

# Corporate governance report

The following pages include information on corporate governance at Vattenfall during the 2011 financial year in accordance with the Swedish Code of Corporate Governance. Vattenfall's Articles of Association, previous corporate governance reports and material from the most recent general meetings are available on Vattenfall's website, [www.vattenfall.com](http://www.vattenfall.com), "Corporate Governance", where links are also provided to the Swedish state's ownership policy and the Swedish Code of Corporate Governance.

The Parent Company of the Vattenfall Group, Vattenfall AB, is a Swedish public limited liability company with registered office in Stockholm. The Swedish Companies Act thus applies for Vattenfall AB.

## Important internal and external rules and regulations

Corporate governance in the Group is based on:

External rules and regulations:

- Swedish and foreign legal rules, particularly the Swedish Companies Act and the Swedish Annual Accounts Act
- The Swedish state's ownership policy and other owner directives

- The Swedish Code of Corporate Governance ("the Code")

Internal rules and regulations:

- The Articles of Association
- The Board's Rules of Procedure, including the CEO instruction and instruction on reporting to the Board of Directors
- Internal documents – particularly the Vattenfall Management System (VMS), which includes the company's Code of Conduct and instructions on roles and responsibilities, and on the delegation of authority

Vattenfall also adheres to the stipulations that apply for companies registered on Nasdaq OMX Stockholm, Sweden, as well as in the other marketplaces in which Vattenfall has securities registered.

Vattenfall is 100%-owned by the Swedish state, and thus certain stipulations of the Code are not applicable for Vattenfall. See the deviations from the Code below.

## Annual General Meeting

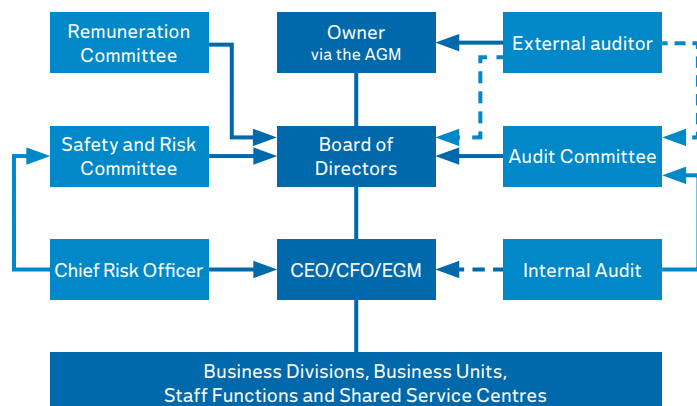
Under Swedish law, the Annual General Meeting (AGM) of

Vattenfall AB shall be held within six months after the end of each financial year. The AGM elects the Board of Directors and auditors (based on the recommendations of the owner), adopts the income statement and balance sheet, grants discharge from liability and deals with other matters of business that are incumbent upon the AGM pursuant to the Swedish Companies Act or the company's Articles of Association.

Vattenfall's Annual General Meeting was held on 27 April 2011, in Stockholm. The AGM adopted the annual report and consolidated financial statements for 2010 submitted by the Board of Directors and CEO, resolved to distribute the company's profit and discharged the members of the Board and the CEO from liability. The Board reported on compliance with applicable guidelines for remuneration of senior executives, after which the AGM adopted updated guidelines in accordance with previously applicable principles. The AGM also resolved to make minor amendments to the Articles of Association with respect to election of directors and auditors, notices of general meetings and the right of outside parties to participate at general meetings.

As in previous years, the meeting was open to the public,

## Governance and reporting structure



## Deviations from the Code

Vattenfall's corporate governance for the 2011 financial year deviates from the requirements stipulated in the Swedish Code of Corporate Governance on the following points. The stipulations that are not applicable for Vattenfall on account of the company's ownership structure are addressed in more detail in the main text.

Code requirement	Description	Chosen solution and justification
1.4 Chairman to preside over the Annual General Meeting	The nomination committee shall propose a person to serve as AGM chairman.	Due to its ownership structure, Vattenfall has no nomination committee. Election of an AGM chairman is instead done at the AGM in accordance with the stipulations of the Swedish Companies Act. This is also in line with the Swedish state's ownership policy.
2. Nomination committee	The company shall have a nomination committee.	Due to its ownership structure, Vattenfall has no nomination committee. The nomination process for the Board of Directors and auditors is instead conducted in accordance with the Swedish state's ownership policy. Thus the references to the nomination committee in points 1.3, 1.4, 4.6, 8.1 and 10.2 are not applicable either. However, information on the nomination of board members for new election or re-election is posted on the website in accordance with point 2.6.

and an open Q&A session was arranged, in accordance with the Swedish state's ownership policy. Members of Parliament were given the right to ask questions, as stipulated in Vattenfall's Articles of Association. The meeting was aired live via webcast. A recorded version of the AGM can be viewed on [www.vattenfall.se](http://www.vattenfall.se), along with the minutes and other material, under "Bolagsstyrning".

### Extraordinary General Meeting

Vattenfall held an Extraordinary General Meeting on 14 June 2011. At this meeting, Lars G. Nordström was elected as new Chairman of the Board, succeeding Björn Savén, who submitted his resignation on the same day. Christer Bådholm, a current director on the Board, was elected as Deputy Chairman. In addition, the directors' fees were set. The Extraordinary General Meeting was aired live via webcast. A recorded version can be viewed on [www.vattenfall.se](http://www.vattenfall.se), along with the minutes, under "Bolagsstyrning".

### The Board's composition

#### Appointment of the Board

For enterprises that are wholly owned by the Swedish state, uniform and joint principles for a structured nomination process are applied, which take the place of the Code's rules on drafting work for decisions on the nomination of board members and auditors.

According to these principles, the process for nominating directors is co-ordinated by the State Enterprises Division of the Ministry of Finance. A work group analyses competency needs based on the company's operations, situation and future challenges, as well as the board's composition. Thereafter, any recruitment needs are determined and recruitment work is initiated. Board members are chosen from a broad recruitment pool in the aim of benefiting from the expertise of women and men as well as of individuals with varying backgrounds and experience. Once this process has been completed, any nominations are to be publicly announced in accordance with the Code; however, no report is made on the directors' independence with respect to the state as a major shareholder. Vattenfall provides orientation training for new directors who are elected by the AGM.

Additional stipulations on the nomination of board members are set forth in the Swedish state's ownership policy, which is published in the annual report for state-owned companies, issued by the Swedish Government Offices.

#### Board members

Vattenfall's Articles of Association stipulate that the Board

– apart from the employee representatives – shall have a minimum of five and a maximum of ten directors without deputies. The board members are elected yearly by the General meeting. The Chairman of the Board shall be elected by the General Meeting.

In 2011, through 18 March, Vattenfall's board was made up of seven AGM-elected directors, with Lars Westerberg as Chairman of the Board. For the time between 18 March and the Annual General Meeting, the Board was made up of six AGM-elected directors, whereby Björn Savén – by order of the Board of Directors – served as interim Chairman and Deputy Chairman of Vattenfall. For the period after the AGM, the Board was made up of eight AGM-elected directors until 20 December, after which the Board had seven members. Björn Savén was Chairman of the Board from the AGM until the Extraordinary General Meeting that was held on 14 June. For the time thereafter, Lars G. Nordström was Chairman of the Board, and Christer Bådholm was Deputy Chairman.

By law, the unions are entitled to appoint three board members plus three deputies, and they have exercised this right. No members of the Executive Group Management (EGM) are directors on the Board. Four board members (three as from 20 December) and one deputy are women. Two board members are foreign citizens. The average age of board members in 2011 was 55, based on the Board's composition after 14 June.

### The work of the Board

#### The Board's duties

The matters reserved for the Board are prescribed primarily by the Swedish Companies Act and the Board's Rules of Procedure. The main duties of the Board, apart from appointing the President and CEO, the deputy CEO and company signatories, are:

- to set Vattenfall's strategy;
- to ensure that Vattenfall has effective management and to monitor and control the Executive Group Management's organisation and administration;
- to ensure that Vattenfall has good internal control and stays continuously informed about and evaluates how the systems of internal control work;
- to continuously assess Vattenfall's financial situation;
- to ensure that the organisation of Vattenfall's bookkeeping and treasury management include means of maintaining satisfactory control; and
- to continuously oversee the extent to which the CEO is fulfilling his responsibility for the day-to-day administration.

In addition, the Board shall approve major investments, acquisitions and divestments, and set central policies and instructions. The Board's duties pertain to Vattenfall AB as well as to the Vattenfall Group.

The Board decides on the entry into contracts and renegotiation of contracts between Vattenfall AB and the CEO, the Deputy CEO and other persons in the Group whom the AGM has defined as senior executives. A clarification of this purport was added to the Board's Rules of Procedure in 2011. In addition, the Board shall approve significant assignments that the CEO has outside of Vattenfall AB and the Group.

Each year the Board establishes its Rules of Procedure. Apart from mandatory items stipulated by the Swedish Companies Act, the Rules of Procedure regulate such matters as the Chairman's duties, information provided to the Board, the form of board meetings, the establishment of board committees, and evaluation of the work of the Board and the CEO.

The Chairman leads the work of the Board and is responsible for ensuring that other board members receive adequate information.

### Assuring the quality of financial reporting

In the section on internal control (see page 49), the Board has reported on the company's internal control structure for the financial reporting routines. The Audit Committee's work is a part of this control exercised by the Board. At all regular Audit Committee meetings held in 2011, external and internal auditors reported their observations concerning the full-year and half-year book closing, among other things. In conjunction with the planning work for the annual audit, discussions are held between the external auditors and the internal audit unit concerning Vattenfall's risk situation.

### The Board's risk management process

Vattenfall's Chief Risk Officer (CRO) is responsible for organising risk management within the Group. The CRO is responsible for this organisation at the Group level and is responsible for providing information to the Safety and Risk Committee, and the Audit Committee.

The Board sets the overall risk mandates for the Group in the areas of energy and commodity trading, as well as for financial, insurance and credit risks. At each meeting, the Board receives information about the Group's financial position. The Board also holds an annual risk management seminar at which a more in-depth review is made of the Group's financial and operational risks.

For a more detailed description of Vattenfall's risks and risk management, see pages 57–65.

### Board meetings

The Board's Rules of Procedure stipulate that eight to twelve regular meetings are to be held each year. In addition to the regular meetings, the Board is summoned to further meetings if the need arises. The Rules of Procedure stipulate that the following items, among others, are to be included on the agenda once a year:

- The Group's business and communication plan, financial plan and investment plan
- The Group's total risk exposure
- Review of strategic personnel issues, including competence succession
- The Group's research and development activities

In addition, a report is presented at every regular meeting on the following:

- Important business events since the previous meeting
- The financing situation
- Safety at the Group's nuclear power plants
- Updates regarding acquisitions and divestments

Investments are followed up and analysed by the Board three years after they have been decided on by the Board. The Board also holds a number of board seminars every year. At these seminars the Board receives more detailed information about and discusses Vattenfall's long-term development, strategy, competitive scenario and risk management.

The Board met 19 times in 2011, including two statutory meetings. A quorum existed at all meetings. According to the Rules of Procedure, at least one meeting every year is to be held at another location than the head offices. In 2011 a meeting was held in Berlin, which was combined with a visit to operations in the area.

In addition to the items of business prescribed for a board decision by the Rules of Procedure, in 2011 the Board dealt with and decided on the following matters:

- Recommendations, implementation and follow-up of guidelines for remuneration and other terms of employment for senior executives
- The decision-making process and drafting of matters for consideration by the Board
- Divestments of non-core operations
- The consequences of political decisions on the closure of nuclear power operations in Germany
- Matters in connection with the implementation of the new strategic direction, organisation and business model for the entire Group, and in connection with this, an update of the Vattenfall Management System

### Evaluation of the Board's and CEO's work

The Board evaluates its own work and the CEO's work once a year through a systematic and structured process in the aim of developing the Board's work forms and effectiveness. This evaluation is conducted under the direction of the Chairman and is reported to the Board. The most recent evaluation was presented at the board meeting on 13 December 2011.

### Board committees

The Board has established within itself an audit committee, a remuneration committee, and in 2011 a newly formed safety and risk committee, along with rules of procedure for these committees. For each committee, the Board has appointed three AGM-elected directors to serve as members, of whom one is to serve as committee chair. In addition, the Board can, where necessary, establish other committees to look into matters in more defined areas. In other respects, the Board shall not delegate any special areas of responsibility or duties among its members.

All committees report their work to the Board in accordance with a procedure whereby the committee chair submits a report at the next regularly scheduled board meeting and by providing the Board with minutes of committee meetings at the next regularly scheduled board meeting. Except for certain matters conducted by the Audit Committee, the committees are only drafting bodies.

### Audit Committee

The Audit Committee is a board committee that is tasked with the following duties, among others:

- a) Conducting drafting work for the Board's work on monitoring and quality assuring Vattenfall AB's financial reporting and internal control
- b) Meeting with external and internal auditors on a regular basis to stay informed about the planning, direction and scope of the audit, and discussing co-ordination between the external and internal audit, and views of the company's risks
- c) Discussing important issues in the annual report and interim reports prior to being addressed by the Board, and staying informed about the audit of the annual report and consolidated financial statements
- d) Assisting the Board in preparation of a recommendation for decision by the Annual General Meeting on election of the auditor and on auditors' fees
- e) Conducting an annual evaluation of the external auditors' work, including a review and supervision of the auditors' impartiality and independence
- f) Setting guidelines for determining the suitability of other

services than auditing that Vattenfall AB and the Group may procure from the company's external auditors

- g) Approving the budget for the Vattenfall Group's internal audit and approving the Internal Audit Charter, which regulates the work of internal audit

The CFO and the Head of Internal Audit serve in a reporting role at Audit Committee meetings. The company's external auditors attend all regular meetings and report their observations regarding the audit. Until the time that the Safety and Risk Committee was established, the Chief Risk Officer (CRO) reported on risk management issues at every meeting of the Audit Committee.

The Board of Directors authorised the Audit Committee to – on behalf of the Board – approve the quarterly report for the first quarter of 2011. In addition to this authorisation, the Audit Committee has the right to approve the budget for the Vattenfall Group's internal audit, the Internal Audit Charter, and to approve guidelines for procuring other services than auditing from the auditors. In other respects, the committee serves only in a drafting function and has no decision-making right.

### Remuneration Committee

The Board has established a remuneration committee that is tasked with the following, main duties:

- a) Serve as a drafting body in ensuring implementation and compliance with the guidelines for terms of employment for senior executives that have been adopted by the Annual General Meeting
- b) Conduct drafting work for the Board's proposal to the 2012 Annual General Meeting on principles for remuneration of senior executives
- c) Conduct drafting work on matters related to the entering into new contracts and renegotiation of existing contracts with senior executives ahead of decisions by the Board
- d) Where applicable, to conduct drafting work for any special reasons that may exist in an individual case to deviate from the guidelines
- e) Review the Board's report on compensation of senior executives, monitor and follow up the auditors' review, and inform the Board about such

### Safety and Risk Committee

The Board has established a safety and risk committee, which is tasked with the following, main duties:

- a) Conduct drafting for the Board's work on monitoring and quality-assuring safety and risk work within the Vattenfall

- Group with respect to financial and non-financial risks, including the focus areas nuclear power safety, dam safety and the environment
- b) Conduct an annual review and, when the committee deems it suitable, provide suggestions on the Group's strategy, management, guidelines and instructions concerning the safety and risk matters described above
- c) Monitor and review development of the Group's overall framework for management and control of safety and risk issues
- d) Review and make recommendations regarding risk appetite and risk exposure within the Group

The Chief Risk Officer (CRO) serves in a reporting role on the Safety and Risk Committee.

The Safety and Risk Committee was first established after the 2011 Annual General Meeting and has taken over some of the Audit Committee's previous duties regarding risk reporting.

#### Guidelines for compensation of the Board

Directors' fees and fees for committee work are set by the AGM, based on the Swedish state's ownership policy. For information on directors' fees in 2011, see Note 50 to the consolidated accounts.

#### Guidelines for remuneration to senior executives AGM resolution on guidelines

The 2011 AGM resolved that, on the issue of compensation and other terms of employment for senior executives, Vattenfall AB shall apply the principles adopted by the government in its "Guidelines for terms of employment for senior executives of state-owned companies".

The government's guidelines pertain to companies in which the state, through its ownership, has control, such as by owning more than 50% of the votes. Such companies shall apply the government's guidelines in their subsidiaries. By subsidiary is meant in the guidelines such legal entities referred to in Ch. 1 § 11 of the Companies Act (2005:551).

The 2011 AGM also approved Vattenfall's deviation from application of the government's guidelines in Vattenfall's subsidiaries, inasmuch as the definition of senior executives in these subsidiaries is limited to individuals that have a significant influence on the Group's earnings and not only that they have a senior role in the subsidiary in question in accordance with the definition in the Companies Act. Thus through use of the International Position Evaluation (IPE) model, man-

agers with positions of IPE 68 and higher shall be considered to be senior.

Ahead of the AGM's resolution in 2011, the Board issued a reasoned explanation for the deviation from the government's guidelines with respect to how these shall be applied in Vattenfall's subsidiaries. The Board's explanation ahead of the AGM's resolution in 2011 is presented in its entirety in the 2010 Annual Report. The proposed guidelines ahead of the 2012 AGM are provided on page 56.

#### Implementation of the guidelines

According to the AGM's definition, a total of 18 persons excluding the CEO were covered by the stipulations on contracts with senior executives in 2011. Remuneration for these individuals is shown in Note 50 to the consolidated accounts.

Against the background of the attention that arose in spring 2011 on executive compensation, Vattenfall has – by order of the Board of Directors – taken an inventory of contracts for these senior executives and 228 senior managers.

Vattenfall has identified the following four areas for action:

- A clearer decision-making structure has been adopted regarding terms of employment and remuneration of senior executives and senior managers, with a clear division of roles for the Board, the Remuneration Committee and the CEO.
- Remuneration and terms of employment for senior executives that deviate from the guidelines have been renegotiated to the extent allowed by law and collective agreements.
- Stipulations on notice periods and severance pay for fixed-term contracts will be added in connection with contract extensions and for new hires of all senior managers, including the Group's senior executives.
- Processes for remuneration and terms of employment have been centralised, and joint principles for salaries and benefits have been drawn up.

The inventorying and actions taken within Vattenfall have been reported on a regular basis to the Remuneration Committee and the Board. Compliance with the adopted guidelines is described in more detail in Note 50.

#### Auditors

The Swedish state's ownership policy states that the owner is responsible for the election of auditors and that the auditors are to be elected at the Annual General Meeting. According to Vattenfall's Articles of Association, the company shall

have one or two auditors with or without one or two deputy auditors, or an auditing firm as auditor.

The 2008 Annual General Meeting re-elected the auditing firm Ernst & Young AB as auditor, with Authorised Public Accountant Hamish Mabon as auditor-in-charge. In accordance with the stipulations of the Swedish Companies Act at the time, this election applies for a term until the 2012 AGM. Apart from his assignment for Vattenfall, Hamish Mabon is auditor of Hexagon AB, Dustin AB, Ålö AB and Ambea AB, among others.

In accordance with the Act on Auditing of State Activities, etc., the Swedish National Audit Office may appoint one or more auditors to participate in the annual audit. Up until the 2011 AGM, Authorised Public Accountant Per Redemo was appointed in accordance with this law, with Authorised Public Accountant Göran Selander as deputy. For the time thereafter, the Swedish National Audit Office has not appointed any auditor for Vattenfall.

None of the auditors has assignments for companies that affect their independence as an auditor of Vattenfall.

The auditors reported on their audit of the year-end book-closing to the entire board at the board meeting on 9 March 2011, and also reported on their remarks at the board meeting on 13 December 2011. In connection with the report on 9 March 2011, the Board also had the opportunity to meet the auditors without the presence of the CEO or other member of the Executive Group Management. The auditors also provided more detailed reports at meetings of the Audit Committee. In addition, the auditors meet Vattenfall's CEO and CFO on numerous occasions during the year.

The Audit Committee has approved guidelines for how procurement of other services than auditing shall take place. These guidelines apply for all of the Group's external auditors. In cases where more extensive consulting activities are to be performed by the elected auditors, the assignment must first be discussed and approved by the Audit Committee or CFO. The Group's auditing costs are described in more detail in Note 53 to the consolidated accounts and Note 39 to the Parent Company accounts. Consulting provided by Ernst & Young AB from 2009 to 2011 pertained primarily to taxation and accounting issues, as well as to special matters in connection with the divestment of subsidiaries that are no longer regarded as core businesses.

In 2011 Vattenfall conducted a Group-wide procurement process for its auditor for election by the 2012 AGM. From now on, the intention is that the auditors will be elected at every AGM, in accordance with the main rule that now applies

in the Swedish Companies Act and the Swedish state's current ownership policy.

### Internal governance

#### Core values and vision

Vattenfall's core values are Safety, Performance and Co-operation.

Vattenfall's vision is to develop a sustainable, diversified European energy portfolio with long-term increased profits and significant growth opportunities. At the same time, Vattenfall will be among the leaders in developing environmentally sustainable energy production.

#### Guiding business ethics

Vattenfall's Group-wide Code of Conduct stipulates that all employees shall adhere to and work in accordance with Vattenfall's core values, policies and instructions. The stipulations of the Code of Conduct are concretised in other parts of the Vattenfall Management System.

Vattenfall has had a Group-wide whistleblowing function in place since 2010, with locally appointed external ombudsmen (advocates) to whom employees, consultants and contractors can turn to report suspected, serious improprieties that the whistleblower for some reason does not want to report internally via the normal reporting channels. Further initiatives for ensuring internal regulatory compliance were taken in 2011.

Additional information on guiding business ethics is provided in Vattenfall's Corporate Social Responsibility Report.

#### Strategic direction

The new strategic direction adopted by the Board in 2010 entails greater focus on profitability and value creation, focus on the core markets (Sweden, Germany and the Netherlands) and the three main products – electricity, heat and gas – reduced CO<sub>2</sub> exposure, and growth in low CO<sub>2</sub>-emitting energy production and in gas. Vattenfall is thereby aiming to be among the leaders in developing environmentally sustainable energy production. The decision entails that Vattenfall will continue to be an integrated, European company with a diversified energy portfolio.

#### New organisational structure

Effective 1 January 2011, a new, business-led organisational structure has been implemented for the Vattenfall Group. The new structure consists of a function-based organisation that is divided into three operating segments (five cross-border Business Divisions) and further into Business Units.

It has replaced the organisational structure that was broken down mainly according to the value chain in the various geographic regions.

The extensive project of preparing for the implementation of the new organisation continued until the second quarter of 2011 and focused particularly on organisational matters and governance, finance, human resources, functional area, shared services, systems, and the actual transition to the new organisational structure.

#### CEO and Executive Group Management

The President, who is also CEO of the Vattenfall Group, is responsible for the day-to-day administration in accordance with the Swedish Companies Act. The CEO has appointed decision-making bodies for the Group and makes decisions independently or with the support of these decision-making bodies. The most important of these decision-making bodies is the Executive Group Management (EGM) and the Vattenfall Risk Committee (VRC).

The Executive Group Management focuses on the Group's overall direction and decides – within the framework of the CEO's mandate from the Board of Directors – on matters of importance for the Group, such as certain investments. Information on the members of the Executive Group Management is provided on pages 54–55.

Vattenfall's Risk Committee is tasked with, among other things, setting the organisation's risk appetite, making decisions related to risk mandates and credit limits, and exercising oversight of the risk framework.

#### Organisation

Vattenfall's governance relies on transparency in responsibility and results.

The governance model rests on a business-led structure that is based on the value chain for electricity and heat (production, distribution and sales). The functional areas are centralised and co-ordinated for the entire Vattenfall Group. Operations have three building blocks:

- a) Business activities, broken down into three operating segments, which comprise five cross-border Business Divisions which are further structured into Business Units. The Generation segment comprises three Business Divisions: Asset Development, Production, and Asset Optimisation and Trading. The Distribution and Sales segment consists of Business Division Distribution and Sales, and the Renewables segment consists of Business Division Renewables.
- b) Functional areas, organised Staff Functions, which lead,

manage and support the business activities. The Staff Functions are managed as cost centres.

- c) A Shared Services function, which provides services for supporting the internal users in the optimisation of their operations. A Shared Service function is managed with the purpose of promoting efficiency and capitalising on economies of scale. From a management perspective, the Shared Service function is a cost centre, but they use market prices for their transactions.

Vattenfall's Business Divisions have full responsibility for management of their business activities, which are conducted in Business Units. In a similar manner, each function area has authority and responsibility within the entire Vattenfall Group. The areas of responsibility are regulated in the VMS (see below), which lays out the limits for this responsibility, especially with respect to specific areas, amounts and risk mandates.

#### Planning and processes

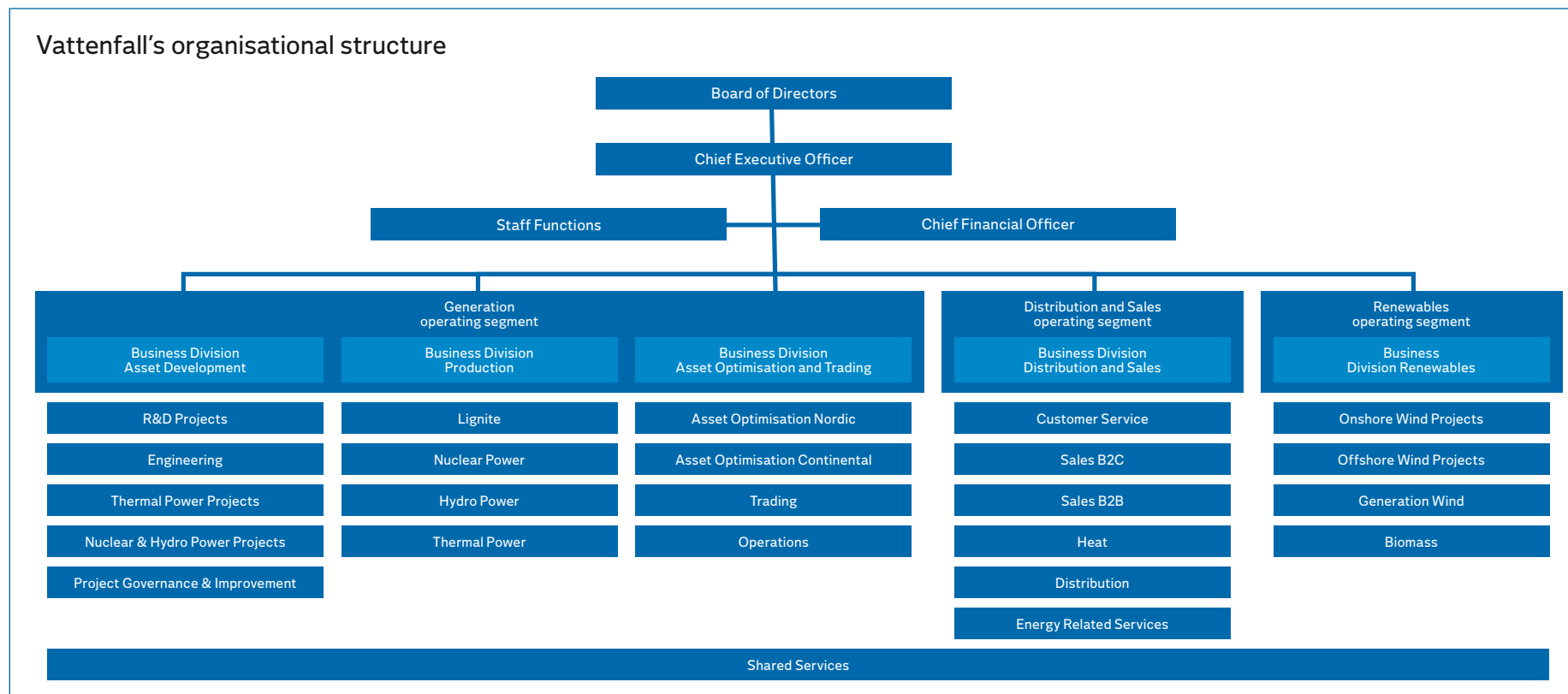
The framework for governance at the management level is based on four Corporate Governance Processes:

- The strategic development process
- The business planning and follow-up process
- The CEO decision-making process
- The Enterprise Risk Management (ERM) process

The planning consists of several parts of a process during the year that culminates in the one-year business plan. The four elements that are governed centrally are:

- The Group's strategic plan, which includes the Group Strategic Direction (GSD) and which is drawn up with the support of the operations. The strategic plan contributes to the content of the one-year business plan.
- The Group's investment plan, which includes the comprehensive investment plan for all Business Divisions during the coming five-year period. This is then adjusted at the management level.
- The Group's five-year financial forecast, which is the starting point for the five-year financial model for the Group, which is updated continuously.
- The Group's one-year business plan, which includes the financial forecast for the coming year, which is transformed into budgets containing descriptions of activities.

The GSD is approved by the Board in mid-September. All other aspects of the planning are approved in a co-ordinated fashion by the Board at the end of the year.



### Vattenfall Management System (VMS)

The Vattenfall Management System is the framework that ensures that Vattenfall's governance adheres to formal requirements as well as to requirements from the business operations and the staff functions. The VMS is documented in binding governance documents. These consist of policies, instructions and process documents on three different levels: corporate level, functional level and business level. Certain central documents have been approved by the Board of Vattenfall AB. The Quality function in the CEO Office is responsible for the VMS.

The VMS is an integrated management system that applies for the entire Vattenfall Group, along with the limitations that may arise from legal requirements, such as regarding the unbundling of the electricity distribution business. It is accessible for all employees on Vattenfall's

intranet. Integrated with the VMS is an Environmental Management System.

The VMS was updated in 2011. The main objective was to adapt the system to the new organisation, starting with Group-wide stipulations for roles and areas of responsibility, decision-making and delegation of authority within the Group. Integration of the previous national management system in a Group-wide system was another objective.

Special routines are in place to ensure that the management system is also applied by subsidiaries. With respect to the German subsidiaries, since June 2008 a special agreement (Beherrschungsvertrag) has been in place between Vattenfall AB and the German holding company, Vattenfall Europe AG. Under this agreement, the board (Vorstand) of the holding company is subordinate to Vattenfall AB, and Vattenfall AB has the right to issue directives regarding governance.

### Internal control of the financial reporting

This report has been prepared in accordance with the Swedish Code of Corporate Governance. Further information related to internal control is provided in the section "Risks and risk management" on pages 57–65.

### Control environment

The formal decision-making structure in the Group is based on the division of responsibility between the Board and CEO, which is set forth in the Board's Rules of Procedure. The Board has adopted Vattenfall's Group-wide Code of Conduct, which defines the obligation of all employees to adhere to Vattenfall's company philosophy, Code of Conduct, core values, and norms for the employees. The Vattenfall Management System (VMS), which has been established by the CEO, contains governing documents that include, among other

things, Group instructions for authorisations, governance, risk management and internal control.

Vattenfall applies the “three lines of defence” model, in accordance with the Basel II recommendations, where management and control of risks are divided into three lines of defence. The first line of defence consists of the Business Units, which own and manage risks. The risk organisation makes up the second line of defence and is responsible for monitoring risks. The internal auditor makes up the third line of defence and perform an independent review and oversight of both the first and second lines of defence.

**Risk analysis**

The rules and outcome of the Group’s risk assessment and risk management processes are reviewed by the Board each year. The Group’s risk management and reporting are co-ordinated by Vattenfall’s risk committee. The Board evaluates and monitors risks and the quality of financial reporting via the Audit Committee, which maintains continuous and regular contact with the Group’s internal and external audit functions in order to evaluate risk in the financial reporting. The VMS includes a framework for internal control that identifies and defines material risks related to financial reporting. The Finance Compliance function within the Staff Function Finance performs yearly analyses of risks related to financial reporting and is responsible for updating this framework.

**Control activities and follow-up**

The Board monitors the Parent Company’s and Group’s financial position and addresses this matter at every regular board meeting. The EGM has regular follow-up meetings on the financial outcome with the management and finance functions of Vattenfall’s various Business Divisions, Staff Functions and Shared Service Units. The VMS contains governance documents for the essential financial reporting



processes. The VMS serves as a platform for internal control for all units within the Group.

The Finance Compliance function is responsible for overseeing self assessments, follow-up, reporting and improvements in the control activities for financial reporting. These control activities are intended to prevent, discover and correct errors in the financial reporting. The Finance Compliance function reports to Vattenfall’s CFO and Audit Committee on a quarterly basis.

Internal Audit is an independent and objective assurance and advisory function that is organised to create value and improve Vattenfall’s operations. This is done by evaluating and recommending improvements with respect to the effectiveness of Vattenfall’s risk management, internal control and governance processes in such areas as order handling, invoicing, production, trading, purchasing, financial reporting, IT systems, HR matters and various types of projects. This also applies for compliance with Vattenfall’s policies and governance documents, including the Code of Conduct.

The function has 39 employees and reports directly to the

Board of Directors and Audit Committee, to which the Head of Internal Audit reports. Internal Audit also reports on an administrative level directly to the CEO and informs the management teams of the divisions and other units about audit activities that have been performed. The function is localised in Sweden, Germany and the Netherlands, but works throughout the entire Group.

**Information and communication**

Information about the Group’s policies, instructions, guidelines and manuals is posted on Vattenfall’s intranet, which is accessible to all employees in the Group. The Group’s accounting and reporting policies are laid out in the Group reporting manual. Updates and changes of these policies are communicated on a continuous basis via Vattenfall’s intranet as well as at meetings with representatives of Vattenfall’s Business Divisions, Staff Functions and Shared Service Units.

## Composition of the Board and meeting attendance

Name	Function	Nationality	Independence in relation to the company and EGM (according to the Code)	Committee assignments	Attendance at board meetings	Attendance at committee meetings
Lars G. Nordström	Chairman of the Board from 14 June	Swedish	Yes	Remuneration Committee, from 14 June	8 of 8	6 of 6
Carl-Gustaf Angelin	Employee representative	Swedish	–	–	18 of 19	–
Eli Arnstad	Director	Norwegian	Yes	Safety and Risk Committee, from 27 April	18 of 19	3 of 3
Lennart Bengtsson	Employee representative, deputy, from 27 April	Swedish	–	–	11 of 12	–
Johnny Bernhardsson	Employee representative	Swedish	–	Safety and Risk Committee, from 27 April	18 of 19	3 of 3
Christer Bådholm	Director, Deputy Chairman from 14 June	Swedish	Yes	Audit Committee (chair) through 3 May; Safety and Risk Committee (chair), from 27 April	18 of 19	AC: 3 of 3 S&R: 3 of 3
Lars Carlsson	Employee representative, deputy, until 27 April	Swedish	–	–	6 of 7	–
Ronny Ekwall	Employee representative	Swedish	–	Audit Committee, from 27 April	19 of 19	5 of 5
Håkan Erixon	Director, from 27 April	Swedish	Yes	Safety and Risk Committee, from 27 April; Audit Committee (chair) from 13 December	12 of 12	S&R: 3 of 3
Lone Fønss Schrøder	Director	Danish	Yes	Audit Committee	11 of 19	5 of 8
Lars-Göran Johansson	Employee representative, deputy	Swedish	–	–	19 of 19	–
Patrik Jönsson	Director	Swedish	Yes	Remuneration Committee, Audit Committee	18 of 19	RC: 14 of 14 AC: 8 of 8
Per-Ove Lööv	Employee representative, deputy, until 27 April	Swedish	–	Audit Committee, until 27 April	4 of 7	1 of 2
Jeanette Regin	Employee representative, deputy, from 27 April	Swedish	–	–	11 of 12	–
Ingrid Bonde	Director, from 27 April until 20 December	Swedish	Yes	Audit Committee (chair) from 4 May until 13 December	8 of 11	5 of 5
Björn Savén	Director until 27 April; from 18 March as interim Chairman and Deputy Chairman. Chairman of the Board from 27 April to 14 June	Swedish	Yes	Remuneration Committee, from 29 March until 14 June	11 of 11	3 of 3
Lars Westerberg	Chairman of the Board until 18 March	Swedish	Yes	Remuneration Committee, until 18 March	3 of 4	4 of 4
Cecilia Vieweg	Director	Swedish	Yes	Remuneration Committee (chair)	17 of 19	14 of 14



## Board of Directors



Lars G Nordström



Christer Bådholm



Carl-Gustaf Angelin



Eli Arnstad



Lennart Bengtsson



Johnny Bernhardsson

**Lars G. Nordström** (born 1943), Chairman of the Board since June 2011. Studied law at Uppsala University. Held several positions with Skandinaviska Enskilda Banken 1970–1983, including as Executive Vice President since 1989. Appointed as Executive Vice President of Nordea and its predecessor in 1993, and President and CEO of the Nordea Group 2002–2007. President and CEO of Posten Norden 2008–2011. Director on the boards of Nordea Bank, Viking Line and the Swedish–American Chamber of Commerce, and Chairman of the Finnish–Swedish Chamber of Commerce. Former Chairman of the Royal Swedish Opera and EFMA, director of TeliaSonera, and member of the Royal Swedish Academy of Engineering Sciences (IVA).

**Christer Bådholm** (born 1943), Deputy Chairman of the Board, elected as director in 2002. M.Sc. Eng., from Chalmers University of Technology (Gothenburg), studies in Corporate and Group Management at IFL and in International Management at MiL. Long record of experience as a CEO for various companies in the transport industry, including ABV Southern Region, NCC International AB, ABB Traction AB, Adtranz GmbH and Bombardier Transportation GmbH. Active in own consultancy business since 2002. Director of Svevia AB and Chairman of Bombardier Transportation Sweden AB, Balfour Beatty Rail AB and VINN Group AB.

**Carl-Gustaf Angelin** (born 1951), elected to the Board in 2003 as employee representative for Akademikerrådet. M.Sc. Eng. from the Royal Institute of Technology in Stockholm. Employee of AB Svenska Fläktfabriken 1977–1988, various positions within the Vattenfall Group 1988–present. Currently active in Business Division Distribution and Sales.

**Eli Arnstad** (born 1962), elected as director in 2008. Studies in public law and political science at the University of Oslo, Cand. Mag. from Nord-Trøndelag University College (HiNT). Employee of Stiklestad Nasjonale Kultursenter, 1999, and of Stjørdal Naeringsforum, 2000. CEO of Enova SF 2001–2007. Currently Vice Chairman of Sparebank 1 Midt-Norge and Norway Post. Director of the Center for Economic Research at the Norwegian University of Science and Technology (NTNU), AF-gruppen and Stiftelsen Nidarosdomens Restaureringssarbeider.

**Lennart Bengtsson** (born 1958), elected as deputy board member in 2011 as employee representative for SEKO Facket för Service och Kommunikation. Two-year secondary school degree in mechanics, and network technology training in IT. Active in operations and maintenance at Vattenfall Vattenkraft 1979–1999, currently an IT technician at Vattenfall IT.

**Johnny Bernhardsson** (born 1952), elected to the Board in 1995 as employee representative for Unionen. Education in engineering, with supplementary studies in economics from TBV. Has held various positions within the Vattenfall Group since 1970.

**Ronny Ekwall** (born 1953), elected to the Board in 1999 as employee representative for SEKO Facket för Service och Kommunikation. Degree in electrical engineering from Stora Kopparberg Vocational College. Master fitter at Stora Kopparberg 1969–1977, fitter for the Vattenfall Group 1977–present.

**Håkan Erixon** (born 1961), elected as director in 2011. Degree in International Economics, 1987, from the Gothenburg School of Economics. Industry expert for Swedish Ministry of Finance with overall responsibility for sales of state-owned companies and other company transactions 2007–2010, during which time he also worked for the Swedish Debt Office. Twenty years of international experience as a financial adviser in M&As with Merrill Lynch International and Citicorp Investment Bank, London, among others. Employed by UBS Investment Bank, London, 1997–2007, most recently as head of Nordic activities, and Vice Chairman of the UBS Investment Banking division. Member of the Nasdaq OMX Stockholm AB Company Committee. Former director of Vasakronan AB and Carnegie Investment Bank AB, among others.



Ronny Ekwall



Håkan Erixon



Lone Fønss Schrøder



Lars-Göran Johansson



Patrik Jönsson



Jeanette Regin



Cecilia Vieweg

**Lone Fønss Schrøder** (born 1960), elected as director in 2003. LL.M., University of Copenhagen, MBA, Copenhagen Business School. Various executive positions at A.P. Møller/Maersk A/S 1982–1983, Managing Director of Wallenius Lines AB 2005–2010. Director of Volvo Car Corporation, NKT A/S, Aker Solution ASA, Kvaerner ASA, Svenska Handelsbanken AB, Heidelberger AG and Bilfinger Berger SE.

**Lars-Göran Johansson** (born 1953), elected as a deputy board member in 2008 as employee representative for Ledarna (the Association of Managers). Secondary school education, has served as a foreman and technician within the Vattenfall Group since 1971. Currently employed by Vattenfall Services Nordic.

**Patrik Jönsson** (born 1971), elected as director in 2010. M.Sc. Econ., Stockholm University. Controller for Svenska Statoil 1997–1998. Account manager for Trevice Unibank Investment Management 1998–2000, management consultant at Brøgger & Partners 2000–2001, investment analyst at Bure AB 2001–2003. Deputy Director at the Unit for State Ownership in the Ministry of Finance since 2003. Responsible for the owner's administration and board member of Svevia AB. Former director of Vin & Sprit, Sveaskog, Göta kanalbolaget and Skeppshypotekskassan. Participated in the owner's administration of SAS, Sweden Post, Green Cargo and SJ AB.

**Jeanette Regin** (born 1965), elected as deputy board member as employee representative for Unionen in 2011. Secondary school diploma and two-year education in healthcare. Former experience as practical nurse, currently head of customer service/office services for Gotland Energientreprenad (a subsidiary of the Vattenfall Group).

**Cecilia Vieweg** (born 1955), elected as director in 2009. LL.B. Lund University. Attorney at Berglund & Co Advokatbyrå 1987–1990. Company lawyer for AB Volvo 1990–1992. General Counsel of Volvo Car Corporation 1992–1998. Attorney and partner of Wahlin Advokatbyrå 1998, joined Electrolux as a member of the executive management in 1999 with responsibility for legal affairs, intangible rights, risk management and security. Currently Company Secretary for AB Electrolux and director of PMC Group AB. Member of the Swedish Securities Council.

#### Board members who left the Board in 2011:

**Lars Westerberg** (born 1948), elected to the Board as Chairman in 2008, resigned on 18 March 2011.

**Lars Carlsson** (born 1951), elected as deputy board member as employee representative for Unionen in 1991, resigned at the 2011 Annual General Meeting.

**Per-Ove Lööv** (born 1961), elected as deputy board member as employee representative of SEKO, resigned at the 2011 Annual General Meeting.

**Björn Savén** (born 1950), elected as director in 2009, resigned at the Extraordinary General Meeting in 2011.

**Ingrid Bonde** (born 1959), elected as director in 2011, resigned on 20 December 2011 in connection with her appointment as Deputy CEO and new CFO of Vattenfall.

## Executive Group Management



Øystein Løseth

**Øystein Løseth** (born 1958), President and CEO of Vattenfall AB since 12 April 2010. Head of Generation operating segment. Master of Civil Engineering, Technical University of Trondheim, Norway; studies in economics at Bedriftsøkonomisk Intitutt, Bergen, Norway. Statoil, Norway 1984–1993. Planning Manager, Alliance Gas, London 1993–1994. Commercial Director, Naturkraft, Oslo 1994–1997. Various positions for Statkraft in Norway and the Netherlands 1997–2003, including member of the executive management of Statkraft from 2002 to 2003. Joined Nuon N.V., Amsterdam, in 2003 as Managing Director of Nuon Energy Sourcing and President and CEO of Nuon N.V. Appointed CEO of Nuon Energy N.V. in April 2008. In 2011 Øystein Løseth did not have any significant shareholdings in companies with which Vattenfall has business relations.

**Peter Smink** (born 1965), Acting CFO since 28 October 2011. Economics degree and studies in accounting at Erasmus University, Rotterdam. Head of Control for Vattenfall's Business Division Asset Development, and CFO and member of the executive management of N.V. Nuon Energy 2011. Active in several management positions with N.V. Nuon Energy since 2001. Employee of KPN and various subsidiaries 1996–2001. Employee of PWC 1989–1993.



Peter Smink



Anders Dahl

**Anders Dahl** (born 1957), Senior Vice President, Business Division Renewables. M.Sc. Eng., Royal Institute of Technology, Stockholm. Acting Head of Business Group Pan Europe (excl. Nuclear) from 15 March–31 December 2010. Head of Wind business unit 2005–2010. Production Director for Vattenfall's Polish CHP operations 2002–2005. Head of Hydro Power operations for Birka Energi 1997–2002 and Plant Manager for CHP Hässelby. Various positions in heat production operations for Stockholm Energi 1985–1996.

**Tuomo Hatakka** (born 1956), Senior Executive Vice President, Business Division Production. Executive Vice President of Vattenfall AB since 26 October 2005. Economics studies at the Helsinki School of Economics and Business Administration and Instituto de Estudios Superiores de la Empresa, Barcelona, Spain. Head of Business Group Central Europe 2008–2010. Head of Business Group Poland 2005–2007. Experience as consultant for Bain Company, London, Executive Vice President and partner of Enterprise Investors, Warsaw. Former President and CEO of Elektrim Kable SA, Warsaw.



Tuomo Hatakka



Harald von Heyden

**Harald von Heyden** (born 1971), Senior Vice President, Business Division Asset Optimisation and Trading. Head of Trading and Co-ordination of Generation Management from 3 May to 31 December 2010. B.Sc. Management Sciences, Warwick Business School, Coventry, and M.Phil. Management Studies, University of Cambridge. Managing Director of EGL Nordic AS, Norway 2009–2010. Chief Trading Officer and director of EGL AG, Zurich 2007–2009. Founder and Managing Director of EGL Nordic AS, Norway 2003–2007. Managing Director of Statkraft Continental Markets in Germany and the Netherlands 1999–2003. Consultant at McKinsey & Company, Norway, 1995–1999. Announced in January 2012 that he will be leaving Vattenfall by 30 June 2012 at the latest.

**Olof Gertz** (born 1963), Senior Vice President, Human Resources from 5 March 2012. Active in the DeLaval Group 1994–2012, incl. as Senior Vice President, Human Resources and member of executive management 2001–2012. M.Sc. in Human Resources and Work Life matters, Uppsala University.

**Anne Gynnerstedt** (born 1957), Senior Vice President, General Counsel and Secretary to the Board of Directors. Joined Vattenfall on 9 January 2012. General Counsel, Secretary to the Board and member of executive management of SAAB AB 2004–2012. General Counsel, member of executive management of the Swedish National Debt Office 2002–2004. Corporate Legal Counsel, SAS 1990–2002. Bachelor of Law, Stockholm University.



Olof Gertz



Anne Gynnerstedt



Huib Morelisse



Andreas Regnell



Elisabeth Ström



Torbjörn Wahlborg

**Huib Morelisse** (born 1964), Senior Vice President Business Division Asset Development, CEO of N.V. Nuon Energy since 1 July 2010. M.Sc. Mechanical Engineering, MBA, Columbia Business School. Chief Technology Officer, Essent, the Netherlands 2009–2010. Employee of RWE 2001–2009: as CEO of RWE's Dutch entities 2007–2009, and Vice President Corporate Strategy 2005–2007. Employed by Goldman Sachs & Co. 1999–2001. Served in various positions for Booz Allen & Hamilton 1991–1997.

**Andreas Regnell** (born 1966), Senior Vice President, Staff Function Strategies and Environment. B.Sc. Econ., Stockholm School of Economics/Wharton Graduate School of the University of Pennsylvania. Held various positions with Citibank, Stockholm and New York 1989–1992. Served with The Boston Consulting Group from 1992 until joining Vattenfall, incl. as Head of the Nordic region 2005–2010.

**Elisabeth Ström** (born 1962), Senior Vice President, Staff Function External Relations and Communications. Head of Group Function Communications in 2010. Degree in Marketing Economics, Berghs School of Communication. Head of curriculum at Berghs School of Communication, 1985–1988, President and Rector 1996–1997. Marketing Manager, Nordiska Kompaniet 1991–1995. Member of executive management of Förenings-sparbanken (today Swedbank) 1997–2000. Recruited in 2000 as Vice President for the Swedish Co-operative Union (KF) and Vice President of Coop Sverige AB. Deputy CEO and Vice President of Posten AB 2003–2005. Active in own consulting business as adviser in business development and branding 2005–2009.

**Torbjörn Wahlborg** (born 1962), Senior Executive Vice President, Business Division Distribution and Sales, Executive Vice President of Vattenfall AB since 3 February 2010. Head of Business Group Nordic 2010. M.Sc., Eng., Chalmers University of Technology, Gothenburg. Nynäs Petroleum, Nynäshamn, Sweden 1988–1990. Head of Electricity, Vattenfall Värmekraft, Stenungssund, Sweden 1990–1994. Project Manager, Sjælenske Kraftverker, Copenhagen, Denmark 1994–1996. Project Manager, Vattenfall International, Stockholm 1996–1997. Active in Poland since 1997: acting President of Vattenfall Poland 1997–2001, Acting President of GZE SA, Gliwice, 2001–2006. Head of Vattenfall Sales business unit, Poland, 2006–2008, and country manager for Vattenfall Poland, 2008–2009.

**Ingrid Bonde** (born 1959), appointed as Deputy CEO and as CFO on 19 December 2011, and will take office on 1 July 2012 at the latest.

**Stefan Dohler** (born 1966), appointed as Senior Vice President, Business Division Asset Optimisation and Trading on 16 February 2012. He takes office on 1 April 2012.

#### Persons who left the Executive Group Management in 2011

**Lars Gejrot** (born 1954) left his position as Senior Vice President, Staff Function Human Resources, on 18 March 2011.

**Dag Andresen** (born 1964) left his position as CFO on 28 October 2011.

**Kerstin Ahlfont** (born 1971) served as acting Senior Vice President, Staff Function Human Resources between March 2011 and March 2012.

# Auditor's report

To the annual meeting of the shareholders of Vattenfall AB, corporate identity number 556036-2138

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Vattenfall AB for the year 2011, except for the corporate governance statement on pages 44–51. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 34–122.

### Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of the annual accounts in accordance with the Annual Accounts Act, and of the consolidated accounts in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by

the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 44–51. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

### Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Vattenfall AB for the year 2011. We have also conducted a statutory examination of the corporate governance statement.

### Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. The Board of Directors and the President are responsible for administration under the Companies Act and that the corporate governance statement on pages 44–51 has been prepared in accordance with the Annual Accounts Act.

### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We

conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence which we have obtained is sufficient and appropriate in order to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the Company and the Group we believe that we have obtained a sufficient basis for our opinion. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

### Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Stockholm, 21 March 2012

Ernst & Young AB  
Hamish Mabon  
Authorised Public Accountant