

VINGE

New rules on remuneration in listed companies

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What is new?

As a result of the implementation of the EU Shareholder Rights Directive (“**SRD**”), new rules for remuneration to senior executives in listed companies have entered into force. The legislation entails new rules regarding guidelines for remuneration (to be adopted at AGMs in 2020) and rules regarding a remuneration report (to be prepared before, and approved by, the AGMs in 2021). Please see below for a brief description of the new requirements for the remuneration guidelines.

- **Which remuneration?**

- Forward-looking, not already decided. Remuneration resolved upon by AGMs are excluded.

- **Whose remuneration?**

- Board members, the CEO and the deputy CEO. However, the Swedish Corporate Governance Board has proposed a revised Swedish Corporate Governance Code pursuant to which the company’s executive management should also be comprised by the guidelines approved by the AGM.

- **What new content in the guidelines?**

- The relative share compared to the total remuneration for each form of remuneration.

- How the remuneration, including criteria for variable remuneration, contribute to the company’s business strategy and long-term interest, including sustainability.

- Description of the decision-making process applied to determine, review and implement the guidelines as well as measures taken to avoid or handle conflict of interest.

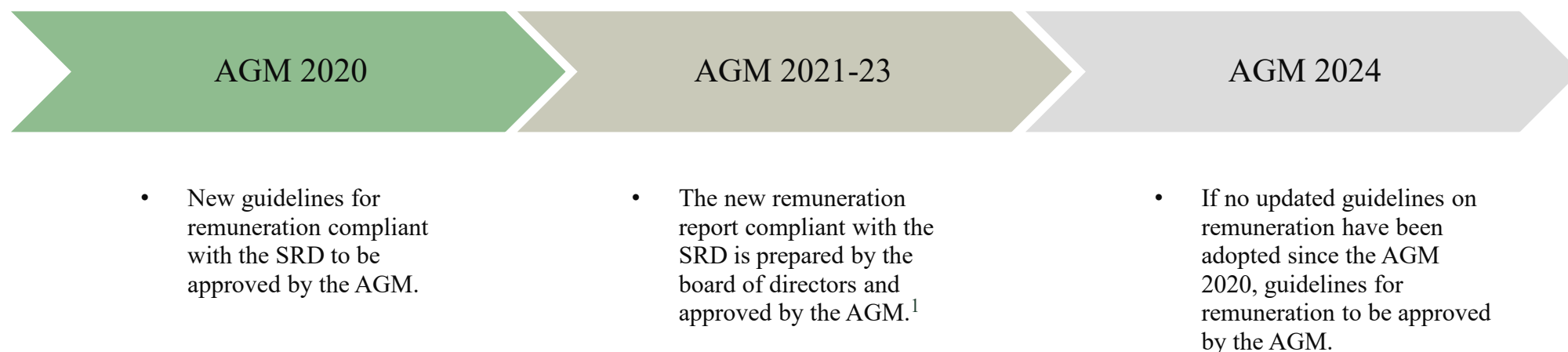
- If changes are made to the guidelines, a description of material changes as well as how the shareholders’ views have been taken into account.

- **Term of the adopted guidelines?**

- The guidelines may be adopted for a maximum period of four years.

What is next?

In addition to the new rules on guidelines for remuneration, a remuneration report must be prepared annually. The remuneration report will be prepared for the first time with regard to remuneration paid or due during the financial year 2020. The report will be fairly detailed and disclose, among other things, the remuneration paid or due with the main purpose of giving the shareholders an opportunity to have an opinion on how the guidelines for remuneration have been applied the previous year. The European Commission will prepare non-binding guidelines on the content and format of the remuneration report. Below is a simplified timeline that shows the next steps with regard to the implementation of the guidelines for remuneration and the remuneration report.



¹ If the guidelines adopted at the AGM 2020 have a term of less than four years or need to be amended, guidelines for remuneration to be approved by the AGM.

Key takeaways

1. The new legislation regarding remuneration for senior executives in listed companies has resulted in more stringent requirements on the preparation and contents of the remuneration guidelines as well as the remuneration report. We will soon circulate a draft template for new remuneration guidelines.
2. All listed companies should review existing elements of remuneration in order to correctly and efficiently implement the new legislation.
3. As from, and including, AGMs 2021, the following reports will annually have to be prepared in conjunction with the AGM (i) the annual report, (ii) the corporate governance report, (iii) the remuneration report and, if applicable, (iv) the sustainability report¹.
4. Vinge is a leading law firm in Sweden and regularly advises issuers, shareholders, investors and other stakeholders on matters relating to listed securities in Sweden. Vinge has a long history of assisting Swedish and international companies with annual general meetings and corporate governance matters in general.

¹ The obligation to prepare a sustainability report applies to so called “large companies” pursuant to Chap. 6 Sec. 10 of the Annual Reports Act.

Selected references

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