



NORGES BANK
INVESTMENT MANAGEMENT

Kollegiet för svensk bolagsstyrning
Väpnargatan 8, 6 tr
SE-114 51 Stockholm

Date: 05.12.2018

Revisions to the Swedish Corporate Governance Code

We have taken note of the upcoming review of the Swedish Corporate Governance Code, and we welcome the opportunity to contribute our perspective.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank (Norges Bank) and is responsible for investing the Government Pension Fund Global. We work to safeguard and build financial wealth for future generations. NBIM is globally diversified, with SEK 108 billion invested in equities in Sweden at the end of 2017. We regard effective corporate governance and the protection of minority shareholder rights as a necessary requirement to promote the fund's long-term financial interests.

We support the Kollegiet för svensk bolagsstyrning / Swedish Corporate Governance Board (Kollegiet) in its efforts to promote high standards of corporate governance in Sweden. Considering the upcoming review of the Corporate Governance Code, we would like to use this opportunity to share our views on some relevant topics and suggest additions to the Code.

CEO remuneration

Following the introduction of "say on pay" in many markets, NBIM published its views on executive remuneration in 2017¹. Our starting point is that a CEO's remuneration package should 1) incentivise him or her to work towards long-term value creation and 2) seek to align CEO and shareholders' interests.

To achieve this, we recommend a simple approach where part of the total annual remuneration is paid in cash and a substantial proportion of the total annual remuneration in shares of the company, locked-in for 5-10 years. The lock-in should be maintained beyond resignation or retirement. For investors to evaluate and vote on the remuneration plan, there needs to be transparency. Therefore, we expect the board to disclose the CEO's total annual remuneration and set a ceiling for the next year.

¹ NBIM, [position paper](#) on CEO remuneration, 2017

Norges Bank Investment Management is a part of Norges Bank – The Central Bank of Norway

POSTAL ADDRESS
P.O. Boks 0179 Sentrum,
NO-0107 Oslo

OFFICE ADDRESS
Bankplassen 2,
Oslo, Norway

Tel. +47 24 07 30 00
Fax +47 24 07 30 01
Web www.nbim.no

Registration of
Business Enterprises
NO 937 884 117 MVA



In our view, long-term incentive plans, with a series of performance conditions over many years, are often ineffective, and too complex. In practice, the metrics can often be adjusted during the measurement period, leading to biased outcomes. Finally, they may distract from the CEO's key objective, which is to create long-term value for the company.

When developing guidance on executive remuneration, the Kollegiet may want to take these issues into account. We would welcome a simpler framework in Sweden that allows for transparent pay practices with long-term equity ownership and a defined holding period.

Board assessment and nomination process

As a shareholder, we want the board to be well-prepared to meet the evolving needs of the company. We expect the nomination committee to evaluate the board's balance of competences, expertise and backgrounds, and establish the profile that the company might need to complement its existing directors. To identify potential candidates, the board should have a transparent nomination procedure and a rigorous search process that extends to a broad range of people.

The revised Corporate Governance Code could encourage nomination committees to clearly identify the qualifications needed on the board, as a foundation for the search process.

Time commitment from board members

In a position paper published in 2018², NBIM emphasises that board members should have sufficient time to fulfil their responsibilities effectively and should aim at attending all meetings. Therefore, we recommend that board members of listed companies do not serve on more than five boards. Furthermore, the chairperson of a leading company should not chair the board of another company, given his or her extended responsibilities. For the sake of transparency, the company should disclose external commitments of each board member, as well as individual meeting attendance rates.

In the revised Code, we would welcome the introduction of limitations on the number of external positions that board members can have, as well as disclosure requirements.

Individual vote counts in board elections

In 2015, NBIM published a position paper³ arguing that board members should be elected with an individual vote count at the shareholder meeting. This allows investors to vote against a candidate in case of concerns (e.g. lack of independence, conflict of interest, 'overboarding'), even when voting by proxy. Moreover, the vote tally should be published to

² NBIM, [position paper](#) on time commitment of board members, 2018

³ NBIM, [position paper](#) on individual vote count in board elections, 2015



ensure the integrity and transparency of the election process. We note that most European markets now provide full transparency on the vote tally.

We welcome the fact that many Swedish companies in recent years have introduced individualised vote count in board elections. We would welcome the translation of these practices into the revised Code, as well as a requirement for the publication of the vote tally.

Sustainability issues

NBIM considers that the boards should address and disclose information on material sustainability issues that could affect companies' performance and future prospects⁴. Boards should, moreover, fulfil their objective within principles for responsible business conduct. They should understand the broader social and environmental consequences of business operations, set their own priorities to address these, and account for associated outcomes.

The revision of the Code presents an opportunity to clarify the responsibilities of the board concerning environmental and social matters which are relevant to the company.

We appreciate your willingness to consider our perspective, and we remain at your disposal should you wish to discuss these matters further.

Yours sincerely

Carine Smith Ihenacho
Chief Corporate Governance Officer

Ola Peter Gjessing
Senior Analyst, Corporate Governance

⁴ See NBIM's expectation documents on climate change, water management, ocean sustainability, human rights, children's rights, tax and transparency and anti-corruption. <https://www.nbim.no/en/responsibility/risk-management/>

