


<b>Meeting Date:</b>	Wed, 25 Mar 2015 9:30am	<b>Type:</b>	AGM	<b>Issue date:</b>	Tue, 10 Mar 2015
<b>Meeting Location:</b>	Hôtel's Winter Garden, Royal entrance, Stallgatan 4, Stockholm				
<b>Current Indices:</b>	FTSE EuroFirst				
<b>Sector:</b>	Banks				

PROPOSALS	ADVICE
<b>1 Opening of the meeting</b> Non-voting agenda item.	<b>Non-Voting</b>
<b>2 Elect Mr Sven Unger be chairman of the meeting</b> Non-voting agenda item.	<b>Non-Voting</b>
<b>3 Establishment and approval of the list of voters</b> Non-voting agenda item.	<b>Non-Voting</b>
<b>4 Approval of the agenda</b> Non-voting agenda item.	<b>Non-Voting</b>
<b>5 Election of two persons to countersign the minutes</b> Non-voting agenda item.	<b>Non-Voting</b>
<b>6 Determining whether the meeting has been duly called</b> Non-voting agenda item.	<b>Non-Voting</b>
<b>7 A presentation of the annual accounts, Board's report and auditors' report</b> Non-voting agenda item.	<b>Non-Voting</b>
<b>8 Receive the Annual Report</b> Disclosure is acceptable and the report was made available sufficiently before the meeting. However, the Company has been involved in alleged improper use of corporate resources; namely SCA's corporate jet. Handelsbanken is one of SCA's major shareholders. Said involvement led the Chairman of Handelsbanken Mr. Nyren to resign and was replaced by the CEO, Mr. Boman, who is candidate as Chairman at this AGM. It is considered that the Company should have discussed publicly appropriate use of corporate resources or acceptance of excessive gifts, which is however covered by their ethical guidelines. There seem to be insufficient checks and balances that could prevent such alleged improper use of resources from happening again.	<b>For</b>
<b>9 Approve the dividend</b> The Board proposes a dividend of SEK 17.5 per share. The dividend is covered by earnings. Acceptable proposal.	<b>For</b>
<b>10 Discharge the Board and the Group Chief Executive</b> In accordance with the Swedish Companies Act ch. 7 para. 11 Swedish companies offer the Board of Directors and President a discharge from liability for the financial year. However, the Company has been involved in alleged improper use of corporate resources; namely SCA's corporate jet. Handelsbanken is one of SCA's major shareholders. Said involvement led the Chairman of Handelsbanken Mr. Nyren to resign and was replaced by the CEO, Mr. Boman, who is candidate as Chairman at this AGM. It is considered that the Company should have discussed appropriate use of corporate resources or acceptance of excessive gifts, which is however covered by their ethical guidelines. There seem to be insufficient checks and balances that could prevent such alleged improper use of resources from happening again. Based on concerns regarding this situation and alleged improper use of company assets, Triodos abstains on this resolution.	<b>Abstain</b>
<b>11 Authorise Share Repurchase</b> Authority allows the Board to repurchase shares within legal boundaries. The repurchase is limited to 40 million class A or class B shares, 6.3% of share capital and will be in force until next AGM. Acceptable proposal.	<b>For</b>

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| <b>12 Authorise Further Share Repurchase</b>                                | Request for a further authority to repurchase own shares for up to 2% of the share capital. According to the Company, this would provide the possibility to strengthen capital. The aggregate volume of repurchased shares corresponds to approximately 8.3% of the share capital. Acceptable proposal.  | <b>For</b>    |
| <b>13 Approve share split and change to the articles of association</b>     | It is proposed that each share, regardless to the Class, will be split into three shares. The Bylaws will be amended accordingly. There are no consequences on holdings. Acceptable proposal.  | <b>For</b>    |
| <b>14 Approve the number of board directors</b>                             | The Nomination Committee proposes to set the number of Directors to be elected on the Board to 10 Directors. This complies with the minimum requirement under Swedish Companies Act 8 Chap para. 46 of three Directors. Acceptable proposal.   | <b>For</b>    |
| <b>15 Determining the number of auditors to be appointed at the meeting</b> | It is proposed to appoint two external auditors until the next AGM. No serious concerns have been identified. Acceptable proposal.   | <b>For</b>    |
| <b>16 Approve fees payable to the Board of Directors and the Auditor</b>    | <p>The Nomination Committee proposes the following fees: SEK 3,150,000 (unchanged) to the Chairman, SEK 900,000 (unchanged) to Vice Chairmen, and SEK 640,000 (625,000, increase 2.4%) to each of the other Board members. For committee work, it is proposed to increase only fees for members of the Credit Committee (3%), members of the Remuneration Committee (4%). Board members who are also employees of the Company are not to receive a fee. The aggregate increase is within recommended limits.</p> <p>It is further proposed that auditors are paid in accordance to invoice. The Company has two primary auditors: KPMG and Ernst&amp;Young. In aggregate, non-audit fees for the year under review corresponded to approximately 6% of the audit fees for year under review. Ernst&amp;Young billed only SEK 2 million during the year, of which half were non-audit fees. However, this is not considered to impair their independence.</p> <p>It is regrettable that the Company has bundled Auditors and Directors remuneration in one resolution. However, both proposals are considered to be acceptable.</p> | <b>For</b>    |
| <b>17 Re-elect the Board of Directors</b>                                   | <p>It is common practice for Board members in Sweden to be elected using a slate system. Slate elections are evaluated taking into consideration the balance of independent representation on the Board. An oppose vote is recommended where an insufficient number of independent Directors are included.</p> <p>All of the Board members are proposed for re-election with the exception of Mr Sverker Martin-Lof and Mr Jan Johansson. As they will not stand for re-election, the nomination committee proposes the election of Ms Lise Kaae and Mr Frank Vang-Jensen as new members of the Board. Mr. Vang-Jensen is also the appointed CEO. The Nomination Committee also proposes the election of Par Boman as Chairman of the Board.</p> <p>There is insufficient independent representation on the Board. In addition, it is not considered that this re-election offers a concrete solution to the improper practice that led to the so called corporate jet scandal. Triodos opposes this proposal.</p>   | <b>Oppose</b> |
| <b>18 Appoint the auditors</b>  | KPMG and Ernst&Young proposed. Non-audit fees were approximately 6.25% of audit fees in aggregate during the year under review. Non-audit fees over a three year basis were approximately 2.58% of audit fees in aggregate. The level of non-audit fees does not raise concerns. However, the auditors' terms exceed 10 years, which may create potential for conflict of interest on the part of the independent auditors. Triodos opposes this resolution.   | <b>Oppose</b> |

<b>19 Approve Remuneration Policy</b>	It is proposed to approve the remuneration policy with a binding vote. There is lack of disclosure with respect to the components of individual remuneration for Executives, which prevents shareholders from making an informed assessment. Although officially there is no variable compensation (only a profit-sharing scheme), the Board can decide to award special bonuses upon discretion, which raises concerns over the transparency of the remuneration structure. In addition, the Company reports pension contributions together with fixed salary, while they may be considered bonuses unrelated to performance, depending on the weight versus salary, as noted by the European Banking Authority among others. There are no severance agreements in place, however notice can reach 24 months' salary, which is deemed excessive. Based on excessive notice and Board discretion, Triodos opposes this resolution.	<b>Oppose</b>
<b>20 Appointment of auditors in foundations without own management</b>	KPMG AB proposed as auditors for those foundations that delegated their business to the Company. No serious concerns have been identified. Acceptable proposal.	<b>For</b>
<b>21 Shareholder proposal: Change to the articles of association</b>	Resolution proposed by Thorwald Arvidsson. It is proposed to amend the Bylaws so that class A and class B shares will carry one voting right. Adherence to the one-share, one-vote principle is considered best practice and should be encouraged. Triodos supports this resolution.	<b>For</b>
<b>22 Shareholder proposal: An investigation assignment for the Board</b>	Proposed by Thorwald Arvidsson. Section 12 of the Bylaws provides for a voting rights limitation of 10 per cent. It is proposed to give mandate to the Board to investigate the matter and propose additions to the Bylaws with this respect. Although sound in principle, this mandate is unclear as of the intended outcome. Triodos abstains on this resolution.	<b>Abstain</b>
<b>23 Shareholder proposal: Assign the Board to contact the government</b>	Resolution proposed by Thorwald Arvidsson. It is proposed to delegate the Board to write the Swedish government and ask to investigate the abolishment of different voting powers within the Swedish Company's Act. Adherence to the one-share, one-vote principle is considered best practice and should be encouraged. However, writing to the Swedish government may be seen as lobbying and may involve governance concerns. Triodos abstains on this resolution.	<b>Abstain</b>
<b>24 Shareholder proposal: Assign the Board the task of taking to form a shareholders' association for the Bank.</b>	Resolution proposed by Thorwald Arvidsson. It is proposed to delegate the Board to create a Shareholder's association within the Company. It is not clear what would be the functions and the role of this association. The Company has already a Nomination Committee where major and minority shareholders are represented. Triodos abstains on this resolution.	<b>Abstain</b>
<b>25 Shareholder proposal: A special examination pursuant to Chapter 10, Section 21 of the Swedish Companies Act</b>	Resolution proposed by Thorwald Arvidsson. It is proposed to appoint a special examiner for executive remuneration at the Company. It is unclear what would be the boundaries for the action of the examiner. Triodos abstains on this resolution.	<b>Abstain</b>
<b>26 Closing of the meeting</b>	Non-voting agenda item.	<b>Non-Voting</b>

## Supporting Information for Resolutions

### **Proposal 8 - 10**

In February 2015, SCA, SSAB, Handelsbanken and Industrivarden were involved in a scandal regarding the alleged improper use of SCA corporate jets for private purposes. Industrivarden and Handelsbanken are SCA's major shareholders. Some of the trips were taken to a GBP 1.7 million hunting lodge in Sweden, which is part of business making in the country. However, the four companies allegedly used SCA corporate jets to travel also with family members and pets of company executive. SCA's external auditor PwC participated to some hunting trips, a conduct that the Swedish Accounting Association has stated to be "improper".

The scandal had consequences on the board of directors of the involved companies: Mr. Sverker Martin-Löf, Vice

Chairman of Handelsbanken and Chairman of the Board of the other companies, resigned from all his positions. The Chairman of Handelsbanken Mr. Nyren resigned and was replaced by the CEO, Mr. Boman. However, Mr. Nyren became the Chairman of Industrivarden, to replace Martin-Löf. Mr. Boman, along with the chairmanship of Handelsbanken, will also sit on the Board of SCA and SSAB. Mr. Kjell, former executive of Industrivarden, became Chairman of SSAB. This shuffle of directors raises serious governance concerns, creates a concentration of powers at the top of the company and does not offer a concrete solution to the improper practice that led to this scandal.

## **Proposal 18 -**

### **The New EU audit regulatory framework**

Starting 1 January 2015, audit within the EU is regulated by Directive 2014/56/EU (which amends Directive 2006/43/EC) and Regulation (EU) n. 537/2014. These provide for significant harmonization of the issue within the EU and for substantial changes in auditor's term and rotation, non-audit fees and conflict of interest. EU Member States have two years to implement the provisions contained in the Directive.

### **Major changes in EU audit framework**

#### *Auditors' term and rotation*

Auditors must undertake obligatory rotation at least every 10 years, however Member states can provide for shorter term. The term can be renewed once but the company must either call a public tendering or appoint another audit firm for joint auditing.

#### *Prohibited non-audit services*

The Directive 2014/56/EU provides a series of prohibited non-audit services, such as provision of tax advice and services linked to the client's financial and investment strategy, including tax compliance, tax advice, corporate finance and valuation services. Member States also have the option to allow certain tax and valuation services on condition that they do not have a direct effect on the financial statements or, if they do, that the effect is immaterial.

#### *Non-audit fees*

Non-audit fees are capped at 70% of audit fees in the Directive, at the level of both the company and the group. Member States can adopt a lower threshold at level of their national legislation. This provision applies only if the audit firm in question has audited a company for at least three consecutive financial years. That is, after the third year, non-audit fees should be capped at 70% of the average of the non-audit fees paid in the last three consecutive financial years. Excessive non-audit fees and potentially creating conflict of interest and by that hindering an objective audit of the Company. Excessive non-audit fees may not be supported during the year under review or the three previous years. In addition, appointments of those auditors who did not disclose in detail the nature of their non-audit services may not be supported.

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Researcher: Francesco Navarrini  
Email: [pircresearch@pirc.co.uk](mailto:pircresearch@pirc.co.uk)

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Pensions & Investment Research Consultants Limited  
6th Floor  
9 Prescott Street  
London E1 8AZ

Tel: 020 7247 2323  
Fax: 020 7247 2457  
<http://www.pirc.co.uk>

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