

## **INSTRUCTION NO 2-2010**

**From January 1 2011, foreign companies whose shares or depositary receipts are admitted to trading on a regulated market in Sweden will be required to apply the corporate governance code in force in the country where the company has its registered office, the code applicable in the country in which its shares have their primary listing, or the Swedish Corporate Governance Code ("the Swedish Code"). If the company does not apply the Swedish Code, it is to include a statement in or adjacent to its first corporate governance report submitted after 31 December 2011 describing the important aspects in which the company's conduct deviates from the Swedish Code .**

Foreign companies listed in Sweden are not under any obligation to apply the Swedish Code. The European Corporate Governance Forum ("the Forum") issued a statement on cross-border code issues on 23 March 2009. The rule proposed by the Forum means that foreign companies whose shares are admitted to trading on a regulated market in Sweden can choose to apply the code in force in the country where the company has its registered office the code of the country in which its shares have their primary listing, or the Swedish Code. If a company chooses to apply a non-Swedish code, it is annually to issue a statement on the important aspects in which the company's conduct deviates from the requirements of the Swedish Code. The change in the Swedish Code, as seen below, follows the Forum's proposal.

According to the Forum's proposal, a rule for Swedish companies whose shares are only listed overseas should also be inserted into the Swedish Code. This rule would require that Swedish companies listed abroad which follow a foreign code issue a special statement on the important aspects the company's conduct deviates from the requirements of the Swedish Code. Since the company is not listed in Sweden, however, the Swedish Corporate Governance Board believes it is unnecessary to regulate this in the Swedish Code and that this is instead something that may be required by the foreign marketplace.

This rule change means that changes have been made to the text of the Swedish Code "Section I. The Swedish Code on Corporate Governance". The blue underlined text has been inserted; the red crossed-out italic crossed text has been deleted.

### **2 Target group**

The target group for the Code is ~~Swedish~~ companies whose shares are listed on a regulated market in Sweden. At present, there are two regulated markets in Sweden, NASDAQ OMX Stockholm and NGM Equity.

### **6 Which companies are to apply the Code?**

It is considered good stock exchange practice for Swedish companies whose shares are admitted to trading on a regulated market in Sweden to apply the Code. In order to observe good stock exchange practice, foreign companies whose shares or depositary receipts are admitted to trading on a regulated market in Sweden, are 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.

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. The statement is to be provided in or adjacent to the company's corporate governance report.

### **Transitional rules**

The new rule comes into force on 1 January 2011, which means that foreign companies must state which code they apply in the first corporate governance report submitted after the rules come into force, normally the report to be submitted in spring 2011.

If the company chooses not to apply the Swedish Code but to apply a relevant foreign code, it should provide a statement describing in which important aspects the company's conduct deviates from the requirements of the Swedish Code. The first such a statement must be made in or adjacent to the first corporate governance

report submitted after 31 December 2011, normally in the corporate governance report to be submitted in spring 2012.

Stockholm, November 29 2010

THE SWEDISH CORPORATE GOVERNANCE BOARD