

# Corporate Governance

Rederi AB Transatlantic's Board of Directors and management endeavor to meet the demands of shareholders and other stakeholders in respect of a high level of shareholder and corporate governance.

Through transparency and access, the company strives to enable stakeholders and authorities to gain insight into the company's decision-making channels in order to identify where responsibility and authority rest in the organization. Transatlantic applies the Swedish Code of Corporate Governance from July 1, 2008.

## Annual General Meeting

The Annual General Meeting was held on April 29, 2008. At the Meeting, 125 shareholders and their representatives were present, which represented 55% of the votes. Resolutions made at the Meeting included:

- adopting dividend of SEK 2.50 in accordance with the proposal by the Board of Directors and the President
- fees totaling SEK 1,600,000 to be paid to the Board, distributed as SEK 400,000 to the Chairman and SEK 200,000 to each Board member
- adopting the Meeting's principles governing remuneration to senior executives in accordance with the proposal for guidelines for remuneration to senior executives.

At the Annual General Meeting, the following individuals were re-elected as members of Transatlantic Board of Directors: Håkan Larsson, Helena Levander, Ulf G Lindén, Christer Olsson, Folke Patriksson, Lena Patriksson Keller and Björn Rosengren. In addition to the Board members elected by the Meeting, Christer Lindgren remained as trade union representative and Board member. Of the members elected to the Board, Helena Levander, Christer Olsson and Björn Rosengren are regarded as independent members. Neither the President nor any other senior executives are Board members.

Further information regarding Board members is contained in a special presentation in the Annual Report, page 62.

The aim is to create a professional Board that actively contributes extensive experience from shipping and business in general. The Annual General Meeting approves the Board's work, its remuneration and the Group's Annual Report. The Meeting offers shareholders the opportunity to discuss current issues with the Board of Directors.

## Nomination Committee

At the 2007 Annual General Meeting, Folke Patriksson, representing Eneff Rederi AB and Eneff Fastigheter AB, Ulf G Lindén, representing Lindengruppen AB, and Eric Hielte, representing Ernström Finans AB, were elected to the Nomination Committee. The Nomination Committee represented approximately 48% of the voting rights. The aim of the nomination was to create a professional Board that actively contributes extensive experience from shipping and business in general. The Nomination Committee proposed the Annual General Meeting re-elect all members. Furthermore, the Nomination Committee proposed the re-election of PricewaterhouseCoopers AB as auditors.

Pursuant to the resolution of the Annual General Meeting on April 29, 2008, the Nomination Committee shall comprise three members representing the three largest shareholders in the company, in terms of voting rights, according to the VPC analysis on September 30, 2008. The current Nomination Committee was formed on October 23, 2008 and comprises Folke Patriksson, also Chairman of the Board, representing Eneff Rederi/Eneff Fastigheter, representatives from the Linden Group and Roger Karlsson. Combined, the members of

the Nomination Committee represent slightly more than 47% of the voting rights of all shares in the company. The Ernström Group, which was the third largest shareholder, in terms of voting rights, declined election to the Nomination Committee. The Nomination Committee's task is to propose suitable Board members, Board fees and auditors to the Annual General Meeting.

## Principles governing remuneration to senior executives

The 2008 Annual General Meeting adopted the guidelines governing remuneration to senior executives, which cover the CEO and his management group, (six people in 2008), and are based on the following general principles:

"The principles for remuneration to senior executives from a short and long-term perspective shall attract, motivate and create favorable conditions for retaining competent employees and managers. To achieve this, it is important to maintain fairness and internally balanced conditions that are also competitive in market terms regarding structure, scope and level. The employment terms and conditions for senior executives shall contain a well-balanced combination of fixed salary, pension benefits and other benefits, as well as special terms for remuneration in the event of termination of employment. The possibility shall exist to pay an annual bonus.

The total annual cash remuneration to senior executives shall be determined on the basis of competitiveness. The total level of remuneration shall be reviewed annually to ensure that it is in line with comparable positions in the relevant market. Compensation shall be based on both performance and position.

The company's remuneration system shall contain various forms of remuneration aimed at creating well-balanced compensation that verifies and supports the achievement of short and long-term goals. Fixed salary shall be set individually and be based on the individual's role and responsibility, as well as the individual's competence and experience in the relevant position.

The president and other senior executives may receive an annual bonus if the Board resolves to this effect. When new pension agreements are signed, senior executives entitled to pension – excluding the president – shall receive the customary pension benefits within the framework of the general pension plan. The retirement age for senior executives is 65 years. Pension provisions shall be based exclusively on fixed salary. For the president, pension premium payments are made corresponding to 25% of basic salary until the time of retirement. Other benefits, such as company car, compensation for preventive healthcare and sickness insurance, shall comprise a small portion of the total compensation, correspond to market levels and contribute to the executive's possibilities of fulfilling his or her work assignment. Apart from fixed and current remuneration, there is no remuneration approved earlier for senior executives that has not been paid.

The period of notice for senior executives shall be six months and, in the event of notice from the company, six to twelve months. For the President, a period of notice of up to 18 months shall apply if notice is served by the company. Bonus was paid in an amount of SEK 812,000 in 2008. A proposal on Guidelines for remuneration to senior executives will be presented to the 2009 Annual General Meeting. The proposal is identical to the guidelines for 2008, except for notice of termination of employment for the President, which shall be six months with 18 months severance pay”

#### Board of Directors' work

The Board of Directors' responsibilities and tasks are determined in a formal work plan. The most important tasks include determining strategies, business plans and budget, as well as interim reports and annual reports and approving major investments and loans raised by Transatlantic. Furthermore, it is the Board's task to appoint the President, and where applicable, the Vice President. The Finance Policy, approvals list and the Information Policy, which are established annually, represent important steering instruments. The Board addresses different issues in their entirety and has expressly made the decision not to have sub-committees to prepare various matters in view of the company's size and complexity. This means that the Board as a whole constitutes the Audit Committee and Remuneration Committee.

Special terms of reference are prepared for the President, describing the manner in which daily management and ongoing administration are to be delegated. The Board also continuously reviews and provides opinions on results, budgets, forecasts and interim reports to the market and the Group's Annual Report. Risk management and the development of the Group are other examples of the areas of responsibilities assumed by the Board.

The Board usually meets on six occasions per year and additional meetings are held as necessary. Scheduled meetings are held in connection with quarterly reports and additional meetings are held to deal with strategic issues and decide on budgets for future financial years. Based on this, the Board held a total of ten meetings in 2008 at which current matters and issues related to the structure and development of the operations were discussed. CFO Stefan Eliasson was co-opted as Board member and was also the Secretary to the Board meetings through April 29, at which stage Catharina Sandberg, Communications Manager, took over this task until year-end. Material on, for example, the follow-up of outstanding issues, analyses, financial reports, development issues and other presentations is distributed prior to every Board meeting. The number of meetings held and attendance is reported in the table below. No other remuneration was paid in addition to what was approved by the Annual General Meeting.

#### Auditors

The 2008 Annual General Meeting elected the auditing firm PricewaterhouseCoopers as company auditors with Helen Olsson Svärdsström as the company's Auditor in Charge and signs the auditors' report together with Olof Enerbäck. The auditor's task is to review the Board's and President's management of the company and the quality of the company's financial reports, as well as review the annual report. The company's auditors participate in three Board meetings annually to present reports on the year's accounting and

their view of the company's internal control system. The auditors report directly to the Board of Directors. Information regarding remuneration to auditors is contained in Note 8.

#### Chairman's responsibility

The Chairman of the Board is responsible for leading the Board's work, in accordance with applicable rules for listed companies, including the Swedish Code for Corporate Governance and the Articles of Association. The Chairman monitors operations through dialog with the President and is responsible for ensuring that other Board members receive the information and documentation needed to make decisions.

Folke Patriksson is, as previously, the Chairman of the Board.

#### President

Carl-Johan Hagman was appointed President in January 2008 and announced his resignation in April 2008. Carl-Johan Hagman remained as President until November 2008 when Anders Källström assumed the position.

The President is responsible for the continuous management of the operations based on the terms of references issued by the Board of Directors and according to the Swedish Companies Act, including the Swedish Code for Corporate Governance, the Articles of Association and other applicable company rules. In consultation with the Chairman of the Board, the President prepares necessary information and documentation to be used as the basis for the Board's work and Board decisions. The President leads the corporate management work and makes decisions in consultation with other members.

#### Group management

The President appointed a management team comprising six persons, who are presented in detail on page 63. At the end of May 2008, Mathias Wideroth was appointed Executive Vice President and Head of the Industrial Shipping business area. In January 2009, Mathias Wideroth resigned his position at his own request. Mårten Carlquist was appointed the new Head of the business area. The current management team comprises Stefan Eliasson, Head of the Offshore/Ice-breaking, Mårten Carlquist, Head of Industrial Shipping, Balder Hansson, Head of Ship Management, Britta Stolt, HR Manager and Ola Helgesson, who was appointed CFO on March 1, 2009. The management team is responsible for planning, managing and following up the daily operations. The management team maintains continuous contact and usually holds monthly meetings to discuss current financial developments and operational, developmental and strategic matters. Authorities and responsibilities for the President and the management team are defined in the policies, job descriptions and attestation instructions.

#### Audit Committee and Remuneration Committee

The Board has decided that it shall handle auditing matters in its entirety and, thus, held three meetings with the Group's auditors during the year. Planned and completed audits were discussed at these meetings. The audit encompasses such issues as risk assessment, risk management, financial control, accounting issues, Group policies and administrative issues. Considerable emphasis is placed

Composition of the Board of Directors, number of meetings and fees

	Elected	Board meetings	Independent	Fee, SEK
Folke Patriksson, Chairman	1972	10/10		400,000
Håkan Larsson	1993	10/10		200,000
Helena Levander	2005	9/10	x	200,000
Ulf G Lindén	1997	9/10		200,000
Lena Patriksson Keller	2007	10/10		200,000
Christer Olsson	1999	7/10	x	200,000
Björn Rosengren	2003	7/10	x	200,000
Christer Lindgren, employee representative	2001	9/10		—

on follow-ups and implementing measures. The auditors also keep the Board informed of current developments in relevant areas.

The Board has also decided to address remuneration issues within the framework of Board duties. The matter of remuneration to the Group's President and Executive Vice President was addressed, as were the principles for remuneration to senior executives. Remuneration related to the Board of Directors' work is approved by the Annual General Meeting.

#### **Fees and remuneration**

Fees and remuneration are described in more detail in Note 7 of the Annual Report.

#### **Key policies**

In addition to those listed above, the Board's responsibilities include ensuring that the Group's policies are kept updated and are observed. The Group has policies on such issues as investments, financing and currency matters, approval and authorization of financial commitments, communications, Investor Relations and a Code of Conduct/

Ethics. There are personnel and equal opportunities policies for employees in which the company's core values of involvement, willingness to change, reliability and goal orientation are given special importance. As part of the Group's responsibility, there are also safety and environmental policies for the company's sea and land operations.

#### **Swedish Code of Corporate Governance**

Since July 1, 2008, Transatlantic complies with the revised Swedish Code of Corporate Governance and believes that the company followed the previous guidelines. The Board of Directors and management believe that Transatlantic complies with all the regulations and the spirit of the revised Code. One exception is the composition of the Nomination Committee. The Code states that Board members may be members of the Nomination Committee but should not be in the majority. The Nomination Committee includes representatives from the three largest shareholders. Two of these appointed representatives, Folke Patriksson and Ulf G Lindén, were Transatlantic Board members. The Board believes that this relationship reflects the ownership structure of the company and is thus a reasonable situation.

## Board of Directors' report on internal control

The Board of Directors' and the President's responsibility for internal control is regulated in the Swedish Companies Act. This report is prepared in accordance with the Swedish Code of Corporate Governance. The report is not part of the Annual Report and has not been reviewed by the company's auditors.

#### **Internal control**

Good internal control is based on efficient Board work. The Board's formal work plan and instructions for the President are aimed at establishing a clear role and distribution of responsibilities to efficiently manage operational risks.

The Board has established a number of policies and basic guidelines for internal control work, such as finance policy, communication policy and policy for authorization instructions.

The management group reports regularly to the Board based on established routines, as well as the auditors' review of the internal control. Company management is responsible for the part of the internal control that is required to handle significant risks in operating activities. This includes guidelines, also known as job descriptions, for various executives and other employees, so that they will understand and realize the significance of their individual roles in maintaining good internal control.

#### **Risk assessment and control activity**

The Board of Directors is responsible for the internal control pertaining to financial reporting. The company has prepared a model for assessing risks in the financial reports, in which a number of high-risk areas were identified. Considerable emphasis was placed in formulating the controls to prevent and recognize risks in these areas. The internal control instrument for financial reporting comprises primarily the company's finance policy.

#### **Information and communication**

Significant guidelines that are important to financial reporting are continuously updated and communicated to employees concerned. There are formal and informal information channels to company management and the Board for important information from employ-

ees. In terms of external communication, guidelines and policies were established to ensure that the company maintains its high demand for correct information in the market.

#### **Follow-up**

The Board continuously evaluates the information submitted by company management and the auditors. The work includes ensuring that measures are implemented that address inadequacies and preparing proposals for measures that arose in the internal and external audits.

#### **Internal audit**

To date, the company has not found reason to establish an internal audit function. Continuous follow-up of the internal control is conducted by the accounting department.

Skärhamn, February 18, 2009

Folke Patriksson  
Chairman of the Board

Håkan Larsson Board member	Lena Patriksson Keller Board member
Lena Patriksson Keller Board member	Christer Olsson Board member
Christer Olsson Board member	Christer Lindgren Board member
Helena Levander Board member	Björn Rosengren Board member