Cross-Border Listings Guide - Nasdaq Stockholm

Corporate governance

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# Corporate governance

[Last updated: 1 January 2024, unless otherwise noted]

An issuer should apply the corporate governance code, or corporate governance recommendations, applicable to the issuer in its jurisdiction of incorporation or establishment. Alternatively, the issuer should apply the corporate governance code applicable in the jurisdiction of the exchange. As of 1 July 2008, the Code is applicable to all Swedish companies whose shares are traded on Nasdaq Stockholm and other Swedish regulated markets, which means that the issuers either must comply with the Code or explain the deviation. A listed issuer must start to comply with the Code as of the first day of trading.

The Code contains specific rules on the composition of the board of directors, notably their dependence on the shareholders, the issuer and major trading partners. The Code also sets out the audit committee and the nominating committee as bodies whose roles are to monitor the review functions of the issuer and the nomination of new directors of the board, respectively. The nominating committee is elected by the shareholders at the meeting of shareholders. It is not uncommon for an issuer to set out rules for the composition of its nominating committee to ensure that it reflects the shareholding in the issuer.

Furthermore, an issuer should have in place adequate working procedures both at the level of the board of directors and within the management. In order to meet these requirements, an issuer must have established proper governance and internal control. As part of the listing review of a company that intends to have its shares admitted to trading the Listing Auditor evaluates the issuer's governance and internal control activities and procedures for monitoring, to ascertain compliance with the requirements of the regulations. The evaluation considers the size, industry, complexity, risk profile and regulatory environment of the issuer. The extent and the focus of the Listing auditor's review is thus affected by the above factors. An issuer's board of directors has ultimate responsibility for the company having in place effective governance and internal control. Effective governance and internal control comprise a number of components that work together, and is achieved through eliminating, minimizing, monitoring, or ensuring risks pertaining to the issuer’s overall objectives. This requires identification of significant risks, and subsequent design and implementation of internal guidelines that describe the organizations approach to manage these risks. Based on this, effective internal controls are designed and implemented throughout the organization’s processes.

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