



INSTRUCTION 3-2006

Changes in application of certain rules in the Swedish Code of Corporate Governance

On 1 July 2006, new rules came into force within the Swedish Companies Act and the Annual Accounts Act. These new rules contain stipulations that it is the shareholders' meeting of a Swedish limited liability company that decides on the remuneration of each member of the board for their work on behalf of the company, (chapter 8, section 23 a of the Companies Act). Further, the shareholders' meetings of all Swedish listed companies are to decide on guidelines for remuneration of the executive officers of the company, (chapter 7, sections 61-62 and chapter 8, sections 51-54 of the Companies Act). Chapter 6, section 1 a of the Annual Accounts Act states that these guidelines must be published in the statutory management report.

Similar provisions already exist in the Swedish Code of Corporate Governance in rules 2.2.6, 4.2.2 and 5.1.4.

As the law regulates these issues in the same way as the Code, self-regulation no longer applies. The Board has therefore issued the following instruction regarding application of the Code for reporting year 2006 and thereafter.

Rule 2.2.6 regarding shareholders' meetings decisions on remuneration for board work is replaced by the new stipulations in the Swedish Companies Act for companies incorporated in Sweden. In such companies, nomination committee proposals regarding remuneration for board work as stipulated in rule 2.2.1 are to apply to all forms of compensation that are to be decided by the shareholders' meeting according to the Companies Act.

Rule 4.2.2 regarding presentation of proposed principles for remunerations and other employment conditions of the executive management for approval by the shareholders' meeting is replaced by the new stipulations in the Companies Act for listed companies.

As listed companies are obliged by the new regulation in the Annual Accounts Act to publish their guidelines in the statutory management report, these companies need only apply the following part of point eight of rule 5.1.4:

- How issues regarding remuneration of the executive management are processed by the board

Companies that apply the Code without being subject to the jurisdiction of the Swedish Companies Act and the Annual Accounts Act are to continue to apply the above rules as stated in the Code.

Stockholm, 18 December 2006
The Swedish Corporate Governance Board