

**To: The Swedish Corporate Governance Board**

Re: Consultation on proposed changes to the Swedish Corporate Governance Code

Glass, Lewis & Co. (“Glass Lewis”) appreciates the opportunity to comment on the amendments to the Swedish Corporate Governance Code (“the Code”) proposed by the Swedish Corporate Governance Board (“SCGB”).

About Glass Lewis

Founded in 2003, Glass Lewis is a leading, independent governance services firm that provides proxy research and vote management services to more than 1,300 clients throughout the world. While, for the most part, institutional investor clients use Glass Lewis research to help them make proxy voting decisions, they also use Glass Lewis research when engaging with companies before and after shareholder meetings.

Through Glass Lewis’ Web-based vote management system, Viewpoint, Glass Lewis also provides investor clients with the means to receive, reconcile and vote ballots according to custom voting guidelines and recordkeep, audit, report and disclose their proxy votes.

From its offices in the UK and Europe, North America and Australia, Glass Lewis’ 360+ person team provides research and voting services to institutional investors globally that collectively manage more than US\$35 trillion. Glass Lewis is a portfolio company of the Ontario Teachers’ Pension Plan Board (“OTPP”) and Alberta Investment Management Corp. (“AIMCo”). Glass Lewis operates as an independent company separate from OTPP and AIMCo. Neither OTPP nor AIMCO is involved in the day-to-day management of Glass Lewis’ business. Moreover, Glass Lewis excludes OTPP and AIMCo from any involvement in the formulation and implementation of its proxy voting policies and guidelines, and in the determination of voting recommendations for specific shareholder meetings.

Having reviewed the amendments, we will restrict our comments to those proposed amendments where we believe our perspective can add some value. We have also noted several additional provisions of the code where we believe some revision or clarification would benefit market participants.

Independence

We welcome the reintroduction of independence requirements for the audit committee in section 7.2. We believe that setting concrete limits for the audit committee gives clarity to both issuers and investors. However, we believe the SCGB should consider taking this opportunity to review independence recommendations in Sweden on a wider scale.

We recognise the long-standing tradition of differentiating between a director’s independence from the company and independence from major shareholders. Changing this recommendation to state that a majority of the board of directors and key committees should be independent from both major shareholders and the company would simplify this best practice standard and increase transparency. Such a recommendation could be paired with a clarification that the nomination committee should consider a company’s ownership structure when determining the appropriate level of independence to which a board should aspire. Further, such a revision would align Swedish corporate governance standards with market practice in most European markets.

We note that, according to our research, over 75% of Swedish large cap companies already comply with a majority independence standard, relative to shareholders and the company, on the board of directors. As such this change would serve to align the code with already established best practice in Sweden.

Further, we believe the SCGB should consider extending this simplified independence requirement to both the audit and remuneration committees.

### **Remuneration Reporting**

We welcome the introduction of the remuneration report in Sweden as part of Sweden's adoption of the EU Shareholder Rights Directive II. The report will enhance transparency for investors in Swedish companies by offering issuers the opportunity to explain their remuneration structure and outcomes in one central location. Previously this information was spread throughout the annual report and supporting documents and was often disjointed.

However, we believe better clarity could be offered by explicitly referencing the European Commission's guidance on remuneration reporting stemming from SRD II, which is due to be finalized shortly. The current proposed amendments would leave the requirements of the code rather vague, which, given that disclosure in Sweden regarding specific remuneration elements is already lacking compared to most other European markets, would potentially create a disadvantage for Swedish companies with regard to investor expectations. We believe the Code should provide greater clarification on expectations of companies, particularly around the following disclosures:

- the length of the vesting, performance and holding period for long-term incentive awards
- clearly defined limits for all variable incentive awards relative to base salary
- information about vested awards during the year, including the vesting dates, amounts and recipients

As stated above, we believe some of these expectations may already be clarified by explicit reference to the draft guidance on remuneration reporting, or, failing that, explicit clarification on each item in the Code itself.

### **Election of Directors**

We note that the proposed revisions to the Code do not appear to acknowledge a very welcome development in the Swedish market with regard to the election procedures for directors and nomination committee members. Based on our research, 62% of large cap Swedish companies now offer shareholders voting by proxy the ability to submit a separate vote on each individual member of the board of directors who is up for election. We note that this is a very well-established best practice in Europe and we applaud those Swedish companies who have adopted this practice voluntarily.

From our perspective, the practice of offering individual elections of directors and nomination committee members has been driven by institutional investors and offers the most compelling means by which an investor can hold individuals accountable for their performance. We believe the SCGB could recognise and codify this now *de facto* established best practice in Sweden with a revision to Provision 2.6 of the Code.

### **Vote Results**

The Shareholder's Rights Directive in Articles 9a and 9b requires issuers to publish the results of the vote on the remuneration policy and report, respectively. It is currently very uncommon for Swedish issuers to disclose a detailed breakdown of vote results at their annual general meeting. Therefore, we believe that the SCGB should consider this requirement as an opportunity to review the recommendations for the publication of vote results for all agenda items in Sweden, which we believe should be made available on a company's website following a general meeting without exception.

A detailed breakdown of voting outcomes at the General Meeting would significantly improve transparency and enhance investor stewardship in Sweden. Disclosure of the vote results would allow all market participants to accurately assess the levels of support and dissent for each item on the agenda. Further, we note that this disclosure is already common market practice in most European markets, leaving Swedish companies as a notable outlier in this regard.

Glass Lewis welcomes the opportunity to comment on the proposed amendments to the code and is available to provide further clarification as to our comments above. Additionally, Glass Lewis raises no objection to these



comments being published on SCGB's website.

Respectfully submitted,

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