

Scania Nomination Committee Report for the AGM 2006

Background

The Nomination Committee was established by Scania's Annual General Meeting of shareholders held on April 29, 2005, in accordance with the new Swedish Code of Corporate Governance.

According to the resolution of Scania's AGM 2005, the Nomination Committee shall work out proposals on the following issues to be submitted to the AGM 2006 for decisions:

- (a) Chairman for the AGM,
- (b) Board of Directors,
- (c) Chairman of the Board,
- (d) remuneration to the Board, including its allocation between the Chairman and the other Board members as well as compensation for committee work, and
- (e) fees to the Company's auditors.

Prior to the establishment of the Nomination Committee at the AGM on April 29, 2005, Board nominations in Scania were prepared through a nomination process where the Chairman of the Board and a Board member held discussions with the four largest shareholders.

According to the decision by the AGM, the Nomination Committee shall consist of one representative of each of the five largest shareholders in voting power, except Ainax AB which is a subsidiary of Scania, plus the Chairman of the Board of Directors. The names of the five shareholders and their representatives was to be publicly announced no later than six months before the 2006 AGM.

On October 24, 2005 Scania announced that the following persons had been appointed as members to the Nomination Committee, together with the Chairman of the Board – Bernd Pischetsrieder:

Gudrun Letzel, representing Volkswagen,
Adine Grate Axén, representing Investor AB,
Marcus Wallenberg, representing the Knut and Alice Wallenberg foundation and
Ramsay Brufer, representing Alecta.

As its Chairman the Nomination Committee elected Adine Grate Axén. The Committee appointed Peder Hammarskiöld of Advokatfirman Hammarskiöld & Co as its secretary.

As one of the five largest shareholders –Renault –chose not to exercise its right to appoint the fifth member, the Committee consisted of four shareholder representatives.

The work undertaken

The Nomination Committee has had three formal meetings and there have also been additional informal contacts between its members. The meetings were attended by all the members of the Committee, with the exception of the Chairman of the Board, Bernd Pischetsrieder. The vice Chairman – Sune Carlsson also participated in the meetings.

The work undertaken by the Nomination Committee has mainly concerned the following issues:

- Reviewing the auditor fees and preparing proposals on auditor remuneration to the AGM;
- Preparing a proposal for chairman to the AGM 2006;
- Assessing and confirming the independence of the members of the Board of Directors;
- Reviewing the remuneration to the Board of Directors;
- Evaluating Scania's Board of Directors;
- Preparing proposals for nomination of directors to the Board;
- Evaluating the work of the Remuneration Committee and the Audit Committee; and
- Evaluating the performance and remuneration of Scania's auditors and initiating the process for the nomination of auditors to the AGM 2007.

The Nomination Committee suggests re-election of the sitting members of the Board of Directors and of the Chairman of the Board. The Nomination Committee considers that the Scania Board in principal covers most areas of competence and that the Board members represent a good mix of competence.

The Board in its current composition fulfils the independence criteria established by the Stockholm Stock Exchange and the Swedish Code of Corporate Governance.

The Company's auditors were elected at the AGM 2003, for the time until the end of the AGM 2007. Regarding the remuneration to the auditors for the financial year 2006, the Nomination Committee proposes that the AGM resolves that the remuneration should be paid according to approved invoicing.

The Nomination Committee's proposal for resolution at the AGM

The Nomination Committee makes the following proposals to the AGM

- to appoint Sune Carlsson as chairman of the AGM
 - that nine board members with no deputy board members should be elected
 - that that the Board members for the time until the end of the next annual general shareholders' meeting, will receive remuneration for their work as follows;
 - a) a fixed fee of SEK 4,312,500, to be distributed among the Board members in accordance with the following: SEK 1,250,000 to the Chairman, SEK 625,000 to the Vice Chairman and SEK 406,250 to each one of the other members of the Board, elected by the shareholders' meeting and not employed by the company;
 - b) a fee for the work performed in the Audit Committee of SEK 300,000, to be distributed among the members of the Audit Committee and a fee for the work performed in the Remuneration Committee of SEK 150.000 to be distributed among the members in accordance with the Board's resolution.
- One condition for the payment of the remuneration is that the member of the Board has been appointed by the shareholders' meeting and is not employed by the company.
- that the remuneration to the auditors should be paid according to approved invoicing
 - re-election of the current members of the Board of Directors
 - re-election of Berndt Pischetsrieder as Chairman of the Board of Directors

Information about each of the members of the Board is presented at the company's website.

Proposal for guideline for Board members' shareholding

The Nomination Committee also presents to the AGM the following proposal for a guideline regarding the Board members' ownership of the company, but no formal decision shall be taken by the AGM.

The Nomination Committee is of the view that it is advantageous for the company and its shareholders that the Board members, irrespective of whether they already are shareholders in the company, use a portion of the Board fee to acquire shares in the company. Hence, the nomination committee has resolved to recommend the Board of Scania to establish a policy for Board members' shareholding. To facilitate the financing of the acquisition of the shares, it is desirable that the Board of Directors resolves that 25% of the Board fee is paid out immediately following the shareholders' meeting, to give the Board members an opportunity to use the net proceeds after tax of such fee to acquire shares in the company at an early stage during the mandate period. It is desirable that these shares are held by the Board member during the time the person is a Board member.

Adine Grate Axén
Chairman of the Nomination Committee