditors or audit firms is to contain the recommendation and preference of the audit committee, (or that of the board if it has not appointed an audit committee). 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 recommended by the Board must, however, have participated in the selection procedure described in the Auditor Regulation. Some public-interest entities, however, are not required to apply the procurement procedure the Regulation prescribes.

The Code rule on election of auditors has therefore been supplemented by provisions equivalent to the requirements placed by the Auditor Regulation on boards' proposals for the position of auditor in cases where the company does not have a nomination committee. Those (smaller) companies which are not obliged by the Auditor Regulation to apply the tender procedure are exempted from the obligation to propose auditors who have participated in such a procedure.

Composition of the audit committee

The audit package regulates the audit committee and its tasks in law. As such, the second paragraph of Code rule on audit committees is now redundant and has been removed.

¹ Regulation (EU) no 537/2014 of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC

² Directive 2014/56/EU of the European Parliament and of the Council amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts

The full text of the Instruction is available at www.bolagsstyrning.se

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