



IMPLEMENTING SRD II

COUNTRY BRIEF: SWEDEN

KEY TAKEAWAYS

- The laws that implement the Shareholder Rights Directive II were approved on May 15, 2019.
- The remuneration policy is subject to a binding vote at least every four years, and an annual advisory vote on the remuneration report is introduced.
- Votes on the remuneration policy are expected in 2020, and the first votes on the remuneration report are expected in 2021.

EU DIRECTIVE
2007/828/EC
REGARDING THE
ENCOURAGEMENT OF
LONG-TERM
SHAREHOLDER
ENGAGEMENT (SRD II)

In response to the global financial crisis, the European Commission proposed a revision of the original 2007 Shareholder Rights Directive.

The [revised Shareholder Rights Directive II \("SRD II"\)](#), which took effect in June 2017, seeks to reinforce effective and long-term shareholder engagement and monitoring of company performance.

KEY NEW REQUIREMENTS OF SRD II

The Directive is subdivided into three main chapters



VOTING CHAIN

- Companies should have access to the identity of shareholders without delay.
- Transmission of information that enables the exercise of shareholder rights shall be made in electronic and machine-readable formats
- Intermediaries are required to facilitate the exercise of shareholder rights, including confirmation that shareholder votes were recorded and counted accurately.



TRANSPARENCY

- Engagement policies of institutional investors and asset managers
- How shareholder engagement is integrated into investment strategy, including how voting rights were exercised
- Institutional investors' investment strategies and arrangements with asset managers
- Proxy advisors shall disclose a reference to the code of conduct they apply and report on the application of that code.



REMUNERATION & RPTs

- Shareholders will have the right to express their views on executive pay.
- Separate votes on the remuneration report and remuneration policy.
- The European Commission will provide non-binding guidance about the presentation of the remuneration report.
- Rules on transparency and approval process of related-party transactions.

SHAREHOLDER RIGHTS DIRECTIVE II

In response to the 2008 global financial crisis, the European Commission proposed in April 2014 a revision of the original 2007 Shareholder Rights Directive in 2014. The revised Shareholder Rights Directive ("SRD II"), which took effect in June 2017, seeks to reinforce effective and long-term shareholder engagement and monitoring of company performance. Both elements were lacking during the crisis when many companies took on excessive risks in the pursuit of short-term returns. EU member states were called upon to amend their laws to comply with SRD II by June 10, 2019. As of Feb. 26, 2020, 20 EU member states had implemented SRD II into their local legislations.

IMPLEMENTING SRD II INTO SWEDISH LEGISLATION

On May 15, 2019, the Swedish Parliament approved the proposed amendments to the Companies Act related to the transposition of SRD II into Swedish law. The law, introduces, inter alia, a binding shareholder vote on the remuneration policy at least every four years and an advisory annual general meeting vote on the remuneration report. The law took effect on June 10, 2019.

The most important components of SRD II transposed to the Swedish law are detailed below.

Identification of Shareholders

Articles concerning identification of shareholders are not part of legislative changes took effect on June 10, 2019. The justice department has issued a memorandum on the proposed transposition into Swedish law on which the parliament has yet to vote. These amendments are proposed to take effect on Sept. 3, 2020

Transmission of Information

Articles concerning the transmission of information are not part of legislative changes taking effect on June 10, 2019.

Facilitation of Shareholder Rights

Articles concerning facilitation of the exercise of shareholder rights are not part of legislative changes taking effect on June 10, 2019.

Transparency of Institutional Investors

Institutional investors and assets managers are required to disclose their engagement policies annually.

Transparency of Proxy Advisors

Proxy advisors are required to publish on their websites annually a reference to a code of conduct which they apply and reports on the application of that code.

Right to Vote on the Remuneration Policy and Report

The remuneration policy should be submitted to the general meeting for shareholder approval upon each substantial change thereof or at least every four years. Before the implementation of the directive, the remuneration policy required annual approval by shareholders at the annual general meeting.

The annual remuneration report should be submitted for shareholder approval at the annual general meeting which approves the financial statements for the accounting period for which the remuneration report is prepared.

Transparency on Related-Party Transactions

Related-party transactions are subject to approval by shareholders at the general meeting. This requirement does not apply to related-party transactions concluded in the ordinary course of business and under normal market conditions.

Effective Date

June 10, 2019

GM Notice Period

28 days

Availability Remuneration Report

21 days

Policy Vote

Binding

Report Vote

Advisory

RPT Vote

Yes



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