

FOREWORD

<p>This revised Swedish Corporate Governance Code is applicable from 1 [November] 2015. [Transitional rules have been introduced in some areas to the effect that some of the changes do not need to be applied until a later date.]</p> <p>The most recent revision of the Code took place in 2009, and the current version came into force on 1 February 2010. In view of the time that has elapsed since the last review was conducted, the Swedish Corporate Governance Board arranged in 2013 a series of several round table discussions, ran an open process to submit proposals for discussion and organised a high-level Symposium to identify the need for changes to Code rules. The general conclusion following these activities was that the Code works well on the whole, and that major changes are not required, but there is reason to examine some of the details.</p> <p>A further reason for the revision is the European Commission's ongoing work in the field of corporate governance, which has resulted in a number of regulatory proposals, primarily:</p> <ul style="list-style-type: none"> • The European Commission's recommendation on the quality of corporate reporting ("comply or explain"), • An updated shareholder rights directive, • The directive on non-financial information, and • The directive and regulation on auditors and audits. <p>Of the above EU initiatives, the recommendation on comply or explain has been taken into account in this consultation version. An adaptation of the Code to other EU rules must take place as soon as they have been implemented.</p> <p>Since 2011, the Corporate Governance Board has issued four instructions, which are to be implemented in the Code. The most recent of these, regarding the composition of boards etc, did not come into force until 1 January 2015. The Code also needs to be updated in the light of the changes that have occurred in the stock exchanges' regulations.</p> <p>A draft revised Code was published for open consultation on 5 June 2015, and [??] responses were submitted. The Board then compiled and analysed the responses and, on this basis, adopted the revised Code, which was published on the Board's website on [30] September 2015. The comments and proposals received were of great help in this work.</p> <p>On behalf of the Board, I would like to thank everyone who contributed to the production of the revised Code.</p>	<p><i>Currently, there does not seem to be a need for any transitional rules.</i></p> <p><i>The directive on non-financial information is to be implemented no later than 1 July 2016, while the regulation on auditors and audits is applicable from 17 June 2016, by which time much of the directive is to have been implemented. The updated shareholder rights directive is still being negotiated within the EU. Therefore, these regulations and directives do not require any changes to the Code at this point. They are, however, likely to require new amendments in 2016.</i></p>
<p>Stockholm, September 2015</p>	<p><i>The changes need to be issued by the Board no later than 30 September 2015 and come into force on 1 November 2015. (At least one month's notice is required.)</i></p>
<p>Arne Karlsson Chair, The Swedish Corporate Governance Board</p>	

<p>I. THE SWEDISH CORPORATE GOVERNANCE CODE</p>	
<p>1. Aims</p>	
<p>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 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.</p> <p>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.</p> <p>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 sees the Code as the primary instrument for this.</p>	<p><i>Introduction of Board Instruction 1-2014.</i></p>
<p>2. Target group</p>	
<p>As of 2008, the target group for the Code is all Swedish 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.</p> <p>The companies listed on these markets are of varying size and complexity, ranging from large, globally active companies to small entrepreneur-run companies. The Code is applicable to the full spectrum of these companies. 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.</p>	<p><i>The target group was amended in 2008.</i></p>
<p>The Code may also be applied voluntarily by other listed and non-listed companies.</p>	<p><i>Today, many owners, e.g. the state, demand that the companies in which they own shares apply relevant parts of the Code. Companies themselves should also be able to choose to apply the Code</i></p>
<p>3. Guiding principles</p>	
<p>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 should</p> <ul style="list-style-type: none"> • provide a clear norm for good corporate governance in Swedish listed companies based on established and accepted principles, • facilitate good corporate governance in all stock exchange listed companies without causing unnecessary administration or unjustifiable expense, and • be sufficiently ambitious to provide an alternative to legislation on issues where self-regulation is preferable. 	<p><i>Revised order and changes to show more clearly the purpose of the Code</i></p>

<p>A further mission is to ensure that the Code provides improved conditions for increased harmonisation of corporate governance in the Nordic countries.</p>	<p><i>Against the background of the initiatives to clarify the Nordic corporate governance model, with the aim adding weight to the Nordic position within the EU</i></p>
<p>When the Code was originally developed, the Code Group, the body that 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</p> <ul style="list-style-type: none"> • create good conditions for active and responsible ownership, • establish 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 a maximum of transparency towards shareholders, the capital markets and society in general. 	
<p>4 The role of the Corporate Governance Board in Swedish self-regulation</p>	
<p>The Corporate Governance Board's mission is to promote good corporate governance in Swedish listed companies, primarily through managing and administrating 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 three bodies that constitute the Association for Generally Accepted Principles in the Securities Market, a non-profit association charged with the mission to administer the private business sector's self-regulation within the securities market.</p> <p>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 statements on how the Code should be interpreted. The task of monitoring and ensuring that companies apply the Code adequately falls to the companies' auditors and the stock exchanges on which their shares or depositary receipts are traded. Judgements on companies' decisions to comply with or deviate from the rules of the Code, however, are made by the actors in the capital markets.</p>	<p><i>Clarification of what already applies.</i></p>
<p>5 The Structure and content of the Code</p>	
<p>The Code deals with the decision-making system through which shareholders directly or indirectly govern the company. The main emphasis is on company boards in their role as central players in corporate governance.</p> <p>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, other than those that fall within the mission of the board to manager the company on behalf of the shareholders. This is felt to be beyond the framework of an owner-orientated view of corporate governance.</p>	
<p>The Code forms part of corporate Sweden's self-regulation.</p>	<p><i>The deleted text is to be found in the preamble to section II</i></p>
<p>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</p>	<p><i>The change explains that deviations that are reported and explained are completely in line with the Code and</i></p>

<p>means that companies are not obliged to comply with every rule in the Code, but are allowed the freedom to choose alternative solutions which they feel are better in their particular circumstances, providing they report every deviation, describe the alternative solution and explain the reasons why. 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 solutions it finds best in each case.</p>	<p><i>may indicate as good or better corporate governance.</i></p>
<p>Most of the rules in the Code are formulated so 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 rules. Similarly, it contains some rules which to a greater or lesser extent can be considered logical consequences of legal or regulatory requirements, which is also stated in the rule text. Obviously, this does not mean that companies can choose to ignore mandatory provisions of legislation or stock exchange regulations by referring to the Code's comply or explain mechanism.</p>	
<p>The Code consists of a set of numbered rules in section III. It is with these rules that companies applying the Code must 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" and "may" are used throughout.</p>	<p><i>See section III, chapter 10.</i></p>
	<p>6 Which companies are to apply the Code? has been moved to <i>the Code text, (the preamble to section III).</i></p>

<p>II. THE SWEDISH CORPORATE GOVERNANCE MODEL</p>	
<p>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 by the Swedish Securities Council on what constitutes good practice in the Swedish securities market.</p>	
<p>The Companies Act contains general regulations about the governance of the company. The Act specifies which governance bodies must 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 on certain issues, 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").</p>	
<p>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 controlling body, the statutory auditor, which is appointed by the shareholders' meeting. See illustration.</p>	
<p>ILLUSTRATION</p>	
<p>1 The ownership role</p>	
<p>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.</p>	
<p>The shareholders set their own requirements for the companies for which they have ownership responsibility. 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.</p>	<p><i>Insertion of Board instruction 1-2014.</i></p>
<p>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 continental European countries. These shareholders 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 through the Companies Act, but through 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.</p>	<p><i>To emphasise the Swedish nomination committee.</i></p>
<p>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.</p>	

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 Swedish shareholders' meeting can decide on any company issue 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 in the agenda of the meeting, regardless of the number of shares held, providing a request has been submitted to the board of directors in due time for the item to be included in the notice of meeting.	
The annual general meeting ¹ 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 board 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 board ² and auditor. Board and auditor fees are also decided by the shareholders' meeting.	<i>The new footnote is designed to inform primarily foreign shareholders about a common misunderstanding.</i>
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 shareholders' meeting on its own initiative.	
Decisions at shareholders' meetings are taken by simple majority vote. Certain decisions, however, such as changes to the articles of association, require a qualified majority. 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.	
A 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 the 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 auditor 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 between the members of the	

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.

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 as 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.	<i>This section may need to be amended following the implementation of the directive on auditors and audits.</i>
Auditors present their 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	

³ Major shareholders are defined as those controlling ten per cent or more of the shares or votes in the company.

<p>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.</p>	
<p>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.</p>	

<p>III. RULES FOR CORPORATE GOVERNANCE</p>	
<p>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.</p> <p>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 have their primary listing in order to comply with good stock exchange practice.</p> <p>A foreign company that does not apply the Code is to issue a statement on the important aspects in which the company's conduct deviates from the Swedish Code and its reasons for doing so. The statement 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.</p> <p>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.</p> <p>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; 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 also not subject to the comply or explain mechanism.</p> <p>Chapter 10 of the Code, Information on corporate governance, is however to be applied by all companies covered by the Code. These rules must be complied with and no explanation of non-compliance is permitted.</p>	<p><i>Information on which companies are to apply the Code has been moved here from section I</i></p> <p><i>Inclusion of Board Instruction 2-2010 with some small adjustments</i></p> <p><i>Comment on the proposed changes:</i></p> <ul style="list-style-type: none"> - <i>The Code is only to be applied by companies whose shares or depositary receipts are admitted for trade on a Swedish regulated market.</i> - <i>Foreign companies which apply a corporate governance code other than the Swedish Corporate Governance Code are to state which code they apply and report this on the company website if they do not produce a corporate governance report.</i> <p><i>A company which is listed on the stock exchange is to apply the Code from the date of its listing, not from the date of the first annual general meeting, which was previously the case. The Code does not, however, require the company to have applied the Code before its listing, which means, for example, that necessary shareholders' meetings decisions can be made after the date of the listing.</i></p>
<p>6 The shareholders' meeting</p>	
<p><i>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 to create conditions in which shareholders can exercise their ownership role in an active, well-informed manner.</i></p>	
<p>6.1 As soon as the date and venue of the shareholders' meeting have been decided, and no later than in conjunction with the third quarter report, the information is to be posted on the company's website. This</p>	<p><i>The time of the meeting does not need to be stated</i></p>

	information is also to include the closing date for issues to be submitted by shareholders for inclusion in the notice of meeting.	
		<i>Previous rule 1.2 is not concrete enough for it to be tested objectively, and can also be regarded as being covered in the introduction to the chapter.</i>
6.2	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.	<i>Although "if possible" is impossible to test objectively, this rule is so important that it should not be amended.</i>
6.3	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.	
6.4	If the ownership structure warrants it, and it is financially feasible, 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.	<i>The first sentence in the original rule emanates from the Companies Act and therefore is part of existing legislation that does not require repetition in the Code. The rule in the final sentence has been moved here – see comment at previous rule 1.7 below.</i>
6.5	A shareholder, or a representative of a shareholder, who is neither a member of the board nor an employee of the company is to be appointed to verify the minutes of the shareholders' meeting.	
7	Appointment and remuneration of the board and statutory auditor	<i>The first sentence has been removed as a result of Board Instruction 3-2010 (and the requirement has been inserted into the Companies Act). The second sentence has been moved and now forms a new final sentence in proposed rule 1.4.</i>
	<i>The shareholders' meeting's decisions on election and remuneration of the board of directors and auditor are to be prepared in a structured, clearly stated process governed by the shareholders that provides conditions for well-informed decision-making.</i>	
	<i>The sole task of the nomination committee is to propose decisions to the shareholders' meeting on electoral and remuneration issues and, where applicable, procedural issues for the appointment of the following year's nomination committee. Regardless of how they are appointed, members of the nomination committee are to promote the common interests of all shareholders. 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 a conflict of interest before accepting the assignment.</i>	<i>The new final sentence is intended to ensure that members of the nomination committee are to consider whether they can act in the best interests of the company, for example if they hold positions in competing companies.</i>
7.1	The company is to have a nomination committee.	
	The nomination committee is to propose candidates for the post of chair	<i>Insertion of Board Instruction 1-2014.</i>

	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 make proposals on the election and remuneration of the statutory auditor.	
7.2	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 for replacing members of the nomination committee who leave before its work is concluded.	
7.3	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. ⁴ Neither the chief executive officer nor other members of the executive management are to be members of the nomination committee.	
7.4	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 that act in concert in the governance of the company.	
7.5	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. ⁵]	<i>The aim of this rule is to place restrictions on a major shareholder who nominates more than one board representative appointed by the major shareholder. It is technically complex and can be regarded of having limited benefit, and the Board therefore seeks opinions on whether it should be removed.</i>
7.6	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 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 published. 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.	
7.7	The nomination committee's proposals are to be presented in the notice of a shareholders' meeting where the election of board members or auditor is to be held and 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	<i>Insertion of Board Instruction 1-2014.</i> <i>The new final sentence shifts the requirement to report on the work of the nomination committee from the</i>

⁴ For assessment of independence with regard to the company and its management, see 4.4.

⁵ For criteria for assessing independence with regard to the company's major shareholders, see 4.5.

<p>for this proposal are also to be fully explained. The statement is also to include an account of how the nomination committee has conducted its work.</p>	<p><i>shareholders' meeting to the explanatory statement. The aim of this is to remove the burden of reporting on formalities from the shareholders' meeting, see comment at rule 2.7 below.</i></p>
<p>The following information on candidates nominated for election or re-election to the board is to be posted on the company's website⁶:</p>	
<ul style="list-style-type: none"> • The candidate's age, principal education and work experience, 	
<ul style="list-style-type: none"> • any work performed for the company and other significant professional commitments, 	
<ul style="list-style-type: none"> • any holdings of shares and other financial instruments in the company and any such holdings owned by the candidate or the candidate's related natural or legal persons, 	
<ul style="list-style-type: none"> • 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 senior 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, 	<p><i>A simplification to clarify that the aim of the rule is transparency.</i></p>
<ul style="list-style-type: none"> • in the case of re-election, the year that the person was first elected to the board. 	
<p>7.8 At a shareholders' meeting where the election of board members or auditor is to be held, the nomination committee is to give an account of how it has conducted its work 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.</p>	<p><i>The first change to the rule means that the nomination committee's oral report on its work is replaced by a requirement that this be included in the nomination committee's written statement in order to relieve the shareholders' meeting of the burden of dealing with formalities, see rule 2.6, second paragraph, final sentence above. The second change is the insertion of Board Instruction 1-2014.</i></p>
<p>8 The tasks of the board of directors</p>	
<p><i>The board of directors is to manage the company's affairs in the common interests of the company and all shareholders..</i></p>	
<p>8.1 The principle tasks of the board of directors include</p>	
<p>2 establishing the overall goals and strategy of the company,</p>	<p><i>In order to avoid misunderstanding regarding the meaning of the term "operational goals"</i></p>
<ul style="list-style-type: none"> • appointing, evaluating and, if necessary, dismissing the chief executive officer, 	
	<p><i>Moved down the list</i></p>
	<p><i>Moved down the list</i></p>

⁶ 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.

<ul style="list-style-type: none"> defining appropriate guidelines to govern the company's conduct in society, with the aim of ensuring its long-term value creation capability, 	<i>Change to clarify what type of guidelines are intended and their purpose</i>
<ul style="list-style-type: none"> 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, 	<i>Previous point 3 moved here, risk control included.</i>
<ul style="list-style-type: none"> 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, 	<i>Previous point 4 moved here, application of internal guidelines included</i>
<ul style="list-style-type: none"> ensuring that the company's external communications are characterised by openness, and that they are accurate, reliable and relevant. 	
8.2 The board is to approve any significant assignments the chief executive officer has outside the company.	
9 The size and composition of the board	
<i>The board is to have a size and composition that enables it to manage the company's affairs efficiently and with integrity.</i>	
9.1 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.	
9.2 Deputies for directors elected by the shareholders' meeting are not to be appointed,	
9.3 No more than one member of the board may be a member of the executive management of the company or a subsidiary. ⁷	
9.4 The majority of the directors elected by the shareholders' meeting are to be independent of the company and its executive management.	
<p>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.</p> <p>Factors that should be considered include⁸</p> <ul style="list-style-type: none"> 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,⁹ 	<i>To give a better picture of the purpose of the independence rules.</i>

⁷The 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, 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.

⁸The results of the nomination committee's deliberations are to be reported in accordance with the fourth bullet of the third paragraph in 2.6.

⁹This point is not to be regarded as applicable to a normal business relationship as a customer of a bank.

<ul style="list-style-type: none"> • 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 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 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. <p>A closely related company is defined in this context as another company in which the company holds, 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 the latter company's ownership in other companies.</p>	
9.5 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 ¹⁰ . 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	<i>See comment at rule 4.4 above.</i>
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.	
9.6 Nominees 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.	
9.7 Members of the board are to be appointed for a period extending no longer than to the end of the next annual general meeting.	
10 The tasks of directors	
<i>Directors are to devote the necessary time and care, and to ensure they have the competence required, to effectively protect and promote the interests of the company and its owners. Each director is to act in the common interests of the company and all of its shareholders.</i>	<i>The new sentence has been inserted to emphasise the responsibility of board members towards the company and the shareholder collective. The final sentence has been moved to the introduction of part 7.</i>
10.1 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.	
10.2 Each director is obliged to acquire continuously the knowledge of the company's operations, organisation, markets etc that is required for the assignment.	<i>Not only upon appointment.</i>

¹⁰The results of the nomination committee's deliberations are to be reported in accordance with the fourth bullet of the third paragraph in 2.6.

11	The chair of the board	
	<i>The chair has a particular responsibility to ensure that the work of the board is well organised and conducted efficiently.</i>	
11.1	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 the end of the next annual general meeting or extraordinary general meeting.	
11.2	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.	
11.3	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	
	<ul style="list-style-type: none"> • organise and lead the work of the board, creating 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 and its operations, • 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. 	
12	Board procedures	
	<i>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 it with the necessary background information and documentation for its work, both before and between board meetings.</i>	<i>The new sentence has been moved here from the introduction to part 5.</i>
12.1	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.	
12.2	If the board establishes special committees to prepare its decisions on specific issues, its Rules of 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.	
	An audit committee ¹¹ is to comprise no fewer than three board members. The majority of the members of the committee are to be independent of	<i>It is highly likely that the Code rules on audit committees will</i>

¹¹Stipulations on the appointment of an audit committee and the tasks of the committee are to be found in chapter 8, sections 49 a-b of the Swedish Companies Act (2006:551). Chapter 8, section 49a, paragraph 2 states that the entire board may perform the tasks of the audit committee.

	the company and its executive management. At least one of the committee members who are independent of the company and its executive management is also to be independent of the company's major shareholders ¹²	<i>be removed as a result of equivalent regulation being incorporated into law when the directive on auditors and audits is implemented.</i>
12.3	The board is responsible for ensuring that the company has adequate internal controls.	<i>The previous first sentence has been divided into two sentences to show that the board is responsible for good internal controls in all relevant respects, but that formalised routines are only required with respect to financial reporting.</i>
	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 justify its decision in its report on internal controls in the company's corporate governance report. ¹³	
12.4	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 and reporting to the board function adequately.	<i>A new rule against the background of the board's responsibility for internal controls.</i>
12.5	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.	<i>This may be incorporated into legislation through the directive on auditors and audits.</i>
12.6	The board of directors is to ensure that the company's six- or nine-month report is reviewed by the statutory auditor.	
12.7	The minutes of the board are to provide a clear representation of the matters discussed, the material supporting each item and the substance of the decisions taken.	<i>The final sentence is far too detailed to be included in the Code.</i>
13	Evaluation of the board of directors and the chief executive officer	
	<i>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.</i>	
13.1	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 made available to the nomination committee where relevant.	
	The corporate governance report is to state how board evaluation is conducted and reported.	<i>In order to increase transparency regarding how the board evaluation is conducted.</i>
13.2	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 formal evaluation process. .	

¹²Chapter 8, section 49a, paragraph 1 of the Swedish Companies Act (2006:551) states that members of the committee may not be employees of the company, and that at least one committee member is to be independent of the company and its executive management, as well as the company's major shareholders. This member must also have auditing or accounting competence. For criteria for assessing independence, see 4.4 and 4.5.

¹³The inclusion of a report on internal controls and risk management in the company's corporate governance report is a requirement stipulated in chapter 6, section 6, paragraph 2, bullet 2 of the Annual Accounts Act (1995:1554).

14 Remuneration¹⁴ of the board and executive management¹⁵	
<i>The company is to have formal and openly stated processes for deciding on remuneration of members of the board and the executive management.</i>	
<i>Remuneration and other terms of employment 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 so that they have the intended effects for the company's operations.</i>	
14.1 The board is to establish a remuneration committee, whose main tasks are to	
<ul style="list-style-type: none"> • prepare the board's decisions on issues concerning principles for remuneration, remunerations and other terms of employment for the executive management, 	
<ul style="list-style-type: none"> • monitor and evaluate programmes for variable remuneration, both ongoing and those that have ended during the year, for the executive management, and 	
<ul style="list-style-type: none"> • monitor and evaluate the application of the guidelines for remuneration that the annual general meeting is legally obliged to establish¹⁶, as well as the current remuneration structures and levels in the company. 	
14.2 The chair of the board may chair the remuneration committee. The other shareholders' meeting-elected members of the committee are to be independent of the company and its executive management. ¹⁷	
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.	<i>An unnecessary requirement that indirectly forms a rule on the composition of the board.</i>
14.3 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.	
14.4 Variable remuneration is to be linked to predetermined and measurable performance criteria ¹⁸ aimed at promoting the company's long-term value creation.	
14.5 Variable remuneration paid in cash is to be subject to predetermined limits regarding the total outcome. ¹⁹	
	<i>This rule is non-binding in</i>

¹⁴For the purposes of this chapter, pay is defined as (i) fixed salary or fee, (ii) variable remuneration, including share- and share-price-related incentive programmes, (iii) pension schemes, and (iv) other financial benefits.

¹⁵The 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.

¹⁶The stipulation that the annual general 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. The Act specifically states that the guidelines are not to cover fees and other remuneration for board work.

¹⁷For criteria for assessment of independence with regard to the company and its executive management, see 4.4.

¹⁸The 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.

¹⁹Such limits do not need to be specified as cash amounts, but may also be defined in other ways.

		<i>nature and when it was introduced was considered unnecessary in a Swedish legal context. When it comes to the possibility of reclaiming remuneration, a proviso of this kind in the conditions of a programme does not constitute a change to the possibility of reclaiming which already exists in Swedish law. The requirement that performance be sustainable over time is not consistent with the other parts of this chapter.</i>
14.6	The shareholders' meeting is to decide on all share and share-price related incentive schemes for the executive management. The decision of the shareholders' meeting is to include all the principle conditions of the scheme. ²⁰	<i>A new footnote clarifies that, as well as the rules in the Code, which follow the principle of comply or explain, there is mandatory regulation that does not allow for explanation of any deviation.</i>
		<i>This requirement already exists in the Companies Act and in statements by the Swedish Securities Council and does not add anything of substance.</i>
14.7	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 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.	<i>Rule text has been moved in accordance with Board Instruction 1-2010.</i>
	Programmes that involve acquisition of shares are to be designed so that a personal holding of shares in the company is promoted.	
	Remuneration of non-executive board members is not to include share options.	<i>The deleted sentence is already covered by Swedish Security Council Statement 2002:1, and it is not necessary to duplicate in the Code an identical rule that is not covered by the principle of comply or explain.</i>
14.8	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.	
15	Information on corporate governance²¹	<i>New footnote to provide a reminder that the rules in this chapter are now mandatory</i>
	<i>The board of directors is to inform shareholders and the capital market annually regarding corporate governance functions in the company and how the company applies the Swedish Corporate Governance</i>	<i>The introduction has been updated to aid those companies that do not wish to burden the corporate</i>

²⁰ 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 the Swedish Securities Council, primarily Statement 2002:1.

²¹ 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.

	<i>Code. This information is to be published in a corporate governance report²² and on the company's website. The corporate governance report should focus on company-specific conditions and avoid duplicating the content of existing legislation or other regulation.</i>	<i>governance report with generic information.</i>
15.1	In its corporate governance report, the company is to state clearly <ul style="list-style-type: none"> • which Code rules it has not complied with, • explain the reasons for each case of non-compliance and • describe the solution it has adopted instead. 	
15.2	As well as the items stipulated by legislation ²³ , the following information is to be included in the corporate governance report if it is not presented in the annual report: <ul style="list-style-type: none"> • 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 Code rule 2.6, • the division of work 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 evaluation²⁴ is conducted and reported, • a description of internal controls in accordance with rule 7.3 paragraph 3 and 7.4, • for the chief executive officer: <ul style="list-style-type: none"> – age, 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 persons, as well as shareholdings and part ownership in enterprises with which the company has significant business relations, • 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. 	
		<i>A reminder of the new rule in 8.1.</i>
		<i>A reminder of existing rules 7.3 and 7.4.</i>
15.3	The company is to have a section of its website devoted to corporate governance matters, where the company's five most recent corporate governance reports are to be posted, together with that part of the audit	<i>Adaptation to the Transparency Directive's new requirement that the information on the website is</i>

²² The requirement to produce a corporate governance report is stipulated in chapter 6, sections 8 and 9 of the Annual Accounts Act (1995:1554).

²³ The information to be included in the corporate governance report is stipulated in chapter 6, section 6 of the Annual Accounts Act (1995:1554).

²⁴ See rule 8.1

report which deals with the corporate governance report or the auditor's written statement on the corporate governance report ²⁵ .	<i>to be accessible for at least five years.</i>
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. ²⁶ It is also to include up to date ²⁷ information regarding members of the board, the chief executive officer and the statutory auditor. ²⁸	
15.4 No later than two weeks before the annual general meeting, 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.	<i>This rule should be adapted to the requirement of a remunerations report in the proposed update to the directive on shareholders' rights etc. Any changes required to the Code will be made when the finalised text of the EU regulation is known and has been implemented in Sweden.</i>

²⁵ 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 stipulated in chapter 9, section 31 of the Companies Act (2005:551). The requirement for auditor review if the corporate governance report is published separately from the annual report is stipulated in chapter 6, section 9 of the Annual Accounts Act (1995:1554).

²⁶ See 1.1, 2.5 and 2.6.

²⁷ The term up to date is to be interpreted as meaning that the information is to be updated within seven days of any changes made or becoming known to the company.

²⁸ 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.