

# Corporate Governance within SEB

## Swedish Code of Corporate Governance

SEB follows the Swedish Code of Corporate Governance (Bodelagsstyrningskoden). No deviations were made from the provisions of the Code during 2008.

The Corporate Governance Report has not been reviewed by the auditors.

## Clear distribution of responsibilities

The ability to maintain confidence among customers, shareholders and other stakeholders is of vital importance for SEB. An essential factor in this context is a clear and effective structure for responsibility distribution and governance, thus avoiding e.g. conflicts of interest. SEB attaches great importance to the creation of clearly defined roles for officers and decision-making bodies within credit-granting, corporate finance activities, asset management and insurance operations, for example.

The structure of responsibility distribution and governance comprises:

- Annual General Meeting (AGM).
- Board of Directors.
- President/Chief Executive Officer.
- Divisions, business areas and business units.
- Staff and Support functions.
- Internal Audit, Compliance and Risk Control.

The Board of Directors and the President perform their governing and controlling roles through several policies and instructions, the purpose of which is to clearly define the distribution of responsibility. The Group's Credit Instruction, Instruction for handling of Conflicts of Interest, Ethics Policy, Risk Policy, Instruction for procedures against Money Laundering and Financing of

Terrorism, Code of Business Conduct and the Corporate Responsibility Policy are of special importance.

## Annual General Meeting

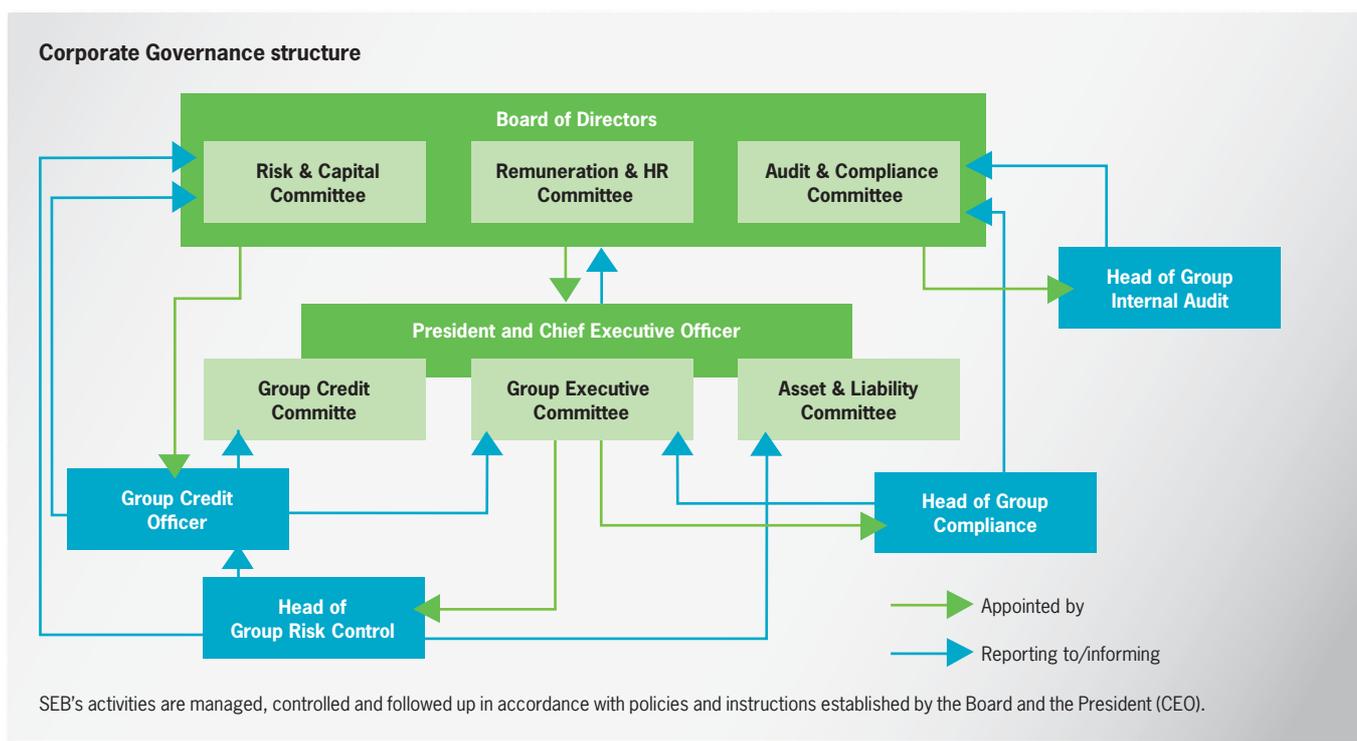
Shareholders' influence is exercised at the Annual General Meeting (AGM), which is the highest decision-making body of the Bank. All shareholders, registered in the Shareholders' Register and having notified their attendance properly, have the right to participate in the Meeting and to vote for the full number of their respective shares. A shareholder who cannot participate in the Meeting can be represented by proxy.

Amongst other things the AGM decides on changes in the Articles of Association and on the allocation of the Bank's profit, appoints Board members, decides on the discharge from liability for the Board members and the President, decides on remuneration for the Board and approves the principles for remuneration to the President and Group Executive Committee.

SEB's major shareholders and shareholder structure as per 31 December, 2008, appear from the tables on page 53.

## Nomination Committee

According to a decision of the 2008 AGM, the members of the Nomination Committee for the 2009 AGM were appointed during the autumn of 2008. Four of the Bank's major shareholders have appointed one representative each who, together with the Chairman of the Board, forms the Nomination Committee. These four representatives are: Petra Hedengran, appointed by Investor, Chairman of the Nomination Committee, Hans Mertzig, appointed by Trygg Foundation, Staffan Grefbäck, appointed by Alecta and Maj-Charlotte Wallin, appointed by AFA Försäkring. The composition of the Nomination Committee was announced on 24 September 2008.



**The largest shareholders<sup>1)</sup>**

December 31, 2008	No. of shares	Of which Series C shares	Per cent of number of all shares	Per cent of votes
Investor AB	142,527,895	2,725,000	20.7	21.1
Trygg Foundation	65,677,962		9.6	9.9
Alecta	36,148,611	733,611	5.3	5.4
Swedbank/Robur Funds	26,151,625		3.8	3.9
AFA Insurance	18,758,325	875,560	2.7	2.7
SEB Funds	13,137,692		1.9	2.0
Fourth Swedish National Pension Fund	12,728,700		1.9	1.9
AMF Pension	11,000,000		1.6	1.7
Wallenberg foundations	10,330,389	5,871,173	1.5	0.8
SHB Funds	9,476,321		1.4	1.4
Skandia Life Insurance	8,892,926	3,452,219	1.3	0.9
Nordea Funds	8,184,736		1.2	1.2
Capital Group Funds	7,560,000		1.1	1.1
Second Swedish National Pension Fund	7,263,531		1.1	1.1
First Swedish National Pension Fund	6,427,046		0.9	1.0
Foreign shareholders	127,867,255	1,132,651	18.6	19.1

<sup>1)</sup> Excluding SEB as shareholder through repurchased shares to hedge SEB's long-term incentive programme and for capital management.

Source: VPC/SIS Ägarservice.

The task of the committee is to prepare proposals for Chairman of the AGM, for the number of Board members, for remuneration to the Board of Directors and the auditors, for Board members and Chairman of the Board, for the distribution of the remuneration between the Board members, as well as for committee work and for decision on a Nomination Committee for the AGM 2010, to be presented at the AGM for decision.

The size and composition of the Board of Directors should be such as to serve the Bank in the best possible way. This means that the Directors' broad experience from, and knowledge about, the financial and other sectors, their international experience and strong network of contacts should meet the demands that the Bank's position and future orientation call for. The result of the internal evaluation of the Board of Directors and its members forms part of the material used by the Nomination Committee. If necessary, the Nomination Committee will use external advisors.

Since the 2008 AGM the Nomination Committee has held four meetings and been in contact between the meetings. The proposals from the Nomination Committee and comments to the proposal on Board members are found on the website of the Bank and an account for the way in which the Nomination Committee has performed its work will be presented at the 2009 AGM. No special compensation has been paid to the members of the Nomination Committee.

**Board of Directors**

The Board members are appointed by the shareholders at the AGM for a term of office of one year, until the next AGM. In accordance with the Swedish Code of Corporate Governance, the Chairman of the Board was also appointed by the 2008 AGM for a term of office until the end of the next AGM.

During 2008, the Board of Directors has consisted of ten members, without any deputies, elected by the AGM and of two members and two deputies appointed by the employees. In order for the Board to form a quorum, more than half of the members must be

**Shareholder structure**

Percentage holdings of equity on 31 December 2008

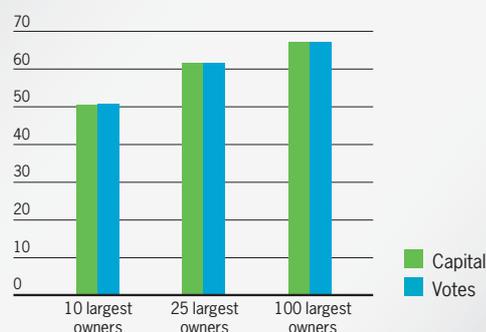


The majority of the Bank's approximately 280,000 shareholders are private individuals with small holdings.

Source: VPC/SIS Ägarservice

**Ownership concentration**

Largest owners' share of capital and votes, per cent



Source: VPC/SIS Ägarservice

present. The President is the only Board member elected by the AGM who is equally an employee of the Bank. All other Board members elected by the AGM are considered to be independent in relation to the Bank and its Management. With the exception of Marcus Wallenberg and Jacob Wallenberg, who are not considered to be independent in relation to the shareholder Investor AB, all Board members are considered to be independent in relation to major owners. Independent Board members are defined as those who have no essential connections with the Bank, its Management or major shareholders (holding 10 per cent or more of the shares or votes) besides being Board members. The composition of the Board of Directors as from the 2008 AGM appears from the table on page 54 and information on the members is found on pages 134–135.

The Board of Directors has adopted Rules of Procedure that regulate the role and working forms of the Board as well as special instructions for the committees of the Board. The Board has the overall responsibility for the activities carried out within the Bank and the Group and thus decides on the nature, direction, strategy and framework of the activities and sets the objectives for the activities. The Board regularly follows up and evaluates the operations in relation to the objectives and guidelines established by the Board. Furthermore, the Board has the responsibility to ensure that the activities are organised in such a way that the accounts, management of funds and financial conditions in all other respects are controlled in a satisfactory manner and that the risks inherent in the activities are identified, defined, measured, monitored and controlled in accordance with external and internal rules, including the Articles of Association of the Bank.

**Board of Directors as from the 2008 Annual General Meeting**

Name	Elected	Position	Risk and Capital Committee	Audit and Compliance Committee	Remuneration and HR Committee	Total remuneration, SEK	Presence Board Meetings	Presence Committee Meetings
Marcus Wallenberg	2002	Chairman	●	●	●	2,750,000	100%	100%
Tuve Johannesson	1997	Deputy Chairman			●	795,000	93%	100%
Jacob Wallenberg	1997	Deputy Chairman				600,000	93%	%
Penny Hughes	2000	Director			●	887,500	100%	100%
Urban Jansson	1996	Director	●			1,010,000	100%	100%
Hans-Joachim Körber	2000	Director				500,000	87%	%
Christine Novakovic	2008	Director		●		695,000	85%	100%
Jesper Ovesen	2004	Director	●			825,000	100%	94%
Carl Wilhelm Ros	1999	Director		●		887,500	93%	100%
Annika Falkengren	2006	Director, President and CEO	●			–	100%	100%
Göran Lilja	2006	Director appointed by the employees				–	100%	%
Cecilia Mårtensson	2008	Director appointed by the employees				–	62%	%
Göran Arrius	2002	Deputy Director appointed by the employees				–	93%	%
Ulf Jensen	1997	Deputy Director appointed by the employees				–	87%	%
						<b>8,950,000</b>		

● Chairman    ● Deputy Chairman    ● Director

The Board appoints and dismisses the President and his/her Deputy as well as the Executive Vice Presidents, the Group Credit Officer, the members of the Group Executive Committee and the Head of Group Internal Audit.

The Chairman of the Board organises and manages the work of the Board by convening Board meetings, deciding on the agenda and preparing the matters to be discussed at the meetings, after consulting the President, among other things.

The Board members receive regular information about and, if necessary, training in changes in rules concerning the activities of the Bank and listed company directors' responsibilities, among other things. They are regularly offered the opportunity of discussing with the Chairman of the Board, the President and the Secretary to the Board of Directors.

The President takes part in all Board meetings, except in matters where the President has an interest that may conflict with the interest of the Bank such as those during which the work of the President is evaluated. Other members of the executive management of the Bank participate whenever required for purposes of informing the Board or upon request by the Board or the President. During 2008, the Board has held discussions without the President or any other member of the executive management of the Bank being present. The General Legal Counsel of the Bank and the Group is the Secretary to the Board of Directors.

The work of the Board follows a yearly plan. During 2008, 15 Board meetings were held. External audit representatives were present at two of these meetings. The decisions of the Board are made after open and constructive discussions. Essential matters dealt with during the year included the following:

- Strategic direction of Group activities (nature and scope).
- Overall long-term goals for the activities.
- Policies and instructions, including an annual review and revision.
- Business plans, financial plans and forecasts.
- The instability on the financial markets.
- Group risk position, including development of credit portfolio and liquidity situation.
- Capital and financing issues, including risk limits.

- Thorough penetration of business and market segments including the Baltic countries.
- Major investments and business acquisitions/divestments.
- Short and long-term incentives, succession planning and top management review process.
- Interim reports and annual report.
- Internal operational and cost-efficiency processes.
- IT structure and strategy.
- Evaluation of the Bank's internal control functioning.
- Follow-up of external and internal audit activities and Group compliance activities.
- Evaluation of the work of the Board of Directors, the President and the Group Executive Committee.

The overall responsibility of the Board cannot be delegated. However, the Board has established committees, pursuant to the Board's instructions, to handle certain defined issues and to prepare such issues for decision by the Board of Directors. At present, there are three committees within the Board of Directors: the Risk and Capital Committee, the Audit and Compliance Committee and the Remuneration and Human Resources Committee. Minutes are kept of each committee meeting and communicated to the other Board members promptly after the meetings. The committees report regularly to the Board of Directors. Committee members are appointed for a period of one year at a time. It is an important principle that as many Board members as possible shall participate in the committee work, also as committee chairmen. Although the Chairman of the Board is a member of all three committees, he is not chairing any of them. Neither the President nor any other officer of the Bank is a member of the Audit and Compliance Committee or the Remuneration and Human Resources Committee. The President is a member of the Risk and Capital Committee. The work of the Board committees is regulated through instructions adopted by the Board. Apart from the committee work, no work distribution is applied by the Board.

**Risk and Capital Committee**

The *Risk and Capital Committee* of the Board shall support the Board in establishing and reviewing the Bank's organisation so

that it is managed in such a way that all risks inherent in the Group's activities are identified, defined, measured, monitored and controlled in accordance with external and internal rules. The Committee decides the principles and parameters for measuring and allocating risk and capital within the Group. The Committee reviews and makes proposals for Group policies and strategies, such as Risk Policy and risk strategy, Credit Policy, Capital Policy, Liquidity and Pledge Policy as well as Trading and Investment Policy, for decision by the Board, and monitors that these policies are implemented and follows up the development of the risks of the Group. The Committee prepares the Board decisions concerning limits for market and liquidity risks.

As far as credit matters are concerned, the Committee adopts credit policies and instructions that supplement the Credit Policy and Credit Instruction of the Group and makes decisions on individual credit matters (matters of major importance or of importance as to principles). In addition, the Committee reviews on a regular basis both significant developments in the credit portfolio and the credit process within the Bank and the Group. It furthermore examines matters relating to operational risk, market and liquidity risk and insurance risk.

As far as capital matters are concerned, the Committee regularly reviews essential changes in the overall capital and liquidity situation and the capital adequacy situation of the Group, including the implementation of Basel II. The Committee prepares changes in the Group's capital goals and asset management matters, for decision by the Board, such as dividend level and the set-up and utilisation of repurchase programmes of own shares. The Committee consists of four members, including the President, and forms a quorum whenever a minimum of three members are present, including the Chairman or Deputy Chairman of the Committee. During 2008 the Committee had the following members: Urban Jansson, Chairman, Marcus Wallenberg, Deputy Chairman, Jesper Ovesen and Annika Falkengren. The Group's Chief Financial Officer has the overall responsibility for presentations of capital matters to the Committee, the Group Credit Officer for credit matters and the Head of Group Risk Control for risk control matters. The Committee has held 19 meetings during the year.

#### **Audit and Compliance Committee**

The *Audit and Compliance Committee* of the Board supports the work of the Board in terms of quality control of the Bank's financial reports and internal control over the financial reporting. When required the Committee also prepares, for decision by the Board, a proposal for the appointment or dismissal of the Head of Group Internal Audit. The Committee maintains regular contact with the external and internal auditors of the Bank and discusses the co-ordination of the external and internal audit. During 2008, the Committee has met with representatives of the external auditors on several occasions, without the President or any other member of the executive management of the Bank being present. The Committee deals with the accounts and interim reports as well as with audit reports, including any changes in the accounting rules. It ensures that any remarks and observations from the auditors are attended to. The Committee furthermore decides on guidelines for which services other than auditing services that may be procured by the Bank and the Group from the external auditors. It assesses the external auditors' work and independence and prepares proposals for new auditors prior to the AGM's election of auditor. The Committee establishes an annual audit plan for the internal audit function co-ordinated with the external audit plan.

The Committee furthermore approves the President's propos-

al for the appointment and dismissal of the Head of Group Compliance and the compliance plan. The internal audit and compliance activities are monitored on a continuous basis.

The Committee consists of three members, none of whom are employed by the Group. The committee forms a quorum whenever a minimum of two members are present, including the Chairman or Deputy Chairman of the Committee. During 2008, the Audit and Compliance Committee had the following members: Carl Wilhelm Ros, Chairman, Marcus Wallenberg, Deputy Chairman and Christine Novakovic (Steven Kaempfer until the 2008 AGM). The Head of Group Internal Audit and the Head of Group Compliance are the presenters of reports in the Committee. The Audit and Compliance Committee has held five meetings during the year. The external auditors attended all of these meetings.

#### **Remuneration and Human Resources Committee**

The *Remuneration and Human Resources Committee* of the Board prepares, for decision by the AGM and the Board, respectively, a proposal for remuneration principles applicable to the President and the members of the Group Executive Committee as well as a proposal for remuneration to the President and the Head of Group Internal Audit. The Committee decides on issues concerning remuneration to the members of the Group Executive Committee according to the principles established by the AGM. The Committee furthermore prepares matters regarding incentive programmes and pension plans, monitors the pension commitments of the Group and monitors, together with the Risk and Capital Committee of the Board, all measures taken to secure the pension commitments of the Group including the development of the Bank's pension foundations. It furthermore discusses personnel matters of strategic importance, such as succession planning for strategically important positions and other management supply issues.

The Committee consists of three members, none of whom are employed by the Group. The Committee forms a quorum whenever a minimum of two members are present, including the Chairman or Deputy Chairman of the Committee. During 2008, the Committee had the following members: Penny Hughes, Chairman, Marcus Wallenberg, Deputy Chairman and Tuve Johannesson. The President presents proposals, reports and information to the Committee, together with the Head of Group Human Resources & Organisational Development, with respect to matters where there are no conflicts with the interests of the Bank. The Remuneration and Human Resources Committee has held nine meetings during 2008.

#### **Evaluation of the Board of Directors, the President and the Group Executive Committee**

SEB applies an annual self-assessment method, which among other things includes a questionnaire, followed by discussions within the Board. Through this process the activities and working methods of the Board, the Chairman of the Board and each respective committee are evaluated. Among the issues examined are the following: how to improve the work of the Board further, whether or not each individual Board member takes an active part in the discussions of the Board and the committees; whether they contribute independent opinions and whether the meeting atmosphere facilitates open discussions. The outcome of the evaluation has been presented to, and discussed by, the Board and the Nomination Committee.

The Chairman of the Board evaluates each individual member's work, formally once a year. Marcus Wallenberg did not participate in the evaluation of the Chairman's work, which evaluation was conducted by Tuve Johannesson.

The Board evaluates the work of the President and the Group

Executive Committee on a continuous basis, without attendance by the President or any other member of the Group Executive Committee.

### The President and Chief Executive Officer

The Board of Directors has adopted an instruction for the President's and Chief Executive Officer's work and role. The President is responsible for the day-to-day management of the Group's activities in accordance with the guidelines and established policies and instructions of the Board. The President reports to the Board of Directors and submits a separate CEO report on among other things the development of the business in relation to resolutions taken by the Board at each Board meeting.

The President appoints the Chief Financial Officer of the Group, the Heads of divisions, the Head of Business Support and Group Staff, the Head of HR & Organisational Development and the Head of Group Strategy & Business Planning. The President further appoints Head of Group Compliance, Head of Group Risk Control, Head of Group IT, Heads of branches and Heads of the individual staff and support functions. The Chief Financial Officer of the Group is appointed in consultation with the Chairman of the Board and the Head of Group Compliance in consultation with the Audit and Compliance Committee of the Board.

President and Chief Executive Officer is Annika Falkengren. More information about the President is found on page 136. Deputy President and Chief Executive Officer is Bo Magnusson.

The President has three different committees at her disposal for the purpose of managing the operations: the Group Executive Committee, the Group Credit Committee (page 57) and the Asset and Liability Committee (page 57).

In order to protect the interests of the whole Group, the President consults with the *Group Executive Committee (GEC)*, its *IT-Committee* and its *New Product Approval Committee (NPAC)* on matters of major importance or of importance as to principles. The GEC deals with, among other things, matters of common concern to several divisions, strategic issues, business plans, financial forecasts and reports. The GEC has held 25 meetings during 2008. During 2008, Annika Falkengren, Jan Erik Back (from 15 August), Per-Arne Blomquist (up to 14 August), Fredrik Boheman, Magnus Carlsson, Ingrid Engström, Hans Larsson, Bo Magnusson and Anders Mossberg were members of the Group Executive Committee. As from 1 January also Mats Torstendahl is a member of the GEC.

There is a special forum for information exchange at Group level, the Management Advisory Group (MAG), which consists of

senior officers representing the whole Group. The members of MAG are appointed by the President in consultation with the GEC.

### Divisions, business areas and business units

The Board of Directors has regulated the activities of the Group in an instruction concerning the Group's operations and established how the divisions of the Group, including the international activities through branches and subsidiaries, shall be managed and organised.

SEB's activities are organised in four divisions:

- *Merchant Banking*, with Magnus Carlsson as Head, for SEB's relations with large and medium-sized companies, financial institutions and real estate companies,
- *Retail Banking*, for SEB's retail operations and card activities, with Bo Magnusson as Head up to 31 December 2008 and Mats Torstendahl as from 1 January 2009
- *Wealth Management*, with Fredrik Boheman as Head, for SEB's mutual fund and asset management activities and private banking and
- *Life*, with Anders Mossberg as Head, for SEB's life insurance activities.

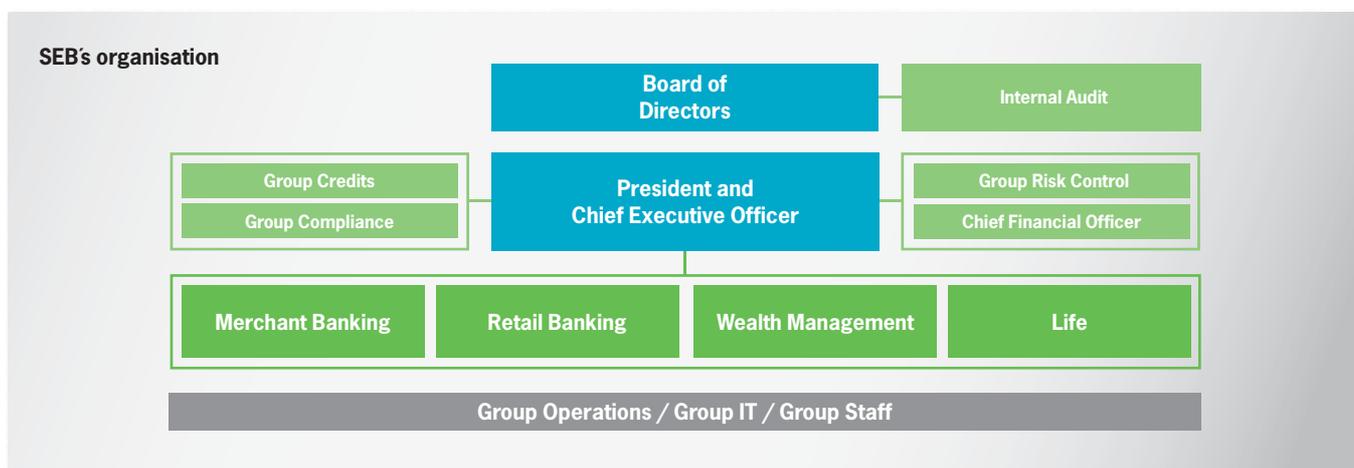
All Heads of division are members of the Group Executive Committee.

Each division's operations are divided into business areas which, in turn, are divided into business units. The Head of division has the overall responsibility for the activities of the division and appoints, after consultations with the President, heads of business areas within the division and of those subsidiaries for which the division is responsible. Within each division there is a management group, which includes the Head of division and a number of heads of business areas and subsidiaries pertaining to the division. There are also management groups within the business areas and business units.

A Country Manager has been appointed for the co-ordination of activities within some of those countries outside Sweden in which several divisions carry out activities, such as Denmark, Norway and Finland. The Country Manager reports to a member of the Group Executive Committee, specially appointed for the purpose.

### Staff and support functions

SEB's *staff and support* functions are divided into three cross-divisional support functions in order to streamline operations and front office support: Group Operations, Group IT and Group Staff. SEB has a number of staff and support functions such as



CEO Office, Finance, Treasury, Human Resources & Organisational Development, Marketing & Communication, Legal, Security and Procurement & Real Estate. In general the staff functions within SEB have a global functional accountability and own and manage the SEB Group's common instructions and policies, processes and procedures for the purpose of proactively supporting the President, the Group Executive Committee, managers and staff as well as all business units of the Group.

SEB's organisation appears from the chart on page 56.

### Risk organisation and responsibility

The Board of Directors has the ultimate responsibility for the risk organisation of the Group and for the maintenance of satisfactory internal control. The Risk and Capital Committee of the Board shall support the Board in this work, e.g. by reviewing the Group's risk, capital and liquidity policies for yearly updates. The Board receives a report on the development of the Group's exposure with respect to risks at least once per quarter.

The President and CEO has the overall responsibility for managing SEB's risks in accordance with the policies and intentions of the Board. The President and CEO shall ensure that the organisation and administration of SEB are appropriate and that activities undertaken are in compliance with law. In particular, the President and CEO shall particular present any essential risk information regarding SEB to the Board, including the utilisation of limits.

The primary responsibility for ensuring that the Board's intent regarding risk management and risk control is practically applied in SEB lies with the *Group Asset and Liability Committee* and the *Group Credit Committee*. The *Group Asset and Liability Committee*, chaired by the President and CEO, deals with issues relating to the overall risk level of the Group and the various divisions and decides on, among other things, risk limits, risk-measuring methods and capital allocation. Within the framework of the Group Capital Policy and the Group Risk Policy of the Board of Directors, the *Group Asset and Liability Committee* has established policy documents for the responsibility and management of the risk types of the Group and for the relationship between risk and capital. The *Group Asset and Liability Committee* held ten meetings during 2008.

The *Group Credit Committee (GCC)* is the highest credit-granting body of the Bank, with the exception of a few matters that are reserved for the Risk and Capital Committee of the Board of Directors. GCC is furthermore responsible for reviewing the credit-granting rules on a regular basis and for presenting proposals for changes to the Risk and Capital Committee of the Board, if necessary. The President is the chairman of the Committee and the Group Credit Officer is its deputy chairman. GCC held 61 meetings during 2008.

The credit organisation is independent from the business activities. *Group Credits* is responsible for the administration and management of the credit approval process and for important individual credit decisions and furthermore for analysis and follow-up of the composition of the credit portfolio as well as for the adherence to policies established by the Risk and Capital Committee and the Board of Directors. Its activities are regulated in the Group's Credit Instruction, adopted by the Board of Directors.

The Group Credit Officer is appointed by the Board and reports to the President. The Group Credit Officer presents credit matters to the Risk and Capital Committee of the Board. The Board receives information on the composition of the credit portfolio, including large exposures and credit losses, at least once a quarter. The chairman of each credit committee has the right to veto credit decisions. The credit organisation is kept separate from the business

units and handles credit matters exclusively. Significant exceptions to the credit policy of the Group must be referred to a higher level in the decision-making hierarchy.

Responsibility for day-to-day risk management in the Group rests with the divisions (and similarly with Group Treasury). Thus, each division and Head of division is responsible for ensuring that the risks are managed and controlled in a satisfactory way on a daily basis, within established Group guidelines. It is a fundamental principle that all control functions shall be independent of the business operations.

### Internal audit, compliance and risk control

The Group has three control functions, which are independent from the business operations: Internal Audit, Compliance and Risk Control.

*Group Internal Audit* is an independent group-wide function, directly subordinated to the Board of Directors. The main responsibility of Group Internal Audit is to provide reliable and objective assurance to the Board and the President over the effectiveness of controls, risk management and governance processes, mitigating current and evolving high risks and in so doing enhancing the control culture within the Group. The Head of Group Internal Audit reports regularly to the Audit and Compliance Committee of the Board and keeps the President and the Group Executive Committee regularly informed. The Audit and Compliance Committee adopts an annual plan for the work of Internal Audit.

A new *Group Compliance organisation (Group Compliance)* was launched in January 2008, with considerably more resources. The Group Compliance function is fully independent from the business operations, although it serves as a support function for the business operations. It is also separated from the legal functions of the Group. Compliance shall act proactively for Compliance quality in the Group through information, advice, control and follow-up within the Compliance areas, thereby supporting business and management. Areas of responsibility are Customer Protection, Market Conduct, Prevention of Money Laundering and Financing of Terrorism and Regulatory Systems and Control. Duties of the Compliance function are risk management, monitoring, reporting, development of internal rules within the compliance area, investigation of incidents, advising, training and communication as well as relations with regulators. The task of the Head of Group Compliance is to assist the Board and the President on compliance matters and to co-ordinate the handling of such matters within the Group. The Head of Group Compliance reports regularly to the President and the Group Executive Committee and informs the Audit and Compliance Committee of the Board about compliance issues. Following a Group-wide Compliance Risk Assessment and approval from the Audit and Compliance Committee, the President adopts an annual Compliance Plan.

The *Group's risk control function (Group Risk Control)* carries out the Group risk control and monitors the risks of the Group, primarily credit risk, market risk, insurance risk, operational risk and liquidity risk (see further on pp 36–51). Group Risk Control is segregated from the business units. Thus, although the Head of Group Risk Control is appointed by the President, he reports to the Group Credit Officer. The Group's ALCO is regularly informed. The Head of Group Risk Control is the presenter of reports on risk control matters in the Risk and Capital Committee of the Board.

The Board of Directors has adopted instructions for the internal audit and compliance activities of the Group. The President has adopted an instruction for the Group Risk Control activities.

### Information about the auditor

According to its Articles of Association, the Bank shall have at least one and not more than two auditors with at the most an equal number of deputies. A registered accounting firm may be appointed auditor. The auditors are, under Swedish law, appointed for a period of four years.

PricewaterhouseCoopers AB has been the Bank's auditor since 2000 and was re-elected in 2008 for the period up to and including the 2012 AGM. Chief responsible has been Peter Clemedtson, Authorised Public Accountant, as from the 2006 AGM. Peter Clemedtson has auditing assignments also in the following major companies: Electrolux and Ericsson.

The fees charged by the auditors for the auditing of the Bank's annual accounts for the financial year ending 31 December 2008 and for 2007, respectively, and for other assignments invoiced during said periods appear from the table set out below:

Fees to the auditors		
SEKm	2008	2007
Audit assignments	62	48
Other assignments	52	19
<b>Total</b>	<b>114</b>	<b>67</b>

### Board of Directors' Report on Internal Control over the Financial Reporting for 2008

The Board of Directors' report on Internal Control over Financial Reporting for the year 2008 has been prepared in accordance with the Swedish Code of Corporate Governance. This report is part of the Corporate Governance Report and describes how the internal control over financial reporting is organised within SEB. The report has not been reviewed by the company's auditors.

Internal control over financial reporting is defined as the process, affected by the Board, management and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting. The work with internal control over financial reporting in SEB is based upon the framework issued by the Committee of Sponsoring Organizations (COSO). The COSO framework is the most commonly used framework and is structured around five internal control components further described below; Control Environment, Risk Assessment, Control Activities, Information & Communications and Monitoring. The framework also consists of three internal control areas; Operations, Financial Reporting and Compliance. This report covers the Financial Reporting area only.

#### Control environment

The control environment establishes the foundation for internal control by shaping the culture and values that guide how SEB operates. This component includes management's operating style and the ethical values of the organisation, but also how authority and responsibility are communicated and documented in governing documents such as internal policies and instructions.

The Board of Directors and the CEO of SEB have adopted Group-wide SEB internal rules (policies and instructions) to be implemented by each organisational unit. The CEO has, supported by the Board, decided on the SEB Code of Business Conduct. These governing documents form the basic framework for the control environment within SEB.

Examples of specific parts of the control environment framework essential for the internal control of financial reporting are:

- Instruction for the Audit and Compliance Committee of the Board of Directors.
- Instruction for the Chief Financial Officer, Group Treasury, Group Finance, the Accounting Standard Committee and the Tax Committee.
- SEB Group Operational Risk policy.
- SEB Group Accounting Principles.

#### Risk assessment

SEB's risk assessment regarding financial reporting, meaning the identification and valuation of the most significant risks concerning financial reporting, is performed annually. The assessment is focused on business and process complexity, the related transaction values and level of system support. The assessment is documented and forms the basis for measures to improve the internal control as well as direct follow-up routines.

At board level, it is the Audit and Compliance Committee who is responsible for quality assurance of the financial reporting. To ensure that all risks for material financial reporting misstatements are identified and managed properly, the Committee maintains regular contact with responsible managers within SEB and also with the internal and external auditors.

#### Control activities

The significant risks regarding financial reporting, identified in the risk assessment, are managed through a control structure which in accordance with the COSO framework is divided into three different control categories:

- Entity wide controls.
- Transaction level controls.
- General IT controls.

*Entity wide controls:* The main purpose of entity-wide controls is to establish the expectations of the organisation's control environment and to monitor that these expectations are fulfilled. Examples of entity-wide controls within SEB directly related to the internal control of financial reporting are; Questionnaires & Assertions, Policy Compliance Checklist, New Product Approval Committee and Business Performance Reviews.

*Transaction level controls:* Transaction level controls are implemented at process level and include a range of activities such as authorisations, reconciliations, reviews etc.

*General IT controls:* General IT controls include controls over the information technology (IT) environment, computer operations, access to programmes and data, programme development and programme changes. SEB is continuously working with these controls to ensure adequate system access rights and sufficient segregation of duties.

#### Information and communication

General internal control awareness in SEB has been addressed during the year through a group wide e-learning programme about operational risk. The internal control awareness regarding financial reporting and specific process and control training is being rolled out continuously to concerned parties.

SEB's CFO reports the status of the work related to Internal Control over Financial Reporting to the Audit & Compliance Committee quarterly.

### Monitoring

Monitoring activities to ensure the effectiveness of Internal Control of Financial Reporting is conducted by the Board of Directors, the President and the Group Executive Committee each month. The Board receives monthly financial reports and the financial situation of the Group is presented and discussed at each Board meeting.

SEB follows up compliance with policies, guidelines and manuals on a continuous basis as well as the effectiveness of the control structure and the accuracy of the financial reporting. In addition, Group Risk Control, Group Compliance and Internal Audit are continuously engaged in follow-up routines. The Group Internal Audit function reviews the internal control over the financial reporting according to a plan established by the Audit and Compliance Committee. The result of Internal Audit's reviews as well as all measures taken and their current status are regularly reported to the Audit and Compliance Committee.

### Remuneration to the Board of Directors, the President and other members of the Group Executive Committee

#### *The Board of Directors*

SEB's 2008 AGM fixed a total remuneration amount of SEK 8,950,000 for the members of the Board to be distributed as follows: SEK 2,750,000 to the Chairman of the Board, SEK 4,200,000 to the other Directors elected by the AGM who are not employed in the Bank to be distributed as follows: SEK 600,000 each to the Vice Chairmen and SEK 500,000 to the other Directors, and SEK 2,000,000 for committee work to be distributed as follows:

Risk and Capital Committee: Chairman SEK 510,000, other member SEK 325,000, Audit and Compliance Committee: Chairman SEK 387,500, other member SEK 195,000 and Remuneration and Human Resources Committee: Chairman SEK 387,500, other member SEK 195,000. No fee for Committee work is distributed either to the Chairman of the Board or the employees of the Bank. Information on each director's assignment on Board committees and the distribution of the directors' remuneration for 2008 appears from the table on page 54. The remuneration is paid out on a running basis during the mandate period.

Following a recommendation by SEB's Nomination Committee, the Board of Directors has adopted a Share Ownership Policy for the Board. The policy recommendation is that each Board member shall use 25 per cent net after tax of the annual remuneration (excluding remuneration for committee work) distributed to said Board member to acquire shares in SEB.

Following an initiative from the Board of Directors, the Nomination Committee will propose the 2009 Annual General Meeting a reduction of their base remuneration by 25 per cent. The remuneration for Committee work is proposed unchanged.

#### *The President and the Group Executive Committee*

SEB's Board of Directors has prepared proposals as to principles for the salary and other remuneration to the President and the Group Executive Committee, which were approved by the 2008 AGM. According to these principles, the Board has decided on the actual remuneration to the President following a proposal from the Remuneration and Human Resources Committee. The remuneration of the President has been benchmarked against the Swedish and international market. The Remuneration and Human Resources Committee has decided on the remuneration of the other members of the Group Executive Committee according to the principles established by the 2008 AGM. To the 2008 AGM the external auditors gave a report that the Board and the President during 2007 have complied with the principles for compensation to members of senior management as adopted by the 2007 AGM.

The general principle for the remuneration structure for the President and other members of the Group Executive Committee has during 2008 been the same as for the Bank as a whole, i.e. based upon four main components: base salary, short-term incentive compensation, long-term incentive compensation and pension. In addition, other benefits such as company car may be offered.

The short-term incentive compensation is based on the achievement of certain predetermined goals, individual and general, qualitative and quantitative, agreed in writing with the individual. The short-term incentive compensation is set for one year at a time. Operating result, costs and customer satisfaction are examples of objectives used. Short-term incentive compensation is maximized to a certain percentage of the base salary.

The Board of Directors proposes that new principles for salaries and other remuneration to the President and the Group Executive Committee shall be approved by the 2009 AGM. The principles are proposed to be based on three components; base salary, long-term incentive compensation and pension as well as other benefits such as company car.

Long-term incentive programmes shall be share-based and, except for all-employee programmes, performance-based. The purpose of a mix of long-term incentive compensation programmes is to create a commitment to SEB, strengthen the overall perspective on SEB, offer the participants an opportunity to take part in SEB's long-term success and value creation and to create an incentive for the employees to become shareholders of SEB as well as to create possibilities to attract and retain senior officers and other key employees. SEB's first long-term incentive programme was introduced in 1999, after which additional programmes have been launched for the years 2000–2008. From 1999 to 2004, the long-term incentive programmes were launched in the form of employee stock option programmes. For the years 2005–2007, performance shares were used. Information about these programmes has been provided in the annual reports for these years and at the AGMs since 2002. The 2008 AGM resolved on three different programmes for 2008; one Share Savings Programme, one Performance Share Programme and one Share Matching Programme.

The pension plan is defined as benefit-based or contribution-based and shall be inviolable. SEB aims at increasing the defined contribution-based element. The size of the pensionable salary is capped. At termination of employment by the Bank, severance pay of between 12 and 24 months' salary will be paid. The Bank has the right to make deductions from such severance pay of any cash payments that the executive may receive from another employer or through his/her own business.

The president has unilaterally decided to renounce her pay-out of any short-term incentive compensation for 2008.

The base salaries, the incentive compensation and other benefits of the President and the members of the Group Executive Committee during 2008 as well as the scope of SEB's long-term incentive programmes are specified in Note 9.

### Long-term Incentive Programmes 2008

The proposed share-based long-term incentive programmes for 2008 approved by the Annual General Meeting of the same year consisted of three different programmes with different aims and partly overlapping target groups:

- a Share Savings Programme for all employees
- a Performance Share Programme for senior officers and other key employees and
- a Share Matching Programme for a small number of selected key employees.

All three Programmes are share-based and require that the participants remain with SEB for a specified time. The Performance Share Programme and the Share Matching Programme are also based on performance.

However, the Board has decided not to implement the 2008 Share Matching Programme as the performance criteria for this programme were set prior to the major dislocations in the financial markets. The programme would not fulfil its purpose if executed.

#### Share Savings Programme

The Share Savings Programme concerns all employees of the Group Programme and is designed to support "One SEB" and create a long-term commitment to SEB.

The employees have been offered to purchase Class A-shares for an amount corresponding to five per cent of their gross base salary and for the amount, at current stock exchange rate. Purchases are made during four periods, following the publication of the Bank's quarterly reports. If the shares are retained by the employee for three years from the investment date and the participant remains with SEB during this time, the Bank will give the employee one SEB share (Class A-share) for each retained share.

The Programme is proposed to comprise an obligation for the Bank to deliver a maximum of 1,864,000 such shares.

One third of SEB's employees joined the Programme in 2008.

#### Performance Share Programme

This Programme is based on performance shares with the aim to retain and attract senior officers and other key employees, to create a long-term commitment to SEB, to strengthen the overall perspective on SEB and to create an incentive for the participants to become shareholders in SEB.

A performance share under the Programme is a conditional right to acquire one Class A-share in the Bank at a future date. The outcome of the Programme, i.e. the number of allotted performance shares that can be finally utilised, is dependent on how certain pre-determined performance criteria are fulfilled. The performance criteria are measured during an initial three-year period. A further requirement is that the participant remains within SEB. The Programme has a duration of seven years including the performance period and comprises a maximum of 1,500,000 performance shares allotted to approx. 480 senior officers and other key employees.

### Performance criteria for the 2008 programme

To reach full outcome of the performance shares under the Programme, profit must increase during the three years and the total shareholder return must develop better than for SEB's competitors.

The measures have been chosen in order to balance between absolute and relative performance.

- **Absolute performance** in terms of annual increase in earnings per share. The measure annual increase in earnings per share implies a final outcome of performance shares if the increase in real terms reaches 2 per cent for the 2006 and 2007 programmes and in nominal terms 4 per cent for the 2008 programme. The outcome is then set at 10 per cent of the maximum allotment. Maximum outcome (i.e. 50 per cent of total maximum allotment) is achieved if the annual increase in real terms reaches 10 per cent for the 2006 and 2007 programmes and in nominal terms 12 per cent or more for the 2008 programme. The measure is transparent and easy to follow in SEB's quarterly reports.
- **Relative performance** in terms of total shareholder return (the SEB share price development including dividends) compared to SEB's competitors. If the total shareholder return equals the development

in a weighted Banking Index, the outcome is 10 per cent of the maximum allotment. Above that level, the number of performance shares that can be utilised increases until a ceiling of 8 percentage points average per annum above the Banking Index is reached. At that level the maximum outcome according to the total shareholder return measure is reached (i.e. 50 per cent of total maximum allotment). The measure motivates the participant to build long term shareholder value as the number of performance shares that can be finally utilised is dependent on the total shareholder return developing equally or better than that of other banks. Thus this is an incentive to outperform the competitors.

If one of the performance criteria is completely fulfilled, only half of the total number of performance shares can be utilised. For full utilisation both performance criteria have to be completely fulfilled. Based on the chosen two performance criteria and statistics, the expected outcome for the Programme is approximately 40 per cent.

#### Calculated Performance Criteria Outcome December 31, 2008

TSR = Total Shareholder Return – SEB vs. Comparator Index (Annualised)						
EPS growth = Inflation adjusted growth in Earnings Per Share						
Outperformance vs target/index	TSR (annualised)	% of TSR condition	EPS growth p.a.	% of EPS condition	Total vesting	Dilution
<i>Criteria for full allocation</i>	<i>Index +8%</i>		<i>EPS growth<sup>1)</sup></i>			
2006 programme	Index -2.9%	0%	7.6%	76%	<b>38%</b>	<b>0.07%</b>
2007 programme	Index -7.1%	0%	Negative	0%	<b>0%</b>	<b>0.00%</b>
2008 programme	Index -5.6%	0%	Negative	0%	<b>0%</b>	<b>0.00%</b>

1) 2006–2007 programme 10% p.a. 2008 programme 12% p.a.