

17 February 2023

Open letter to shareholders, nomination committees and employee organisations at Swedish listed companies

### **Gender balance on the boards of listed companies**

Since its introduction, the Swedish Corporate Governance Code has stipulated that the composition of the boards of listed companies is to be characterised by versatility and breadth with regard to competence, experience and background, and that companies are to seek to achieve gender balance on their boards. In January 2015, stricter Code rules were introduced regarding this matter, including a requirement for nomination committees to explain their proposals in the light of the Code's provisions on gender balance. At that time, the Corporate Governance Board also communicated a long-term goal of a 40 per cent share of seats for the less represented gender on listed companies' boards in total by 2020.

Since 2015, the Corporate Governance Board has been continuously collecting statistics on developments in this area and has released the figures each year. As has been reported previously, there has been a significant improvement in gender balance on company boards during this time. In recent years, however, the pace of change has slowed somewhat, and there is still some way to go before the goal of a 40 per cent share for the underrepresented gender in total is reached.

In December 2022, the new EU directive 2022/2381 on improved gender balance on the boards of listed companies came into force. This directive stipulates that member states must ensure that listed companies with at least 250 employees and whose annual turnover amounts to at least EUR 50 million or whose balance sheet total amounts to at least EUR 43 million achieve one of the following goals by 30 June 2026:

- Persons of the underrepresented gender comprise at least 40% of the non-executive members of the board (including employee representatives); or
- Persons of the underrepresented gender comprise at least 33% of all members of the board, which includes both executive and non-executive board members (including employee representatives and the CEO).

The directive contains special deferral provisions which enable member states to delay the implementation of mandatory quota legislation on condition that persons of the less represented gender continuously comprise at least 30% of non-executive board members or at least 25% of all non-executive board members including the CEO.

As of 21 June 2022, the proportion of female board members in Swedish listed companies (calculated in accordance with the directive) was 36.2% (including employee representatives) and 35.4% (including employee representatives and the CEO) respectively. Women comprised 25.9% of

employee representatives on boards at that time. Sweden therefore currently fulfils the conditions for deferring application of the directive. If the proportion of women should at any time fall below the minimum stated in the directive, its mandatory provisions must be implemented.

As previously stated, the Swedish Corporate Governance Board believes that the gender balance among society's decision-makers needs to be improved, including in the corporate sector. However, the Board also believes that the introduction of quota rules for the boards of listed companies is the wrong way to go. Even though conditions currently exist for Sweden to wait with the introduction of legislation on the issue, the Board urges the shareholders, nomination committees and employee organisations of Swedish listed companies to maintain focus on the long-term goal of a 40 per cent share of board positions for the less represented gender.

THE SWEDISH CORPORATE GOVERNANCE BOARD

Gun Nilsson  
*Chair of the Board*

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