

Annual Report 2023



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A word from the Chair of the Board

And so another corporate governance year comes to an end – a year that has presented us with new challenges that impact the corporate sector playing field and the conditions for Swedish business in many ways. The wake of the pandemic in the rear-view mirror has affected us all, and it has given rise to new ways of working in companies, not least in the exercise of corporate governance. The supply chain challenges that affected many businesses subsided, but they provided a warning about the need to review these processes and perhaps change some aspects in order to reduce risks. The war in Ukraine has also demonstrated the need to build new relationships and collaborations. After a lengthy period of more or less no inflation and zero or negative interest rates, market conditions changed abruptly, bringing high inflation and a quadrupling of interest rates.

Despite the challenging developments in the global market, our Swedish companies have coped very well. This is reflected, for example, in the broad indexes on the Stockholm Stock Exchange. I am convinced that "the Swedish model", i.e. our corporate governance model, is a sound, well-functioning framework that supports a successful business sector – in both good times and bad. The Swedish Corporate Governance Board is happy to promote the model in various contexts, with the aim of spreading knowledge about how it works and the positive results it has when it is applied.

The Nordic corporate governance models have many similarities. The Board has enjoyed a long collaboration with our Nordic colleagues on various issues, where the primary aims are to exchange experience and to be able to combine be a louder "megaphone" in discussions about various initiatives and proposals from the EU and the European Commission in the field of corporate governance. So far, our collaboration has occurred specifically when issues have arisen. We will now expand this collaboration with one or two meetings per year in order to be more proactive with regard to key issues.

The EU and the Commission are continuing their intensive efforts to try to harmonise corporate governance issues across the different member states. Unfortunately, their level of ambition is at far too detailed a



level, and in several respects it does not seem to acknowledge differences in underlying corporate law. This creates problems at national level, not least for Sweden with regard to "the Swedish model". The Board sees a need to have early insight into new proposals, i.e. before they even become actual proposals, in order to be able to influence them in time. The Board is therefore evaluating whether to have some form of representation in Brussels in collaboration with other Swedish interests in order to be able to work even more effectively to safeguard, support and promote our corporate governance model.

In some cases, there is no scientific basis for the various legislative proposals in the field of corporate governance presented by the Commission and others. The Association for Generally Accepted Principles in the Securities Market and the Stockholm Centre For Commercial Law at Stockholm University have set up an initiative to establish a corporate governance research institute. The institute conducts applied research and

education within the field. The Corporate Governance Board and the other executive bodies within the Association see great value in being able to obtain more facts, information and statistics with the help of the institute to provide additional background material for decisions on possible changes to our corporate governance model.

Since last year, all regulation other than the Swedish Corporate Governance Code is managed by the Stock Market Self-Regulation Committee (ASK), which has led to the issuance of Code Instructions. The Code now needs to be updated permanently following this change, and we will take the opportunity to review the entire Code to see whether any further adjustments need to be made. The Board has therefore conducted a number of workshops during the spring, with participants representing various stakeholder groups. This work will continue during the year, with the aim of presenting an updated version of the Code at the beginning of 2024.

The Board continues to work methodically with the Code and the health and welfare of self-regulation to ensure a well-functioning model that is stable and predictable and that provides scope for flexibility in how different companies can exercise corporate governance without breaking any regulations. Our Swedish corporate governance model is well worth defending.

It has been a genuine pleasure to work with and support Swedish self-regulation in the field of corporate governance. I am grateful for the opportunity that I was given, and now pass the baton to my successor as Chair, Carl-Henric Svanberg. ◀

Stockholm, June 2023

Gun Nilsson

Chair of the Swedish Corporate Governance Board

A word from the Executive Director

The work of the Swedish Corporate Governance Board this year has again been heavily influenced by the European Commission's various proposals. There is still no formal proposed Corporate Sustainability Due Diligence Directive, so it is still not clear which of the previously criticised corporate governance elements will remain in the final proposal. Although this will drag on into 2023, we are hopeful that the proposals that sought to change the purpose of a company's operations have now been removed entirely, while there are still question marks surrounding what provisions regarding the individual responsibilities of board directors will remain.

We have also had to revive the issue of gender quotas on the boards of listed companies, where the Commission has activated a proposal which had lain dormant for almost ten years. However, this proposed directive would not require any Swedish quota rules, because the gender balance that already exists in Swedish listed company boards is sufficient for the directive's exception provisions to be applicable.

The Commission's proposal for a listing directive has now been presented, and the Board will work to influence the content of this proposal so that the Swedish stock market does not face any harm.

At our annual corporate governance seminar, which this year will take place on Tuesday 24 October, we will discuss these issues further, and in particular present Swedish experience and reflections with regard to listing requirements and corporate governance. The seminar can be attended both in person and digitally, and we can already promise a stimulating panel debate on this topic.

The temporary rules for shareholders' meetings without shareholder attendance expired on 31 December 2022. Against the background of a recently submitted government referral to the Swedish Council on Legislation on permitting completely digital shareholders' meetings, there are reasons for the Board to examine what requirements should be placed on future shareholders' meetings in listed companies. The interaction between executives and shareholders is a key feature of Swedish and Nordic annual general meetings.

An urgent issue that arose recently is the revised voting rights policy published by the international voting adviser Institutional Shareholder Services (ISS) in the



autumn of 2022, which is due to come into force before the 2024 annual general meetings. Under that policy, ISS intends to recommend voting against the discharge of liability for board members in companies that have shares with different voting rights. Although the Board and others were highly critical of the proposed policy change, ISS was determined to implement it. However, after the Board and representatives of the Confederation of Swedish Enterprise held a meeting with ISS, ISS has confirmed that it will not now recommend voting against the discharge of liability for board members in Swedish companies solely on the basis that they have shares with different voting rights.

It is of the utmost importance for the Board that we have a continuous dialogue with listed companies and their managements, boards and owners so that they are as up to date about our work and our initiatives as we are about what issues are at the top of these stakeholders' agendas. This applies not only with regard to the Code review and roundtable discussions that we are currently conducting and at our corporate governance seminars on current corporate governance issues. We are always interested in receiving feedback from Code users. We therefore invite you to contact us by email or telephone so that we can ensure that our work is relevant, timely and appropriate. ◀

Visby, June 2023

Björn Kristiansson
Executive Director

I. ACTIVITY REPORT

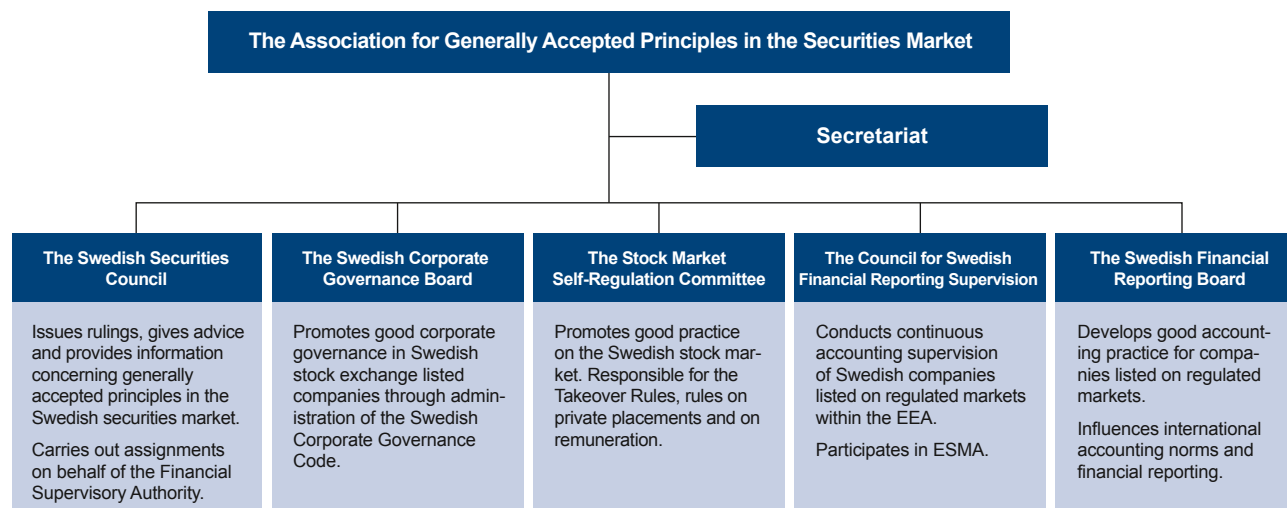
This part of the annual report describes the work of the Swedish Corporate Governance Board during corporate governance year 2022–2023 and discusses current issues regarding the Swedish Corporate Governance Code and Swedish corporate governance in general.

The Mission of the Swedish Corporate Governance Board

The Swedish Corporate Governance Board is one of five executive bodies that constitute the Association for Generally Accepted Principles in the Securities Market, an association set up in 2005 to oversee Swedish self-regulation within the securities market. The other four bodies in the association are the Swedish Securities Council, the Swedish Financial Reporting Board, the Council for Swedish Financial Reporting Supervision

and, since 1 July 2021, the Stock Market Self-Regulation Committee. The principals of the Association are nine organisations in the private corporate sector. See the illustration below and www.godsedpavpmarknaden.se for more details.

The original and still primary role of the Board is to promote the positive development of Swedish corporate governance, mainly by ensuring that Sweden constantly






has a modern, relevant and effective code for corporate governance of stock exchange listed companies. The Board also works internationally to increase awareness of Swedish corporate governance and the Swedish securities market, and to safeguard and promote Swedish interests within these fields.

The role of the Board in promoting Swedish corporate governance is to determine norms for good governance of listed companies. It does this by ensuring that the Swedish Corporate Governance Code remains appropriate and relevant, not only in the Swedish context, but also with regard to international developments.

The Board is also an active contributor to international forums, including the European Union, promoting Swedish interests in the field of corporate governance. Another area of continued importance for the Board in recent years is our role as a referral body on corporate governance issues.

The Board has no supervisory or adjudicatory role regarding individual companies' application of the Code. Ensuring that companies apply the Code in accordance with stock exchange regulations and the Annual Accounts Act is the responsibility of company auditors and the respective exchanges. The responsibility for evaluating and judging companies regarding their compliance or non-compliance with individual rules in the Code, however, lies with the actors in the capital markets. It is the current and future shareholders and their advisers who ultimately decide whether a company's application of the Code inspires confidence or not, and how that affects their view of the company's shares as an investment.

Interpretation of the Code is not a matter for the Board either. That responsibility lies with the Swedish Securities Council, which issues rulings on request. This is discussed in detail later in this report. 

The work of the Board during the year

In 2022, the Board initially consisted of Gun Nilsson (Chair), Eva Hägg (Deputy Chair), Karin Apelman, Håkan Broman, Göran Espelund, Mats Isaksson, Louise Lindh, and Marianne Nilsson, as well as Executive Director Björn Kristiansson. At the parent organisation's annual meeting in June 2022, Eva Hägg left the Board and Håkan Broman was appointed to the position of Deputy Chair. Additionally, Andreas Gustafsson continued as a co-opted member of the Board and Eva Hägg was appointed as a co-opted member at the Board's meeting in September 2022.

The Board held four ordinary meetings during the year. Discussion and consultation also took place by e-mail and telephone when required, and a number of meetings of sub-committees and working groups were held.

The Board's work during the year is summarised below.

Strategy

In the spring of 2023, the Board adopted an updated strategic plan for 2023-2025. Work on operationalising the updated strategy document has now begun.

Communication – annual seminar

The Board's existing communication plan was adopted in 2019. That same year, the Board also resumed its previous tradition of holding annual corporate governance seminars.

The 2022 open seminar was conducted virtually, with approximately 200 participants. After the Chair of the Board, Gun Nilsson, opened the seminar, Board member Mats Isaksson gave a presentation on corporate governance regulation from a socio-economic perspective. After the presentation, the question of what factors should guide the regulation of corporate governance in Sweden and the EU was the subject of a panel discussion, with Mats Isaksson being joined by Jacob Wallenberg, Chair of the Board of Investor and the Confederation of Swedish Enterprise, Carmine de Noia, head of the OECD's Department for Financial and Enterprise Affairs, and Niklas Wykman, Swedish Member of Parliament and now Minister for Financial Markets. Then the Board's Executive Director, Björn Kristiansson, presented the Board's main issues and upcoming work.

Monitoring the Code and Swedish corporate governance

In order to monitor that the Code is working as intended and to ascertain whether any modifications to the Code should be considered, the Board regularly conducts

a variety of surveys on how the rules of the Code are applied in practice. The most important of these is its examination of Code companies' corporate governance reports and the corporate governance information presented on companies' websites, which the Board has carried out every year since the original version of the Code was introduced in 2005. Since 2015, this annual survey has been conducted on the Board's behalf by SIS Ägarservice and Fristedt Consulting.

The results of the latest survey are presented in Section II of this report.

Revision of the Code

As well as its annual examination of companies' corporate governance information, the Board continuously monitors and analyses how companies apply the Code through dialogue with its users and through structured surveys. It also monitors and analyses the general debate on the subject, changes in legislation and regulations concerning corporate governance, developments in other countries and academic research in the field. Based on this work and other relevant background information, the Board monitors the need for minor modifications to the Code or for more general reviews of the entire Code.

During the spring of 2023, the Board conducted a number of round table meetings and discussed the Code with Swedish and foreign stakeholders in other contexts, with the goal of being able to present possible changes during the autumn of 2023. However, at this stage the Board foresees no major changes being required.

Gender balance on the boards of stock exchange listed companies

Since its introduction, the Swedish Corporate Governance Code has stipulated that listed companies are to strive for equal gender distribution on their boards. In their explanations of their proposals and nominations, nomination committees are to consider the Code's rule on gender balance.

In 2014, the Swedish Corporate Governance Board issued an Instruction which contained several initiatives for achieving improved gender balance on the boards of listed companies, and this came into force on 1 January 2015. The Instruction was then implemented into the Code as part of the 2015 revision.

The Corporate Governance Board initially conducted an assessment of gender balance on the boards of listed companies twice a year – at the beginning of January,

ahead of the annual general meeting season, and in July, when the annual general meeting season is over. Since 2016, the Board has conducted this assessment just once a year, in early July. The information acquired from these assessments is available on the Board's website, www.bolagsstyrning.se. The statistics for the past year refer to the figures as of 10 June 2022 and 10 June 2023. The latest results are available on the Board's website.

Referrals etc.

A key role of the Swedish Corporate Governance Board is as a referral body for legislation and the work of committees of inquiry in the field of corporate governance, concerning both the development of rules in Sweden and various forms of regulatory initiative from the EU.

The referral work of the Board has increased each year, not least with regard to regulations from the EU. This is because the European Commission has been intensifying its work to expand and harmonise regulation of corporate governance within the European Union in the wake of the financial crisis. This has led to a series of recommendations, green papers, action plans and proposed directives on various aspects of corporate governance in different sectors in the past seven years.

In 2022 and 2023, the Board has submitted written comments on matters such as the European Commission's consultation on company reporting, the European Commission's proposed Directive on Corporate Sustainability Due Diligence and the European Commission's proposals regarding differentiated voting rights of shares. Together with Stock Market Self-Regulation Committee, the Board submitted views on the EU Commission's proposal on updated guidelines for remuneration reports.

The Board has also submitted its comments on the Ministry of Justice memorandum Digital Corporate and Association Annual General Meetings, on Institutional Shareholder Services' (ISS) proposed revised voting rights policy and on the Financial Supervisory Authority's (Finansinspektionen) proposal on new regulations regarding owner, owner-management and management suitability assessment.

Together with Stock Market Self-Regulation Committee, the Board submitted comments on the OECD's consultation document regarding the ongoing review of the G20/OECD Principles of Corporate Governance.

All the Board's statements and formal comments can be found on the Board's website, www.bolagsstyrning.se.

ISS revised voting recommendation

Along with other Swedish actors, the Board has previously stated that the revisions that Institutional Shareholder

Services Inc. (ISS) made to its benchmark proxy voting policies in autumn 2022 are concerning with regard to its position on shares of different types with different voting power. Under the policy, ISS intends to recommend voting against the election of individual board members and against the discharge of liability for board members (outside the executive management) in companies that have shares of different types with different voting rights. The Board's consultation response to the ISS policy change proposal can be found on the Board's website.

Following dialogue with the Board and the Confederation of Swedish Enterprise, ISS has now confirmed that the practical application of the revised policy will not mean that ISS will automatically vote against the re-election of board members or against discharge of liability in all Swedish companies that have shares with differentiated voting rights. Instead, ISS says that it will examine each company and its board members individually and conduct an assessment on a case-by-case basis. Although there may be situations where the application of the policy may lead to a recommendation against re-election or against discharge of liability for one or more board members, that will not be the case for all board members of all relevant companies.


International work

As in previous years, the Board has been an active participant in international debate on corporate governance issues, with the aim of promoting Swedish interests and increasing knowledge and understanding of Swedish corporate governance internationally.

The Board also contributes financially to the EU monitoring work of both StyrelseAkademien, (The Swedish Academy of Board Directors), and ecoDa, (the European Confederation of Directors Associations). In this way, the Board has access to information about ongoing developments in the EU and is also able to offer opinions on the work of the Academy and ecoDa.

Since 2018, the Board has been an active member of the Seven Chairs Group, which consists of the chairs of the Board's equivalent organisations in the United Kingdom, Belgium, France, Germany, Italy and the Netherlands, as well as the Chair of the Swedish Corporate Governance Board, and participates in regular meetings focused on sharing information.

Nordic work

The Board is also an active member of a Nordic collaboration between the countries' code issuing bodies. The Nordic code issuers maintain regular contact in order to keep each other updated on their local issues. 

II. APPLICATION OF THE CODE IN 2022

The Swedish Corporate Governance Board conducts regular surveys and analysis in order to monitor how the Code is applied and to evaluate its functionality and effects on Swedish corporate governance. As in previous years, the Board commissioned a study of each Code company's application of the Code based on information published in annual reports, in corporate governance reports and on company websites. The results are summarised below. Also in this section, there is a presentation of the Swedish Securities Council's and the stock exchange disciplinary committees' approaches to Code issues.

Companies' application of the Code

Executive summary

This year's survey shows that companies' reporting on corporate governance issues continues its steady path of improvement in more or less all aspects. Companies have generally shown a high level of ambition when it comes to applying the Code. The number of shortcomings in the details of how companies report on their corporate governance in their corporate governance reports and on their websites continues to fall, maintaining the long-term trend. However, there is still room for improvement, as there are still some companies that fail to provide all the information that is required by the Annual Accounts Act and the Code.

The number of deviations from the Code continued to fall in 2022. This year's survey shows a decrease in the number of reported deviations in a smaller number of companies. Such a development can be interpreted both positively and negatively. The development is negative in the light of the Code's aim to make companies reflect on and bring transparency to their corporate governance. The comply or explain principle on which the Code is based assumes that corporate governance is something fundamentally individual to each company, and even if the behaviour of companies means that they apply the majority of the rules in the Code, there should exist a large number of individual solutions that are more suitable for those particular companies than the standard methods prescribed in the Code. If companies feel that they must adapt their behaviour in order to comply with the Code, innovation and initiative may be stifled, to the detriment of the individual company and its shareholders. However, the development is positive in the sense that if the rules of

the Code are respected, the standard of corporate governance within listed companies should be high.

The survey continues to place particular emphasis on nomination committees' statements on proposed candidates to positions on the board of directors, not least with regard to the Code's requirement that listed companies strive to achieve gender balance on their boards. The number of nomination committees that explained their proposals clearly in relation to the Code requirement on gender balance is unchanged compared with the previous year.

Aims and methods

The aims of analysing how companies apply the Code each year are to provide information in order to assess how well the Code works in practice and to see whether there are aspects of the Code that companies find irrelevant, difficult to apply or in some other way unsatisfactory. The results of the annual surveys contribute to the continued improvement of the Code.

Since 2011, the survey has also examined companies' application of the rules concerning the reporting of corporate governance and internal controls, as well as auditor review of these reports, which were introduced into the Companies Act and the Annual Accounts Act in 2010. The aim of this part of the survey is to build up a picture of how companies report their corporate governance.

The basis for the study is companies' own descriptions of how they have applied the Code in the corporate governance reports that are required by the Annual Accounts Act, in other parts of their annual reports



and in the information published on their websites. Since 2011, the survey has also examined whether the corporate governance information on companies' websites fulfils the requirements of the Code and whether corporate governance reports contain all the required formal details. No attempt is made to ascertain whether the information provided by the companies is complete and accurate.

As in previous years, the target group for the study was the companies whose shares or Swedish depository receipts were available for trade on a regulated market and who were obliged to issue a corporate governance report as of 31 December 2022. Stock Exchange rules state that companies whose shares are traded on a regulated market run by the exchange are to adhere to generally accepted principles in the securities market, which includes applying the Swedish Corporate Governance Code.¹⁾

Up to and including 2010, foreign companies were not obliged to apply the Code. Following an Instruction issued by the Swedish Corporate Governance Board, which has since been incorporated into the Code, from 1 January 2011, foreign companies whose shares or depository receipts are traded on a regulated market in Sweden are required to apply the Swedish Corporate Governance Code, the corporate governance code of the company's domicile country or the code of the country in which the company has its primary stock exchange listing.²⁾ If the company does not apply the Swedish Code, it is obliged to state which corporate governance code or corporate governance rules it applies and the reasons for so doing, as well as an explanation of significant ways

in which the company's actions do not comply with the Swedish Code. This statement is to be included in or issued together with the company's governance report or, if no such report is issued, on the company's website.

On 31 December 2022, there were 373 companies whose shares or depository receipts were available for trade on a regulated market in Sweden. Of these, 362 were listed on Nasdaq Stockholm and 11 on NGM Main Regulated Equity. Of those listed on Nasdaq Stockholm, 18 have declared that they apply another code than the Swedish Corporate Governance Code, and these 18 companies were therefore not included in the survey. This meant that the number of companies actually included in the survey was 356, of which 345 were listed on Nasdaq Stockholm and 11 on NGM Main Regulated Equity. See Table 1.

Companies' reports on corporate governance

The Swedish Annual Accounts Act states that all stock exchange listed companies are to produce a corporate governance report.³⁾ The content of the corporate governance report is governed by both the Annual Accounts Act and the Code.⁴⁾ According to the Code, any company that has chosen to deviate from any rules in the Code must report each deviation, along with a presentation of the solution the company has chosen instead and an explanation of the reasons for non-compliance.

As in previous years, all the companies surveyed had submitted a formal corporate governance report, which is mandatory by law. Five companies chose to publish their corporate governance reports on their websites

Table 1. Number of surveyed companies

	2022		2021		2020	
	Number	Percentage	Number	Percentage	Number	Percentage
NASDAQ Stockholm	362	97%	358	97%	332	96%
NGM Main Regulated	11	3%	12	3%	13	4%
Total target group	373	100%	370	100%	345	100%
Excluded ^{*)}	17	5%	18	5%	18	5%
Total companies surveyed	356	95%	352	95%	327	95%

^{*)} Companies excluded due to information not being available, delisting or primary listing being elsewhere.

¹⁾ See 6.1.1 of Nasdaq Stockholm's regulations for issuers and II.6 of NGM's issuer regulations.

²⁾ See the introduction to Section III of the Swedish Corporate Governance Code, Rules for Corporate Governance.

³⁾ See chapter 6, section 6 and chapter 7, section 31 of the Annual Accounts Act, (1995:1554).

⁴⁾ See chapter 6, section 6 and chapter 7, section 31 of the Annual Accounts Act, (1995:1554) and rule 10.1-2 of the Code.

only, which was an increase of two compared with the previous year.⁵⁾ Of the vast majority of companies which included their corporate governance report in their printed annual report, just under half included it in the directors' report, while the rest published their corporate governance report as a separate part of the annual report. See Table 2.

According to the Annual Accounts Act, a corporate governance report is also to contain a description of the key elements of the company's internal controls and risk management concerning financial reporting.⁶⁾ Three companies failed to report this. See Table 3. The Annual Accounts Act makes it a legal requirement for companies to report on their internal controls. The internal controls reports vary in their scope, from short summaries within the corporate governance report to separate reports.

The third paragraph of Code rule 7.3 states that a company which has not set up an internal audit is to explain the company board's position on this matter and its reasons why in its description of its system for internal controls and risk management. Of the surveyed companies, 20 per cent had conducted an internal audit, which is unchanged compared with the 2021 figure. Of the 80 per cent of companies that chose not to conduct internal audits, the boards of two companies have not provided an explanation for this. See Table 4.

Since 2010, auditor review of corporate governance reports is mandatory according to the Companies Act and the Annual Accounts Act.⁷⁾ Four companies have not reported that their corporate governance reports were reviewed by their auditors. See Table 5.

Table 2. How is the corporate governance report presented?

	2022		2021		2020	
	Number	Percentage	Number	Percentage	Number	Percentage
In the directors' report in the annual report	173	49%	174	49%	159	49%
A separate report within the annual report	178	50%	175	50%	165	50%
On the website only	5	1%	3	1%	3	1%
Unclear	0	0%	0	0%	0	0%
Total	356	100%	352	100%	327	100%

Table 3. Is there a separate section on internal controls and risk management?

	2022		2021		2020	
	Number	Percentage	Number	Percentage	Number	Percentage
Yes	353	99%	349	99%	325	99%
No	3	1%	3	1%	2	1%
Partly	0	0%	0	0%	0	0%
Total	356	100%	352	100%	327	100%

Table 4. If it is clear from the report on internal controls and risk management that no specific auditing function exists, are the board's reasons for this explained in the report?

	2022		2021		2020	
	Number	Percentage	Number	Percentage	Number	Percentage
Yes, reasons presented	282	79%	280	79%	257	79%
No, no reasons presented	2	1%	2	1%	3	1%
Partial explanation	0	0%	0	0%	0	0%
Unclear	0	0%	0	0%	0	0%
Not applicable/ own internal auditor	72	20%	70	20%	67	20%
Total	356	100%	352	100%	327	100%

⁵⁾ This does not contravene the Annual Accounts Act or the rules of the Code. The Annual Accounts Act states that companies whose shares are traded on a regulated market are to produce a corporate governance report, either as part of the directors' report or in a document that is not part of the annual report. In the case of the latter, a company may choose to release its report either by submitting it to the Swedish Companies Registration Office together with the annual report or by publishing it only on its website. (The report must in fact always be made available on the company's website.) If the corporate governance report is not contained in the directors' report, the company may choose whether to include it in the printed annual report – this is not regulated by law or by the Code.

⁶⁾ See chapter 6, section 6, paragraph 2, point 2 the Annual Accounts Act, (1995:1554) and the third paragraph of rule 7.3 and rule 7.4 of the Code.

⁷⁾ The requirement for auditor review of a corporate governance report if it is included in the director's report or of the information otherwise published in the company's or group of companies' director's report can be found in chapter 9, section 31 of the Companies Act (2005:551). The requirement for the auditor's review of the corporate governance report to be published separately from the annual report can be found in chapter 6, section 9 of the Annual Accounts Act.

Reported non-compliance

Companies that apply the Code are not obliged to comply with every rule. They are free to choose alternative solutions, provided each case of non-compliance is clearly described and justified. It is not the aim of the Corporate Governance Board that as many companies as possible comply with every rule in the Code. On the contrary, the Board regards it as a key principle that the Code be applied with the flexibility afforded by the principle of comply or explain. Otherwise, the Code runs the risk of becoming mandatory regulation, thereby losing its role as a set of norms for good corporate governance at a higher level of ambition than the minimums stipulated by legislation. It is the Board's belief that better corporate governance can in some cases be achieved through other solutions than those specified by the Code.

Diagram 1 shows the number of surveyed companies that have reported instances of non-compliance since 2018. The proportion of companies that reported more than one instance of non-compliance in 2022 was just under five per cent, which is almost two percentage

points lower than in the previous year. This means that the remaining 95 per cent of companies reported a maximum of one deviation from the Code rules. The proportion of companies that reported a single deviation from the Code fell from 21 per cent to approximately 17 per cent. Approximately 78 per cent, or 270 companies, reported no non-compliance with the Code at all in 2022, compared with 72 per cent of companies in the previous year.

In total, 104 deviations from 16 different rules were reported in 2022, which gives an average of 1.35 deviations per company reporting at least one deviation, which is in line with the average of previous years.

A detailed breakdown of reported non-compliance is shown in Table 6.

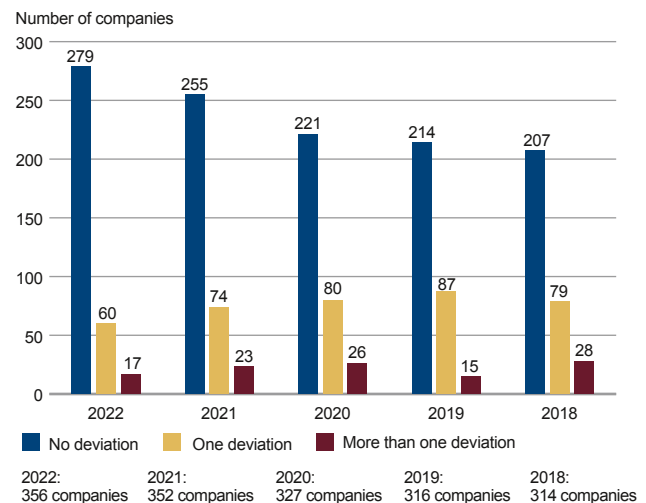
Table 5. Was the corporate governance report reviewed by the company auditor?

	2022		2021		2020	
	Number	Percentage	Number	Percentage	Number	Percentage
Yes	352	99%	349	99%	320	98%
No	4	1%	3	1%	5	2%
Unclear	0	0%	0	0%	2	1%
Total companies	356	100%	352	100%	327	100%

Table 6. Reported non-compliance

	2022	2021	2020	2019
Number of companies reporting no deviations	279	255	221	214
Number of companies reporting deviations	77	97	106	102
Companies reporting one deviation	60	74	80	87
Companies reporting more than one deviation	17	23	26	15
Percentage of companies reporting deviations	22%	28%	32%	32%
Total number of companies	356	352	327	316
Number of reported deviations	104	133	144	119
Number of rules for which deviations reported	16	23	23	21
Average number of deviations per rule	6.50	5.78	6.26	5.17
Average number of deviations per company	1.35	1.37	1.36	1.17

Diagram 1. Companies per number of instances of non-compliance



Which rules do companies not comply with?

Table 7 shows the number of deviations per rule for which non-compliance was reported. The three rules for which the most companies reported non-compliance, see Diagram 2, are commented on in brief below.

As in previous years, the rule with by far the most instances of non-compliance was Code rule 2.4. A total of 28 Code companies, or just under eight per cent, report some kind of deviation from this rule. Rule 2.4 states that members of the company board may not constitute a majority on the nomination committee and

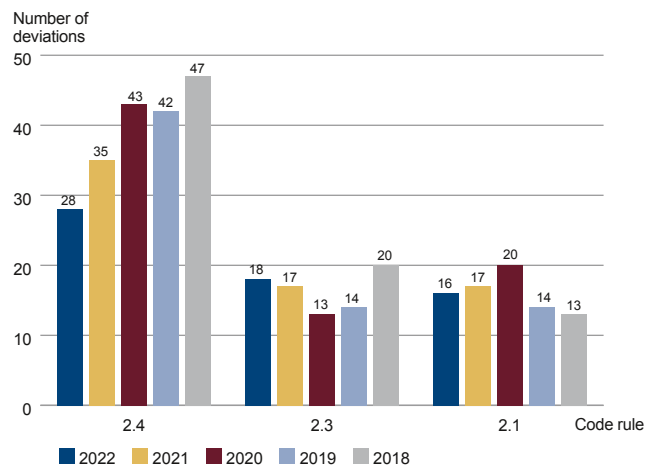
Table 7. Number of deviations from individual Code rules reported in corporate governance reports?

Code rule	2022	2021	2020
2.4	28	35	43
2.3	18	17	13
2.1	16	17	20
4.5	7	7	8
2.5	6	7	8
4.4	5	7	7
7.6	5	6	9
9.2	4	5	5
7.2	4	3	1
4.2	2	3	4
10.2	2	2	0
1.4	2	1	0
9.1	2	3	2
4.1	1	1	1
4.3	1	1	1
6.1	1	1	1
9.7	0	7	11
8.1	0	3	0
8.2	0	2	1
9.4	0	2	2
1.1	0	1	1
1.2	0	1	1
7.5	0	1	1
2.6	0	0	2
9.5	0	0	1
1.5	0	0	1
1.3	0	0	0
7.3	0	0	0
9.6	0	0	0
9.8	0	0	0
10.3	0	0	0

that the chair of the board may not be the chair of the nomination committee. If more than one member of the board is a member of the nomination committee, only one member may have a dependent relationship to major shareholders in the company. The most common form of non-compliance with this rule was that the chair of the board, or in some cases another member of the board, was appointed as chair of the nomination committee. The most common explanation for this was that the person concerned was a major shareholder and/or was deemed to be the most competent and therefore considered best suited to lead the work of the committee. In some cases, more than one of several members of the board who were on the committee were not independent of major shareholders, and in a small number of companies, members of the board formed a majority of the nomination committee. Non-compliance with this rule is most common in companies with a strong concentration of ownership, often with the general explanation that it would otherwise be difficult or impossible for a private individual to combine the role of major shareholder with active ownership through participation on the board and on the nomination committee.

The rule with the next-highest frequency of non-compliance was rule 2.1, which obliges companies to have a nomination committee. This rule was deviated from by 16 companies, which is just under five per cent of all Code companies. The most common explanation for this was that these are companies whose major shareholder or shareholders did not deem it necessary to have

Diagram 2. Instances of non-compliance per Code rule



a nomination committee because of the size of their own holdings in the company, e.g. as the result of a takeover bid where, for one reason or another, delisting of the company has not taken place. There has been some debate about whether it is compatible with generally accepted principles in the securities market to deviate from such a fundamental Code requirement, but with the exception of Chapter 10, the Code does not present any obstacles to companies who wish to deviate from any Code rule they choose, as long as their non-compliance is reported and explained.

Rule 2.3 concerns the size and composition of nomination committees, primarily with regard to committee members' independence. Here, 18 companies, (around five per cent of all surveyed companies), reported deviation from this rule. In the majority of cases, the non-compliance involved the CEO and/or other members of the company's executive management being members of the nomination committee. The explanation given for this was that they are also major shareholders in the company. In a small number of cases, the nomination committee consisted entirely of representatives of the

largest shareholder in terms of voting rights, meaning that the company did not comply with the rule that states that at least one member of the committee is to be independent in relation to the largest shareholder. Some nomination committees did not fulfil the Code requirement that they must comprise at least three members.

The content of corporate governance reports

For the twelfth consecutive year, the content of companies' corporate governance reports was examined against the background of the requirements stipulated in the Annual Accounts Act and the Code. The Annual Accounts Act requires, for example, that companies report which corporate governance code they apply. All the companies surveyed this year stated that they applied the Swedish Corporate Governance Code. A general overview of the reports also showed that companies seemed to fulfil all the requirements set out in the Act.

Despite a continued positive trend, compliance with the detailed requirements of the Code concerning information⁸⁾ still shows room for improvement. See Table 8 for details. More than 20 companies did not

Table 8. The detailed content of corporate governance reports

	Yes	No	Partly
Does the report contain information on the nomination committee?			
Composition	335	21	0
Representation	324	31	1
Does the report contain information on board members?			
Year of birth	353	3	0
Educational background	340	5	11
Professional experience	326	22	8
Work performed for the company	356	0	0
Other professional commitments	349	2	5
Shareholding in the company	352	4	0
Independence	355	1	0
Year of election	353	3	0
	Yes	No	Partly
Does the report contain information on the board?			
Allocation of tasks	353	3	0
Number of meetings	356	0	0
Attendance	355	1	0

	Yes	No	Partly	Not applicable	
Does the report contain information on board committees?					
Tasks and decision-making authority	321	2	0	33	
Number of meetings	312	5	2	37	
Attendance	292	26	0	38	
				Yes	No
Does the report contain information on the CEO?					
Year of birth				349	7
Educational background				339	17
Professional experience				319	37
Professional commitments outside the company				296	60
Shareholding in the company				351	5

⁸⁾ Code rule 10.2.

provide information on the professional experience of their board members, over 30 companies did not state who had appointed the members of their nomination committee, and almost 40 companies did not list the previous professional experience of their chief executive officer. Shortcomings regarding these requirements were pointed out in previous years. The percentage of companies not reporting the previous experience of the members of the board was around six per cent in 2022, a slight improvement on the previous year, while the proportion of companies failing to report the previous experience of the chief executive officer has fallen by almost two percentage points. The proportion of companies that report whom members of the nomination committee represent has increased by just over one percentage point compared with last year, from just under 90 per cent to just over 91 per cent.

Another Code requirement is that companies who have been found by the Stock Exchange Disciplinary Committee or the Swedish Securities Council to have committed breaches against the rules of the stock exchange or generally accepted principles in the securities market during the financial year are to report this in their corporate governance reports. Two of the three

companies to which this rule applied in 2022 provided information about the breach in their reports.

Corporate governance information on company websites

For the eleventh year in a row, an analysis of the corporate governance information on company websites was conducted.

Rule 10.3 of the Code requires companies to devote a separate section of their websites to corporate governance information. We are pleased to report that this requirement was fulfilled by all the companies surveyed. One of the questions in the survey concerns how easy it is to find corporate governance information on company websites. This assessment is subjective, but the hope is that an annual follow-up of this issue based on the same criteria each time will at least allow an examination of trends. The results of this year's survey of this area can be found in Table 9, which shows that over 99 per cent of the companies surveyed have easily accessible corporate governance information.

Code rule 10.3 also contains a list of information required in the corporate governance sections of websites. As well as the company's eleven most recent

Table 9. Is corporate governance information easy to find on the company's website?

	2022		2021		2020	
	Number	Percentage	Number	Percentage	Number	Percentage
Yes	354	99%	350	99%	325	99%
Acceptable	2	1%	2	1%	2	1%
No	0	0%	0	0%	0	0%
Total	356	100%	352	100%	327	100%

Table 10. Detailed information on company websites

2022	Yes	No	Partly	Total	Percentage Yes
Current board members	356	0	0	356	100%
Current CEO	356	0	0	356	100%
Current auditor	353	3	0	356	99%
2021	Yes	No	Partly	Total	Percentage Yes
Current board members	352	0	0	352	100%
Current CEO	352	0	0	352	100%
Current auditor	349	3	0	352	99%

corporate governance reports and the auditor's written statements on these, the company's articles of association are also to be posted. At the time of the survey, one company did not fulfil the latter requirement, while the articles of association of the remaining 355 companies were accessible on their websites. Additionally, the Code requires companies to post information regarding the current board of directors, the CEO and the auditor. The requirement regarding the auditor was not fulfilled by all companies. See Table 10 for more detailed information.

Nomination committees are also required to fulfil certain information requirements. The Code requires nomination committees to present information on their candidates to the board on the company website when notice of a shareholders' meeting is issued.⁹⁾ Even if companies fulfil this requirement, their information on candidates is not complete – see Diagram 3. At the same time as they issue the notice of meeting, nomination committees are also to issue a statement, which is also to be available on the website, with regard to the requirements in rule 4.1 that the proposed composition of the board is to be appropriate according to the criteria set out in the Code and that the company is to strive for gender balance.

Eight per cent of the nomination committees surveyed failed completely or partly to issue such a

statement, which was a decrease of one percentage point compared with the previous year. In 2013, 58 per cent of companies' nomination committees failed to make any comment on gender balance, while in 2014, 24 per cent of the nomination committees did not comment on gender balance. The corresponding figure for 2015 was 18 per cent, 13 per cent in 2016, 11 per cent in 2017, nine per cent in 2018, seven per cent in 2019 eight per cent in 2020 and eight per cent in 2021. The positive long-term development does not seem to have continued in recent years, as the proportion of nomination committees that did not comment on gender balance in 2022 was again eight per cent. Against the background of the debate on the composition of boards, especially the issue of gender balance and the question of whether quotas should be introduced, it is surprising that the percentage of nomination committees that comment on gender balance is not increasing. See Table 11.

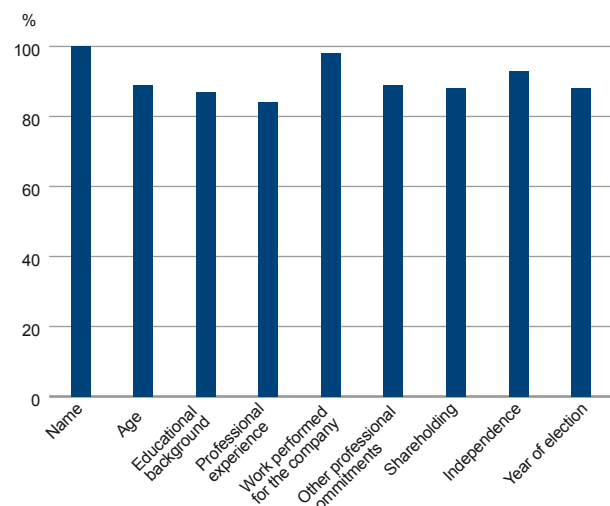
One of the aims of the introduction of this Code rule was to avoid the introduction of quotas and instead allow nomination committees to explain how they had handled the issue of increasing the ratio of women on boards and bring the issue into focus. The Corporate Governance Board will continue to monitor gender balance on the boards of listed companies. ◀

Table 11. Nomination committee statements: Does the statement provide any explanation regarding gender balance on the board?

	2022		2021	
	Number	Percentage	Number	Percentage
Yes	326	92%	323	92%
No	30	8%	29	8%
Partly	0	0%	0	0%
Total	356	100%	352	100%

⁹⁾ See Code rule 2.6, paragraph 2.

Diagram 3. Content of the nomination committee's proposal -regarding individual candidates to the board



Interpreting the Code

The Swedish Corporate Governance Board is the body that sets norms for self-regulation in the corporate governance of Swedish listed companies, but it does not have a supervisory or adjudicatory role when it comes to individual companies' application of the Code. The Board occasionally receives questions on how the Code is to be interpreted. Although it tries as much as possible to help companies understand what the rules mean, it is not the Board's responsibility to interpret how the Code is to be applied in practice. This is the responsibility of the market, after which the Board assesses how the Code has actually been applied and considers any revisions that may be required as a result. The Swedish Securities Council, whose role is to promote good practice in the Swedish stock market, is however able to advise on how to interpret individual Code rules. This occurs when companies who would like advice on interpretation request that the Council issue a ruling.

The disciplinary committees of the Nasdaq Stockholm AB and Nordic Growth Market NGM AB stock markets can also issue interpretations of the Code. Over the years, the Swedish Securities Council has issued nine rulings in total concerning interpretation of Code rules:

- AMN 2006:31 concerned whether two shareholders were able to pool their shareholdings in order to be eligible for a seat on the nomination committee.
- AMN 2008:48 and 2010:40 dealt with the amount of leeway allowed to a board of directors when setting the conditions of an incentive programme.


- AMN 2010:43 interpreted one of the independence criteria in the Code, which covers board members' independence with regard to clients, suppliers or partners who have significant financial dealings with the listed company.
- AMN 2011:03 examined whether a proposed salary increase for executives that was conditional on a sustained shareholding in the company needed to be referred to the shareholders' meeting.
- AMN 2015:24 examined whether a variable cash bonus arrangement for an executive of a listed company that was conditional on a sustained shareholding in the company needed to be referred to the shareholders' meeting.
- AMN 2017:05 concerned the extent to which the Code's rules on remuneration are applicable to an incentive programme in which the remuneration to executives in a subsidiary company is based on the performance of the subsidiary.
- AMN 2018:19 examined whether members of a nomination committee may participate in the preparation of proposals to the board pertaining to themselves and proposals regarding director remuneration to themselves.
- AMN 2018:48 concerned the structure of an incentive programme from a major shareholder.

The disciplinary committees of the Nasdaq Stockholm and Nordic Growth Market NGM stock markets did not issue any interpretations of the Code in 2022, and these two bodies have no tradition of issuing statements regarding interpretation of the Code. 



III. PERSPECTIVES

The Swedish Corporate Governance Board's ambition is that its Annual Report not only describes the work of the Board and how the Code has been applied during the past year, but also provides a forum for discussion and debate on current corporate governance issues, both in Sweden and internationally.

This year's report includes an open letter written by the Board on 17 February 2023. This was addressed to the shareholders, nomination committees and trade union organisations at Swedish listed companies and was written to coincide with the entry into force of EU directive 2022/2381 on improved gender balance on the boards of listed companies. 

KOLLEGIET FÖR SVENSK BOLAGSSTYRNING

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



KOLLEGIET FÖR SVENSK BOLAGSSTYRNING

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

Björn Kristiansson
Executive Director

SWEDISH
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