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## **Decisions and statement by Skandia's board concerning special investigative report**

Skandia's board hereby acknowledges that the investigators have completed their assignment.

The investigative report reveals a number of improprieties that have existed at Skandia: A few persons in Skandia's former senior management have broken rules, ignored board decisions and deceived their principals. They have acted in violation of the morals and propriety that form the foundation of acceptable company management. They have conducted acts that are unsuitable, unethical, and in some cases probably illegal. They have mismanaged their positions and abused the confidence instilled in them by Skandia's customers, employees, board and owners. They have hurt Skandia and Skandia's reputation.

The blame for this – and the damage that has been caused – rests heavily with those who have committed the acts. Management of a company is based on trust and on the judgement of those entrusted with the assignment. The investigators note that no company can entirely defend itself from a management that systematically abuses the trust and lacks the judgement required by its assignment.

At the same time, there have been shortcomings in auditing and other monitoring and control systems. Skandia's current board has therefore taken action to improve these, to create clear ethical guidelines, and to follow up these and install a management team in the company with integrity and competence. The investigators confirm in their report that the path taken and the measures implemented are adequate.

### **Comments in detail to the investigation**

The investigators' report is divided into three main sections. The Board's comments below follow this structure.

### ***Transactions between the parent company and Skandia Liv***

- Like Skandia Liv's own independent investigation, the investigation has not found any substance to claims that Skandia has improperly profited at Skandia Liv's expense. There are no legal grounds for compensating Skandia Liv, and no compensation will be paid, with the exception of SEK 2.5 million pertaining to convertibles in an unlisted company.
- The Board notes in particular that, with respect to the most heavily debated transactions – the sale of the Träsket property and of Skandia Asset Management – the investigators have determined that the parent company has not profited at Skandia Liv's expense. The investigators also note that the agreements made are in line with the going rate in the market.
- Skandia's board shares the investigation's conclusion that the board work at Skandia Liv was sub-standard up until summer 2002. The person primarily responsible for this is Skandia Liv's chairman at the time, Jan Carendi.
- Skandia's board will make sure that the investigation's recommendations concerning the Board's review of transactions between Skandia and Skandia Liv are carried out.
- The Board has taken the initiative to draft a special set of owners' instructions for Skandia Liv.
- The Board has also made a decision in principle that different auditors shall be appointed for Skandia and Skandia Liv.

### ***Embedded value principles***

- The investigation has no specific criticism regarding the principles of embedded value accounting, however, it feels that this method has had an overly dominant role in the financial reporting. The fact that Skandia's embedded value calculations have been too conservative rather than too aggressive has been confirmed by the international actuarial firm Tillinghast - Towers Perrin in a recently performed analysis of Skandia's accounting.
- The investigation's concrete recommendations concerning embedded value will be carried out.

### ***Benefits to senior executives***

- The investigation rightfully criticizes the design, execution and outcome of Skandia's incentive programmes 1997–2000. Added to this, the departure from some of the decisions made on incentive programmes gives rise to claims from Skandia.

- Skandia's board tightened up Skandia's compensation policy and programmes in many respects in 2000 and 2001. In June 2003 the current board adopted an entirely new compensation policy that contains detailed guidelines for fixed and variable salary, incentive programmes, pensions and severance pay. The Board notes that the investigation finds that this policy amply meets the demands that can and should be made on a company of Skandia's size.
- In spring 2003 Skandia and Skandia Liv adopted a very strict set of rules for the granting of rental apartments to employees. In no case may apartments be granted to family members or closely related persons.
- The Board feels it is important to once again assert that none of the shortcomings regarding benefits, incentive programmes or costs for residential apartments have hurt savers in Skandia Liv.

### **Measures in response to the report**

In response to the report, Skandia's board has decided on the following measures:

- To direct claims for damages against Lars-Eric Petersson, Ulf Spång and Ola Ramstedt. The Board has assigned Attorney Otto Rydbeck with the additional task of more precisely specifying these claims and of representing Skandia.
- To formally dismiss Lars-Eric Petersson and Ulf Spång. This entails the cancellation of the agreements made with them in connection with their departure from Skandia. No further termination salary/severance pay will be paid out.
- To investigate in which cases reclamation can be directed against persons who have received money from incentive programmes, despite the fact that they had knowledge that such payments were unauthorized.
- To investigate Skandia's opportunities to direct claims for damages for mismanagement of board duties at Skandia Liv, primarily against Skandia Liv's former chairman Jan Carendi. Any damages awarded will be credited to Skandia Liv.
- To submit the investigative report to the Office of the Public Prosecutor for any actions that it may find necessary and to assist the prosecutor's office in its investigation. The details that have been discovered surrounding the renovation of residential apartments for Lars-Eric Petersson, Ulf Spång, Ola Ramstedt and members of their families have already been submitted to the public prosecutor's office.

- To request a correction of Skandia's tax returns to the extent benefits have been reported in amounts that are too low; this applies primarily to the premature withdrawal from Ulf Spång's direct pension agreement.
- To strengthen Skandia's internal audit function.
- To submit the report to the Committee for the Authorization of Public Accountants, for consideration of the auditors' liability.
- To recommend that Skandia's nominating committee open up Skandia's external auditing services to a new request for tenders.
- Within Skandia's internal organization, to investigate any outstanding information, claims and rumours about previous conditions at Skandia that have been submitted by the investigators, in order to either dismiss or elucidate these, and to take further action if warranted.

## **Conclusion**

At Skandia's 2003 annual general meeting the newly elected board was given a clear mandate:

To secure Skandia's position and future opportunities. Previous improprieties were to be thoroughly investigated and rectified in order to restore the company's good ethics and reputation. Existing strategies, plans and policies were to be reviewed in order to be changed or confirmed.

In order to fulfil this assignment, the Annual General Meeting elected a board composed of persons with previous board experience at Skandia as well as persons who were new to the company.

Since the Board's election on 15 April this year, the business strategy has been confirmed. Markets and products have been analysed, and an action programme that will ensure profitability, cash flow, cost-efficiency and sound growth has been worked out. New or strengthened guidelines for auditing work, corporate governance, compensation, risk control and ethics have been adopted and will be closely monitored. New management has been installed. In addition, the independent investigation has been completed.

A new phase is now beginning for Skandia. The measures decided on will be executed. At the same time, the business strategy and action programmes will be carried out. This is a long-term undertaking that will put high demands on Skandia's owners, board and management.

Against this background and after consulting with some of Skandia's major Swedish institutional shareholders, the Board has decided to summon an extraordinary general meeting. This will give Skandia's owners an opportunity to appoint the board and the auditors they feel are best-suited for the continued work moving forward.

Skandia's chairman, Bengt Braun, has notified the owners and the Board that he will not consider re-election and that consequently, in view of the time-consuming, long-term effort that is now required, he finds it natural to leave his assignment with immediate effect. Björn Björnsson has been appointed by the Board as the new chairman.

During the time up until the extraordinary general meeting, Skandia's current board will perform its duties with undiminished strength and in an unchanged direction.

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**Skandia's chairman, Björn Björnsson, and former chairman, Bengt Braun, will be on hand to answer questions regarding the board's decision and conclusions, at Skandia, Sveavägen 44, 1 p.m.**

*The extraordinary general meeting is scheduled to be held on 28 January 2004.*

*The investigative report referred to herein is available in its entirety at [www.skandia.com](http://www.skandia.com).*