

Press release

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Modified corporate governance code to be introduced on 1 February 2010

The Swedish Corporate Governance Board has announced modifications to the Swedish Code of Corporate Governance, with new rules on director remuneration and independence as well as changes to the rules concerning audit committees. The new Code will come into force on 1 February 2010. The rules on independence and remuneration, however, do not need to be applied until 1 July.

The proposals on rules for director remuneration are based on EU recommendation 2009/3177/EC regarding remuneration of directors in listed companies.

"The vast majority of those involved in the consultation process prefer implementation of the EU recommendation through the Code's self-regulation principle of comply or explain rather than through legislation," says Hans Dalborg, Chair of the Swedish Corporate Governance Board. "After some minor adjustments following the consultation process, the Code rules now combine good Swedish corporate governance traditions with the EU recommendation."

"The requirement for increased transparency concerning director independence and the evaluation of remuneration systems can help improve confidence in the governance of Swedish listed companies," adds Per Lekvall, the Board's Executive Director.

The rules on director remuneration can be summarised as follows:

- Remuneration is to be designed to ensure that the company has access to the competence the company needs and that the conditions have the intended effects for the company's operations. Variable remuneration is to be linked to predetermined and measurable performance criteria aimed at promoting the company's long term value creation.
- Variable remuneration paid in cash is to be subject to predetermined limits. The board is to consider two main conditions:
 - that payment of a certain proportion of the remuneration be dependent on whether the performance on which compensation is based is sustainable over time,
 - that the company is able to reclaim components of remuneration that have been paid on the basis of information which later proves to be manifestly misstated.
- Share and share-price related incentive programmes are to be designed with the aim of achieving increased alignment between the interests of the participating director and the company's shareholders. Accumulation of a personal holding of shares in the company is to be promoted. The vesting period or the period from the commencement of an agreement to the date for acquisition of shares is to be no less than three years. Remuneration of non-executive board members is not to include share options.
- Fixed salary during a period of notice and severance pay are together not to exceed an amount equivalent to the individual's fixed salary for two years.
- The remuneration committee is to evaluate programmes for variable remuneration to the executive management and the application of the guidelines for remuneration established by

the shareholders' meeting. Appropriate knowledge and experience of executive remuneration issues is to exist among the members of the committee

- Companies are to describe on their website all variable remuneration schemes for the board and management, not only share and share price related incentive programmes, as is the case today. Companies should also continue to describe on their website all share and share price related incentive schemes to employees. The board is also to publish the results of its evaluation of the application of the guidelines for remuneration most recently established by the previous annual general meeting on the company's website no later than two weeks before each annual general meeting.

The Code has also been adjusted to new legislation which supersedes certain Code rules concerning audit committees and corporate governance reports, including reports on internal controls. In accordance with opinions expressed in the consultation process, the following rules, which had been removed in the consultation proposal, have been retained:

- Rules on the composition of audit committees and committee members' independence.
- The board is to ensure that the company has adequate internal controls and formalised routines to ensure that approved principles for financial reporting and internal controls are applied.
- For companies that do not have a separate internal audit function, the board of directors is to evaluate the need for such a function annually and to justify its decision in the company's corporate governance report.

Rules on director independence have been revised following the removal of the equivalent rules from Nasdaq OMX Stockholm's Rule Book for Issuers:

- In the main, the Code's previous criteria for assessing independence have been reintroduced. These are to be considered in the nomination committee's assessment of whether a member of the board is independent of the company, its executive management and, where applicable, major shareholders.
- If a board member is designated by the nomination committee as independent, even though some of the criteria to be considered in the assessment of independence suggest otherwise, the committee is to justify its position on the company's website and in its corporate governance report.
- The previous "12 years rule" for the assessment of independence has been removed.

The new Code and interim rules can be found at <http://www.corporategovernanceboard.se>.

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