

# Guidelines for external reporting by state-owned companies



*The Swedish state is an important company owner in Sweden. The Swedish Government Offices administer 55 companies, of which 40 are wholly owned and 15 partly owned. Four companies are listed on the stock exchange. These companies represent substantial values and are large employers. Furthermore, they are ultimately the property of all Swedish taxpayers. The state therefore has a great responsibility to be an active and professional owner. The Government's overall objective is for the companies to create value and, in appropriate cases, to ensure that societal interests are fulfilled.*

The Government adopted the following guidelines for external reporting by state-owned companies on 29 November 2007. These replace the previous guidelines which were adopted in 2002. The guidelines have been complemented with expanded and clearer requirements on information about sustainability. The state-owned companies are subject to the same laws as privately-owned companies, for instance, the Companies Act, the Bookkeeping Act and the Annual Accounts Act. These guidelines complement the current accounting legislation and generally accepted accounting principles. The companies shall present their reports in accordance with these guidelines at the latest from and including the financial year starting on 1 January 2008.

## INTRODUCTION

The Swedish state is an important company owner in Sweden. These companies represent substantial values. Furthermore, they are ultimately the common property of the Swedish people, which requires open and professional provision of information.

The key words for the Government's administration are openness, active ownership and good order. The overarching objective is that these companies should create value and, where applicable, comply with the societal interests.

The external reporting of the state-owned companies, which includes the annual report, interim reports, the corporate government report, the statement on internal control and the sustainability report, shall be as transparent as in listed companies.

The reporting shall provide a good description of the business activities of the state-owned companies, and provide a basis for continuous follow-up and assessment of the activities of the company and the targets and objectives set. The Government will make an assessment of compliance with the guidelines for external reporting for state-owned companies, which will be reported in the Government's annual report to the Swedish parliament, the Riksdag, on state-owned companies.

A responsible and professional owner should, among other things, take responsibility for issues relating to sustainable development, for example ethical issues, the environment, human rights, gender equality and diversity. All companies bear this responsibility but the state-owned companies are to set an example and be at the leading edge of this work. The Government is reinforcing its highly-pitched ambitions in this field and making clearer demands for reporting and accounting through these guidelines.

According to state ownership policy, the boards of the state-owned companies are responsible for matters relating to ethical issues, the environment, human rights, gender equality and diversity. It is an important part of the Government's ownership policy for companies to have a well-considered strategy for these sustainability issues. This work is to be communicated both internally and externally.

Sustainability reporting is a tool to drive forward work with sustainable development by clear reporting and follow-up. The boards of the state-owned companies are responsible for the companies presenting sustainability reports in accordance with the Global Reporting Initiative (GRI)'s guidelines which, together with other financial reports, make up an integrated basis for assessment and follow-up. The GRI guidelines are international standard guidelines for sustainability reports.

### APPLICATION OF THE GUIDELINES

State-owned companies shall apply these guidelines. In those cases where the state is one of a number of joint owners, the Government intends, in consultation with the company and the other owners, to endeavour for these guidelines to be applied in the jointly-owned companies.

These guidelines are based on the principle of “comply or explain”, which means that a company can deviate from the guidelines if a clear explanation and justification of this departure is provided. This design enables the guidelines to be applicable and relevant to all companies, regardless of size or industry, without having to abandon the main purpose of the accounting and reporting.

The board shall describe in the annual report how the guidelines have been applied during the past financial year and comment on any deviations.

### MATTERS CONCERNING RESPONSIBILITY

The boards of the state-owned companies are responsible for the companies' accounting and reporting complying with these adopted guidelines. The companies shall, as soon as possible and at the latest by the financial year starting on 1 January 2008, report in accordance with the guidelines. The boards of the state-owned companies are responsible for the companies, in addition to the current accounting legislation and generally-accepted accounting principles, in appropriate parts, presenting the annual report, interim reports and year-end reports according to the rules of OMX Nordic Exchange Stockholm AB in the listing agreement. This also means that the companies shall present a corporate governance report and a statement on internal control in accordance with the Swedish Code for Corporate Governance.

The companies shall also comply with the requirements in the Insight into Certain Financial Links and related matters Act (2005:590). Furthermore, the boards are responsible for the companies presenting a sustainability report in accordance with the GRI guidelines.

The regulatory framework to which the companies are subject is changed and updated continuously. The state-owned companies are expected to follow developments and changes in legislation, standards and recommendations. The board shall follow developments and decide without delay on relevant measures ensuing from these changes.

## Global Reporting Initiative (GRI)

GRI develops standard international guidelines for sustainability reporting which are applied by more than 1,000 companies throughout the world. GRI's objective is to create uniformity and compatibility for sustainability reports to make it easier to assess and compare companies from a social, environmental and economic perspective. Since the start in 1997, the guidelines have been developed and improved. In October 2006, the third generation of guidelines, GRI G3, was presented.

GRI makes possible three different levels of reporting (“GRI Application Levels”) namely C, B and A depending on the content and scope of the reports. Level C is the lowest level and is appropriate for companies which have not previously presented a sustainability report. GRI recommends external scrutiny of the report, and, after external assurance, the company may add a “+” to its self-declared level, for example B+.

## PRINCIPLES FOR EXTERNAL REPORTING AND RESPONSIBILITY FOR REPORTING

### The annual report

In the annual report, the state-owned companies shall, according to the Annual Reports Act, inter alia, provide a fair picture of the development of the company's business activities, position and result in accordance with laws and usual practice. This includes, for example:

- Business idea, strategy, business activities, market, customers and competitors and organisation.
- Risks and risk management, opportunities and threats, sensitivity analysis that describes the main financial risks of the company.
- A description of the company's substantial non-financial risks and uncertainty factors of importance for understanding the company's result, position and future prospects.
- Investments, acquisitions and important events that have taken place during the financial year and after its end.
- The operations of the company in research and development.
- The work of the board and its composition during the year.
- Compensation to leading executives and description of the incentive programme.

*In addition*, the annual report shall include a report on or information about:

- The financial targets and non-financial objectives, the dividend policy adopted, operational objectives and compliance with targets and objectives.
- The company's ethical principles, code of conduct and gender equality policy.
- The company's work on matters relating to sustainability, including work on matters relating to gender equality, diversity and ethics.
- The Government's commission to the company, objectives related to the commission and compliance with objectives through, for instance, customer surveys. These commissions may be formulated in different ways for different companies, for instance, in the Government bills, Riksdag communications, committee reports, Swedish Government Official Reports (SOU) and articles of association.
- The company's work to comply with the Government guidelines and the policies that affect all state-owned companies, such as ownership policy, these guidelines and the guidelines for terms of employment for leading officials.

### The sustainability report

A *sustainability report* in accordance with the GRI guidelines shall be published on the respective company's website in conjunction with publication of the company's annual report. The sustainability report can either be a separate report or an integrated part of the annual report document.

According to the GRI guidelines, a sustainability report shall include, for example:

- A report and brief analysis of the sustainability issues considered as important for the company and the reasons for this.
- A clear report of risks and opportunities taking into consideration sustainability issues, in particular those non-financial risks and opportunities that are needed to understand the company's development, performance and position.
- A clear report of the stakeholder analysis and stakeholder dialogue with a view to identifying and taking a position on significant risks and opportunities taking into consideration sustainability issues for the company's most important stakeholders.
- An account of the company's strategies and adaptation to the requirements for sustainable development and how the strategy and adaptation affects the company's results and position now and in the future.

- A report on the positions adopted by the company in its own policy documents and in the form of international conventions, such as the UN Global Compact.
- An account of how active sustainability work is pursued with objectives, action plans, allocation of responsibility, education and training and control and incentive systems for follow-up.
- A clear report on results and objectives based on selected performance indicators. These shall be complemented by explanations in the body of the text that explain the outcome in relation to the objectives together with a report on new objectives.
- Accounting principles that clarify the company's points of departure for the report and the delimitation of the same.

The sustainability report shall be quality assured by independent scrutiny and assurance.

The date for publication of the report shall be in compliance with the reporting cycle for the annual report.

#### **Interim reports**

The companies shall publish quarterly interim reports.

#### **Timetable for publication of reports**

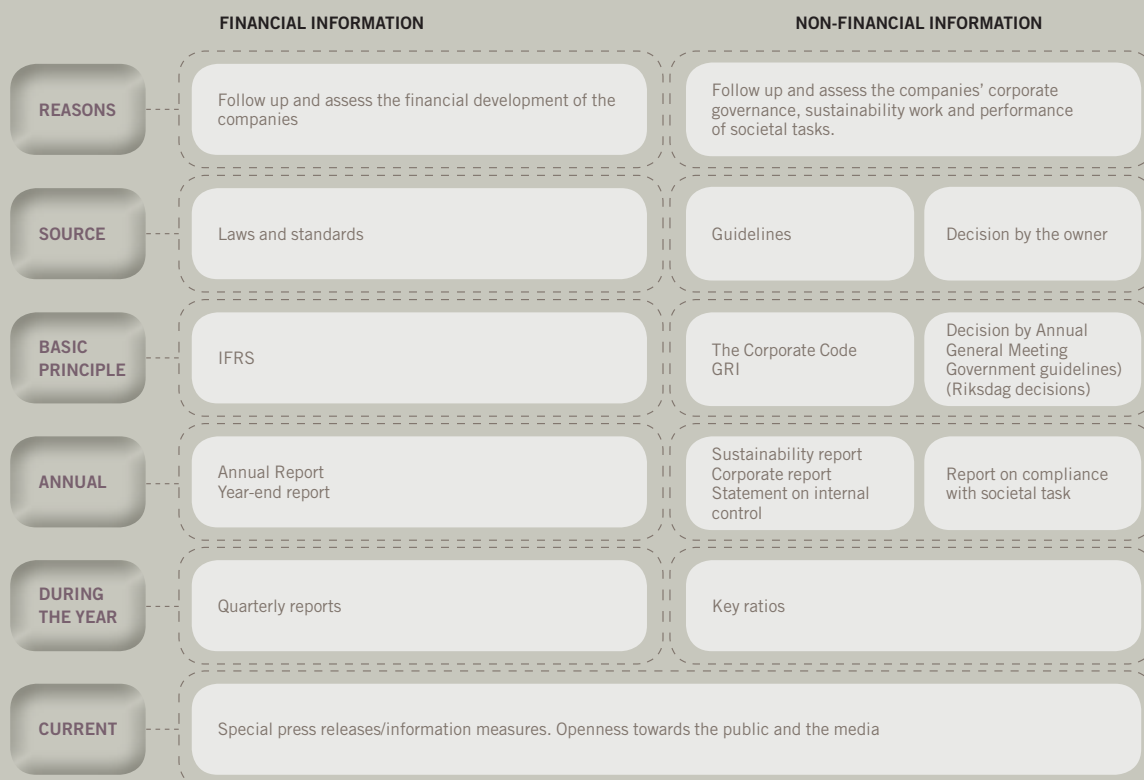
The companies shall publish quarterly reports, year-end reports and annual reports on the company's website. The annual report should be available both in a printed version and in PDF format published on the company's website. The sustainability report and interim reports are to be available in PDF format on the company's website.

- The annual report shall be published at the latest by 31 March
- The sustainability report shall be published at the latest by 31 March
- The corporate governance report and the statement on internal control shall be published at the latest by 31 March
- The year-end report (Q4) shall be published at the latest by 15 February
- The six-monthly report (Q2) shall be published at the latest by 15 August
- Quarterly reports for January–March (Q1) shall be published at the latest by 30 April
- Quarterly reports for January–September (Q3) shall be published at the latest by 30 October

#### **Assessment**

Compliance with these guidelines will be assessed and reported on in the Government's annual report on state-owned companies.

## Overview of principles for reporting financial and non-financial information



## Fact box on laws and recommendations providing guidance

### Laws and directives:

- The Companies Act, (2005:551) ABL
- The Bookkeeping Act, (1999: 1078) BFL
- The Annual Reports Act, (1995:1554) ÅRL
- The Act (1995:1559) on Annual Accounts in Credit Institutions and Securities Companies, ÅRKL
- The Act (1995:1560) on Annual Accounts in Insurance Companies, ÅRFL
- The Act (2005:590) on Insight into Certain Financial Links and related matters.
- The Securities Market Act (2007:528)

### Examples of standardisation bodies:

- International Accounting Standards Board/ International Accounting Standards Committee, IASB/IASC
- Swedish Accounting Standards Board
- OMX Nordic Exchange Stockholm
- Swedish Financial Reporting Board
- The recommendations of EC institutions as adopted by the institute for the accounting profession in Sweden, FAR SRS
- Swedish Corporate Governance Board
- Global Reporting Initiative, GRI
- SFF (The Swedish Society of Financial Analysts)



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