



The European Commission's discussion paper regarding guidelines on the presentation of the remuneration report

With reference to the European Commission's discussion paper for the CG-Tech Expert Group (the "Expert Group") regarding guidelines on the presentation of the remuneration report (the "Guidelines") pursuant to Directive 2017/828 (the "Directive"), the Swedish Corporate Governance Board (the "Governance Board") would like to raise the following principal comments.

The purpose of the remuneration report is to give the shareholders the necessary tools to monitor the implementation of the remuneration policy by providing an overview of the remuneration actually paid or awarded. Remuneration policies will naturally differ to a great extent depending on the characteristics of each individual company and the relevant member state of incorporation in terms of governance structure, remuneration practices, business segment, maturity level etc. The reporting requirements in respect of the remuneration policies should be set at a high level in order to be able to adequately reflect these differences. In the opinion of the Governance Board, it is therefore important to clearly signal that the guidelines are non-binding. By applying a comply-or-explain logic to the Guidelines, there is a significant risk that they will in practice become drivers for the companies, and that the reports will become generic and fail to provide information that is relevant and useful in relation to each individual company.

Providing guidance that is too detailed in respect of the reporting in relation to the remuneration policy may further counteract the purpose of the regulation, e.g. in the following ways:

- By enabling comparison in respect of the exact details of the remuneration (rather than remuneration levels), there is a risk that, instead of providing a declaration of compliance with the remuneration policy, the remuneration report becomes a driver of executive pay in listed companies. The shareholders' legitimate interest of having knowledge about the remuneration levels of the company in which they are invested must be carefully weighed against the interest of the company (and indirectly the shareholders) to maintain a reasonable level of confidentiality about the details of its remuneration practices and to be able to attract and retain employees at a reasonable cost.
- By providing too detailed a reporting format, there is a risk that the Guidelines lead to increased harmonization of the remuneration structures of listed companies within the European Union, contrary to the underlying intention to respect the diversity of corporate governance systems as expressed in recital 28 of the Directive. Furthermore, there is a risk that the Guidelines will open up for different interpretations, or even attempts to circumvent them, as the Guidelines will not be able to adequately reflect or cover all conceivable remuneration components.

To fulfil the desired purpose of facilitating relevant, useful and comparable disclosure of remuneration, the Guidelines should be focused on the overall levels of remuneration. Overly detailed and prescriptive information requirements should be avoided to the extent possible.

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THE SWEDISH CORPORATE GOVERNANCE BOARD

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