

# Corporate Governance within SEB

SEB follows the Swedish Code of Corporate Governance (*Bolagsstyrningskoden*). No deviations were made from the provisions of the Code during 2009. 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:

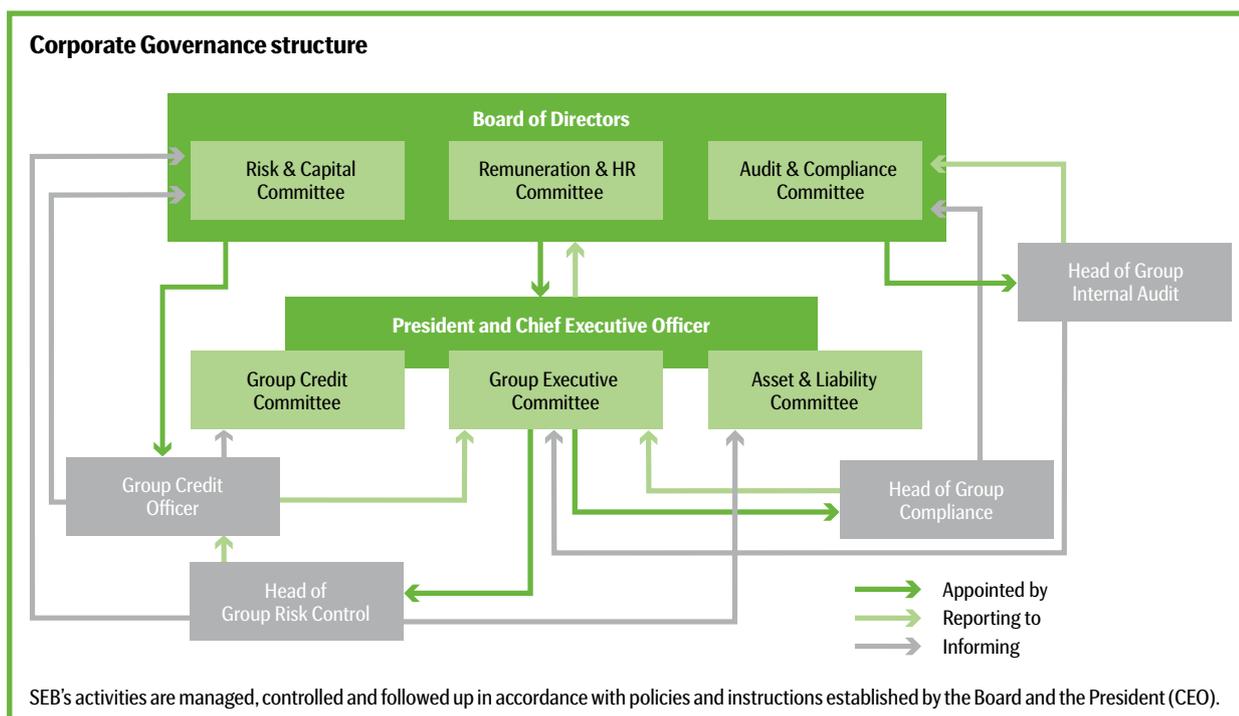
- Annual General Meeting (AGM)
- Board of Directors
- President/Chief Executive Officer
- Divisions, business areas and business units
- Staff and Support functions
- Internal Audit, Compliance and Risk Control.

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 Rules of Procedure for the Board of Directors, the Instruction for the President and Chief Executive Officer, the Instruction for the Activities, 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, Remuneration Policy, Code of Business Conduct and the Corporate Sustainability 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, at the AGM the shareholders deal with changes of the Articles of Association and the allocation of the



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

| December 31, 2009                    | No. of shares | Of which Series C shares | Per cent of number of all shares | Per cent of all votes |
|--------------------------------------|---------------|--------------------------|----------------------------------|-----------------------|
| Investor AB                          | 456,089,264   | 2,725,000                | 20.8                             | 20.9                  |
| Trygg Foundation                     | 201,928,357   | 0                        | 9.2                              | 9.3                   |
| Alecta                               | 131,625,000   | 0                        | 6.0                              | 6.1                   |
| Swedbank/Robur Funds                 | 94,017,883    | 0                        | 4.3                              | 4.3                   |
| AMF Insurance and Funds              | 59,204,615    | 0                        | 2.7                              | 2.7                   |
| AFA Insurance                        | 46,085,425    | 875,560                  | 2.1                              | 2.1                   |
| SEB Funds                            | 37,342,361    | 0                        | 1.7                              | 1.7                   |
| SHB Funds                            | 33,091,445    | 0                        | 1.5                              | 1.5                   |
| Wallenberg foundations               | 33,057,244    | 5,871,173                | 1.5                              | 1.5                   |
| Nordea Funds                         | 31,082,354    | 0                        | 1.4                              | 1.4                   |
| Skandia Life Insurance               | 29,515,809    | 2,154,873                | 1.3                              | 1.3                   |
| Capital Group Funds                  | 28,337,870    | 0                        | 1.3                              | 1.3                   |
| First Swedish National Pension Fund  | 27,574,847    | 0                        | 1.3                              | 1.3                   |
| Fourth Swedish National Pension Fund | 26,224,054    | 0                        | 1.2                              | 1.2                   |
| Second Swedish National Pension Fund | 26,185,197    | 0                        | 1.2                              | 1.2                   |
| Foreign shareholders                 | 357,946,017   | 1,375,802                | 16.4                             | 16.5                  |

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

Source: VPC/SIS Ägarservice

Bank's profit, appoints Board members and auditor and decides on the discharge from liability for the Board members and the President. The AGM also decides on remuneration for the Board and the auditor and approves the guidelines for remuneration to the President and Group Executive Committee.

SEB's major shareholders and shareholder structure as per 31 December, 2009 appear from the tables above.

**Nomination Committee**

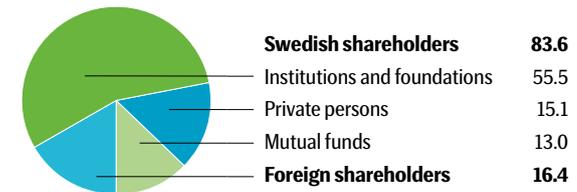
According to a decision of the 2009 AGM, the members of the Nomination Committee for the 2010 AGM were appointed during the autumn of 2009. Four of the Bank's major shareholders have appointed one representative each to the Nomination Committee. These four representatives are: Petra Hedengran, appointed by Investor, Chairman of the Nomination Committee, William af Sandeberg, appointed by Trygg Foundation, Staffan Grefbäck, appointed by Alecta and Peder Hasslev, appointed by AMF Pension and Funds. Marcus Wallenberg, the Chairman of the Board, is also a member of the Committee. The Board has appointed the Board member Urban Jansson as additional member of the Nomination Committee.

The task of the committee is to prepare proposals for the Chairman of the AGM, the number of Board members, remuneration to the Board of Directors and the auditors, appointment of Board members and the Chairman of the Board, distribution of the remuneration between the Board members, as well as for committee work, auditors (when relevant) and decision on a Nomination Committee for the next AGM, 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. It is therefore crucial that the Board members represent the experience and knowledge about the financial and other sectors. Their interna-

**Shareholder structure**

Percentage holdings of equity on 31 December 2009



The majority of the Bank's approximately 300,000 shareholders are private individuals with small holdings. The ten largest shareholders account for 51 per cent of capital and votes.

Source: VPC/SIS Ägarservice

tional experience and 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, its members and the Chairman of the Board forms part of the material used by the Nomination Committee. If necessary, the Nomination Committee will use external advisors.

Since the 2009 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 2010 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.

As from the AGM 2009, the Board of Directors has consisted of eleven members (as from 21 October 2009 ten members), without any deputies, elected by the AGM and of two members and one deputy appointed by the employees. In order for the Board to form a quorum more than half of the members must be present. The President, Annika Falkengren, 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 2009 AGM appears from the table on page 59 and information on the members is found on pages 142–143.

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

## Board of Directors as from the 2009 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                                   | ●                          | ●                              | ●                             | 2,062,500               | 100%                    | 100%                        |
| Tuve Johannesson           | 1997    | Deputy Chairman                            |                            |                                | ●                             | 645,000                 | 100%                    | 100%                        |
| Jacob Wallenberg           | 1997    | Deputy Chairman                            |                            |                                |                               | 450,000                 | 87.5%                   | -                           |
| Penny Hughes <sup>1)</sup> | 2000    | Director                                   |                            |                                | ●                             | 516,152                 | 86%                     | 100%                        |
| Urban Jansson              | 1996    | Director                                   | ●                          |                                |                               | 885,000                 | 100%                    | 100%                        |
| Hans-Joachim Körber        | 2000    | Director                                   |                            |                                |                               | 375,000                 | 75%                     | -                           |
| Tomas Nicolin              | 2009    | Director                                   |                            |                                | ●                             | 504,164                 | 100%                    | 100%                        |
| Christine Novakovic        | 2008    | Director                                   |                            | ●                              |                               | 570,000                 | 100%                    | 100%                        |
| Jesper Ovesen              | 2004    | Director                                   | ●                          |                                |                               | 700,000                 | 94%                     | 96%                         |
| Carl Wilhelm Ros           | 1999    | Director                                   |                            | ●                              |                               | 762,500                 | 100%                    | 100%                        |
| Annika Falkengren          | 2006    | Director, President and CEO                | ●                          |                                |                               | -                       | 100%                    | 81%                         |
| Göran Lilja                | 2006    | Director appointed by the employees        |                            |                                |                               | -                       | 100%                    | -                           |
| Cecilia Mårtensson         | 2008    | Director appointed by the employees        |                            |                                |                               | -                       | 62.5%                   | -                           |
| Göran Arrius               | 2002    | Deputy Director appointed by the employees |                            |                                |                               | -                       | 94%                     | -                           |
|                            |         |  |                            |                                |                               | <b>7,470,316</b>        |                         |                             |

● Chairman ● Deputy Chairman ● Director 1) Penny Hughes resigned as per 20 October 2009.

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.

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 2009, 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 2009, 16 Board meetings were held. External audit representatives were present at one 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
- Annual review and revision of policies and instructions, including the Remuneration Policy
- Capital and financing issues, including risk limits
- The Bank's new share issue
- Business plans, financial plans and forecasts
- The instability on the financial markets
- Group risk position, including asset quality and development of credit portfolio and liquidity situation
- The Swedish State Guarantee Programme
- Thorough penetration of business and market segments
- Major investments and business acquisitions/divestments
- Review of remuneration principles in relation to new regulations and international guidelines
- 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
- Follow-up 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 Chairman of the Board, the President and the Group Executive Committee.

The overall responsibility of the Board cannot be delegated. However, the Board has established committees 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. The Committee furthermore approves the President's proposal for the appointment and dismissal of the Head of Group Risk Control.

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. If more than one member of the Committee is prevented from participating in a matter or resolution due to conflicting interests, other Board members elected by the shareholders may be called in as temporary members of the Committee to secure necessary quorum in the matter of resolution. During 2009 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 held 26 meetings during 2009. In addition to the ordinary issues the Committee specifically dealt with issues on Group risk in relation to the instability on the financial markets and the Governmental capital and financial support programmes.

### **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 2009, 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 to the Nomination Committee prior to the AGM's election of auditor.

The Committee adopts an annual audit plan for the internal audit function co-ordinated with the external audit plan.

The Committee furthermore approves the President's proposal 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 2009, the Audit and Compliance Committee had the following members: Carl Wilhelm Ros, Chairman, Marcus Wallenberg, Deputy Chairman and Christine Novakovic. 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 held five meetings during 2009. The external auditors attended all of these meetings. In addition to the ordinary issues the Committee specifically dealt with issues on follow-up of the internal control over financial reporting and the Bank's IT strategy and structure.

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

The *Remuneration and Human Resources Committee* of the Board prepares matters on remuneration principles, incentive programmes and pension plans. The Committee prepares, for decision by the AGM and the Board, respectively, a proposal for remuneration guidelines 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 guidelines established by the AGM. The committee furthermore approves proposals for remuneration to the Head of Compliance

and Head of Group Risk Control. The Committee follows and evaluates the Bank's incentive programmes and how the guidelines established by the AGM for remuneration to the President and the members of the Group Executive Committee are applied as well as follows and evaluates other remuneration structures and remuneration levels in the Bank. The Committee furthermore 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 2009, the Committee had the following members: Penny Hughes (up to 20 October) Tomas Nicolin (as from 21 October), 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 held 14 meetings during 2009. In addition to the ordinary issues the Committee specifically dealt with issues on remuneration to certain senior executives in view of SEB's application for participation in the Swedish State Guarantee Programme and on review of remuneration principles applied in the Group and the Remuneration Policy for the Group in relation to new regulations and international guidelines.

### Evaluation of the Board of Directors, the Chairman of the Board, 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 monthly CEO report to the Board on the development of the business in relation to resolutions taken by the Board, among other things.

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 Development. 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, the Head of Group Compliance in consultation with the Audit and Compliance Committee of the Board and the Head of Group Risk Control in consultation with the Risk and Capital Committee of the Board. The President proposes Group Credit Officer for appointment by the Board of Directors.

President and Chief Executive Officer is Annika Falkengren. More information about the President is found on page 143. 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 62) and the Asset and Liability Committee (page 62).

In order to protect the interests of the whole Group, the President consults with the Group Executive Committee (GEC), its IT-Committee and the New Product Approval Committee (NPAC)

### SEB's organisation



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 17 meetings during 2009. During the year, Annika Falkengren, Jan Erik Back, Fredrik Boheman, Magnus Carlsson, Ingrid Engström, Hans Larsson, Bo Magnusson, Anders Mossberg and Mats Torstendahl were members of the Group Executive Committee. Martin Johansson (Head of Division Baltic), Johan Andersson (Group Credit Officer) and Viveka Hirdman-Ryrberg (Head of Group Communication and CEO Office) are additional members.

GEC meets quarterly with the Country Managers and Heads of staff and support functions for information sharing purposes.

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 five 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**, with Mats Torstendahl as Head, for SEB's retail operations and card activities,
- **Wealth Management**, with Fredrik Boheman as Head, for SEB's mutual fund and asset management activities and private banking,
- **Life**, with Anders Mossberg as Head, for SEB's life insurance activities and
- **Baltic**, with Martin Johansson as Head for SEB's Baltic operations.

All Heads of division are members of the Group Executive Committee, the Head of the Baltic division additional member.

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, especially 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.

### 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 instructions 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 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 *Asset and Liability Committee* and the Group Credit Committee. The 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 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 Asset and Liability Committee held 13 meetings during 2009.

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 54 meetings during 2009.

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, following proposal by the President, 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 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.

*The Group Compliance organisation (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, appointed by the President following approval by the Audit and Compliance Committee, 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 40–56). Group Risk Control is segregated from the business units. Thus, the Head of Group Risk Control, who is appointed by the President following approval by the Risk and Capital Committee, 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 experience from several major Swedish companies and is currently also auditor in Ericsson.

The fees charged by the auditors for the auditing of the Bank's annual accounts for the financial year ending 31 December 2009 and for 2008, respectively, and for other assignments invoiced during said periods appear from the table set out below:

| Fees to the auditors |           |            |
|----------------------|-----------|------------|
| SEKm                 | 2009      | 2008       |
| Audit assignments    | 55        | 62         |
| Other assignments    | 40        | 52         |
| <b>Total</b>         | <b>95</b> | <b>114</b> |

### Remuneration to the Board of Directors

Following an initiative from the Board of Directors the AGM 2009 resolved on a reduction of the Board members' base remuneration by 25 per cent. The remuneration for Committee work was unchanged.

SEB's 2009 AGM fixed a total remuneration amount of SEK 7,587,500 for the members of the Board to be distributed as follows: SEK 2,062,500 to the Chairman of the Board, SEK 3,525,000 to the other Directors elected by the AGM who are not employed in the Bank to be distributed as follows: SEK 450,000 each to the Vice Chairmen and SEK 375,000 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 2009 appears from the table on page 59. 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.

Information on Remuneration principles, Remuneration to the President and Group Executive Committee as well as Long-term Incentive Programmes is found on pp 25–27 in Report of the Directors.

## Board of Directors' Report on Internal Control over the Financial Reporting for 2009

The Board of Directors' report on Internal Control over Financial Reporting for the year 2009 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, which is effected 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 President of SEB have adopted Group-wide SEB internal rules (policies and instructions) to be implemented by each organisational unit. The President 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 that 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. The Board continuously receives financial reports and the financial situation of the Group is presented and discussed at the Board meetings.

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. This is done through a combination of ongoing monitoring of key controls, and separate evaluations of the design of the processes and controls that builds up the control structure within SEB. In addition, 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.