October 25, 2024

Sent via e-mail to:
Financial Markets and Institutions Unit, CEPS
[redacted]

Joint Swedish response regarding the "Study on the effectiveness of the framework for corporate governance underpinning the quality of corporate reporting"

Thank you for including us as key Swedish stakeholders in the "Study on the effectiveness of the framework for corporate governance underpinning the quality of corporate reporting". We have taken part of the survey sent to us on September 26, 2024. The format of the survey does not allow us to properly express our position on the connection between corporate reporting and corporate governance, and rather than answering the survey, we would like to express our view on the matter in this letter.

The Swedish approach to corporate governance and equity market regulation

The Swedish equity market is among the strongest in Europe, with 990 listed companies, the third largest market capitalization among Member States, and – most importantly – one of very few public equity markets in the world that is growing. In the period 2020–2023 alone, almost 400 corporations went public in Sweden.

It is our firm belief that an important factor in the success of the Swedish stock market is **a general corporate governance framework that** creates trust and **allows due flexibility and proportionality for individual companies, making the market work for different types and sizes of businesses, while safeguarding investor interests where it matters the most.** The general corporate governance framework includes among other things fundamental rules regarding shareholder rights and engagement, board and auditor election, board structure and composition, directors' duties, disclosure rules, division of competence, etc. and include **well calibrated rules that can be revised on a need basis through the collaboration between legislators and self-regulatory** bodies (such as the Swedish Takeover Panel, the Swedish Corporate Governance Board, and the Stock Market Self-regulation Committee). If there is not a clear need for regulation, regulation is avoided, and when regulation is deemed necessary, rules are tailor made for the specific situation and adapted to the general Swedish legislative landscape, with great care not to interfere with the effectiveness of the general corporate governance framework. **For the continued growth and well-being of the Swedish equity market, it is against this background important to keep focus on competitiveness and to respect differences between corporate governance structures across the EU Member States.** The development of strong, well-functioning equity markets is critical to achieve EU's long-term goals, importantly including the twin transitions and the current EU focus on strengthening and developing the EU capital markets as a means to promote long-term competitiveness and productivity.

Regarding the connection between corporate reporting and corporate governance

With regards to corporate reporting, we believe that the quality and reliability of reporting by listed companies in Sweden is high, and occasional failures are not due to inadequate regulation, but due to human errors which are inevitable, notwithstanding the regulatory landscape. In our view, this implies that there is no empirical basis for amending current regulation, keeping in mind that increased regulation is not likely to drive a positive development and improvement.

We also object to the idea that seems to be the basis for the "Study on the effectiveness of the framework for corporate governance underpinning the quality of corporate reporting", that a number of corporate governance features are directly linked to the quality of corporate reporting. The quality of corporate reporting is best secured through adequate and easily applied reporting

frameworks and regulations and through clear guidance on how to apply those in practice. A large volume of new reporting obligations is now in the process of being implemented and adequate guidance will be central to help companies to accurately apply those for the first time. The largest concern regarding these rules is that the incurred costs for businesses will further weaken European competitiveness and equity markets, which is a concern reflected in the focus of the EU Commission to reduce the regulatory burden of companies. This is not the time to add additional corporate governance or corporate reporting regulation, nor is there a need. And ***should*** reporting failures nevertheless be identified, the reasons for those failures should be carefully assessed and addressed through specific and relevant reporting related rules or interpretations, not through changes of general corporate governance frameworks or principles.

Should you have any further questions regarding our view on the matter please do not hesitate to reach out to us, and we would also be more than happy to arrange meetings with Swedish stakeholders, virtual or in person.

Yours sincerely,

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