

STOCKHOLM SCHOOL OF ECONOMICS

Master of Science in Business & Management

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Transparency and Disclosure in Swedish State-owned Enterprises

A critical discourse analysis of three Scandinavian companies

Abstract:

There is a disagreement between the principles of corporate governance, which promote a transparent corporate disclosure, and the studies of business communication, which show an increasing trend in how a marketing function crowds out the transparency function of corporate disclosure. While this marketing function might be interpreted as a means towards attracting new investors, it could suggest that the marketing function has less impact on companies without investors, such as State-owned Enterprises (SOEs). In order to test the mechanisms of this disagreement, a case comparison is made to test the transparency and disclosure of three companies over a 10-year period. All three companies are actors in the Scandinavian travel industry with different levels of state ownership (100%, 50 %, and 0 %). The methodology is based on a combination of stakeholder theory, critical discourse analysis and multimodal analysis. The paper found that while the disclosure of the 100 % state owned company could be explained with the corporate governance framework, the 0 % could not. This instead corresponded well with the marketing function. The transparency in the 50 % SOE seemed to be partly explained by both. The corporate disclosure in the mixed SOE might thus be considered as a hybrid-product of the marketing-function and the transparency-function. Possible explanations and future research are discussed.

Key words: Transparency, State-owned enterprise, Corporate governance, Disclosure, Stakeholder theory

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1 Introduction

1.1 Background

A number of industries that had previously been monopolized by the Swedish state were deregulated in 2002. The policies for the State-owned Enterprises (SOEs) in Sweden are fashioned in such a way that the company's corporate governance mimics those of publicly listed firms. As an example, "[t]he state has a major responsibility to be an active and professional owner. The Government's overall objectives are for the companies to generate value." (Goals for state-owned companies, Government Offices of Sweden). Furthermore, SOEs abide to the same laws for insolvency and bankruptcy as private companies. To this end, a Swedish SOE seem to have little variance from a publicly listed company. While the aim of the Government seem to be going towards privatization - in terms of how business is conducted and the competitive environment is managed - there seem to be an increasing appreciation of the corporate disclosure.

In 2001 it was stated that Swedish SOEs should be "at least as transparent as listed companies." (Annual Report for State-Owned Companies, 2001, Government Offices of Sweden, p.9), but a new set of guidelines was formed in 2007, which emphasized that Swedish SOEs are expected to disclose information on their sustainability in a report (Riktlinjer för extern rapportering för företag med statligt ägande [English: Guidelines of External Reporting for Enterprises with State Ownership], Government Offices of Sweden). Furthermore, there seem to be an increasing trend in that SOEs, as well as other companies merge the corporate disclosures into an integrated annual report and sustainability report. As of 2014, this is the case for SJ, SAS, LKAB and Vattenfall, to name a few.

What can be noted is also a concern for treatment of employees. In OECDs *Comparative Report on Corporate Governance of State-owned Enterprises* from 2005, it is explained that employees in the Swedish SOEs are not treated differently than employees in privately-owned companies. However, the report notes that the government of Sweden still takes on an increased level of responsibility. "Sweden takes a broader approach extending beyond corporate governance concerns. The state ownership policy, under the title of "Companies as part of society", calls for their companies to take the lead in promoting gender equality for both executives and the board and also calls on the companies to take the lead in reducing the incidence of sick leave." (OECD, 2005).

Transparency serves an economic purpose for society, due to the fact that higher transparency reduce misplacement of resources and help to equalize the information asymmetry between a company's shareholders and stakeholders (e.g. Bushman & Smith, 2001). It has also been argued that transparency implies a benefit for the company as well, since "disclosing reliable and precise information can reduce "information risk" about a company's stock, which in turn reduces the required return." (Graham, Harvey & Rajgopal, 2005, p. 2).

In contrast, as scholars have shown, these chores of disclosure are sometimes pushed aside due to the fact that the annual report can also be used as a means towards another end, namely to create a positive impression of the company. This might be assumed to be towards new investors, but also to create a positive picture towards other stakeholders (e.g. David, 2000; Dias & Fonseca, 2010). The logic of this extra function implies that if there is a gain to be found in marketing the company using the corporate disclosure, companies might very well be inclined to do so. And if they are, the marketing purpose could be assumed to push the transparency purpose aside. In a review of the research made on corporate disclosure in the annual report it was found that there has been a shift over time from the function of transparency towards the function of marketing (Mobasher, Ali, Abdullah & Yuit, 2013).

While this may be the case, the question would be who the company is marketing towards. A company has many stakeholder and many communicational channels. Albeit that the annual report is read and used by many stakeholder groups, it is undeniably a channel directed primarily towards the owners. But whereas the transparency function is aligned with the added directives of the Swedish government, the marketing function of the annual report is dichotomous.

Although it has not been studied, this dichotomy would imply that a company without investors, *ceteris paribus* have less reason to advertise itself through the annual report. A SOE have no investors. Since there are no investors, the report would have less need of the marketing function. In turn, if the use of the marketing function is "loosened up", the transparency function might be promoted.

1.2 Research question

In light of the dichotomy mentioned, it would be interesting to see how these two forces - the influence of the Swedish government on the one hand, and the marketing function found in annual reports on the other - interact in the practice of the corporate disclosure. I therefore propose the following question:

- How does transparency differ in the corporate disclosure of companies with different levels of Swedish state ownership?

1.3 Purpose of study and expected contribution

The purpose of this study is to better understand the difference in conduct of corporate disclosure between different levels of state ownership. By accounting for both the stakeholder conflicts of a company and its corporate disclosure, it aims to give insights on the transparency in the corporate disclosure of Swedish SOEs. It intends to increase the understanding of the relationship between the firm and its stakeholders, adding to the body of stakeholder theory, especially in respects to Swedish SOEs, but also on the explicit cases of stakeholder relationships and conflicts in Scandinavian travel industry. Finally, the study aim to create insight in the interplay between the transparency function and the marketing function of annual reports in the presence of state ownership. In the attempt to cover these topics, this paper presents a critical evaluation of the transparency in corporate disclosure.

The Government Offices of Sweden express a focus on the corporate governance of the Swedish SOEs. This also emphasize the possible practical contribution of this study. If there would be a difference in practice between the SOEs in Sweden, it is important to highlight. This is mainly because of the fact that evidence of such a difference would help to motivate further research that can explain and understand the nature and the effects of the discrepancy. Any findings on the disclosure of SOEs might also prove to be analogous with the disclosure of other organizations that doesn't have investors.

The theoretical contributions lies mainly in the accounting of the two new variables studied: transparency and the level of state ownership. Although SOEs have been studied to a large degree in China, as well as in developing countries, very few studies have been made on western countries – and studies on Swedish SOEs are even rarer. While the disclosure of SOEs have been studied to some extent, the transparency have never been accounted for.

1.4 Outline of the study

Following this introduction is a literature review, in which I will expand on the existing research of stakeholder theory and on corporate communication, with special attention to the annual report. In this chapter I will explain both what has been studied, as well as to highlight a research gap. The literature review will also clarify the theoretical framework of critical discourse analysis and multimodal analysis, which have been used to bodies of texts, including annual report. In succession comes the methodology-section of this thesis. In this passage I will argue

for the chosen cases, and the analytical framework that is used, as well as discuss on some of the limitations that the framework involves. In turn, a description of the empirical data will follow, which will concurrently lead into the analysis. Finally, a concluding section will end the thesis, in which the contributions and the limitations of this thesis will be discussed, as well as some suggestions on future research.

2 Theoretical framework

2.1 Studies on Swedish SOE

The purpose of this thesis is to study the transparency of the disclosure in companies with different levels of Swedish state-ownership. However, research on the transparency of disclosure in Swedish SOE is non-existent. There are few studies in general that have been made on Swedish SOEs. It could also be mentioned that these studies have all a rather scarce list of references to compare with. Within academia, an emerging interest can be noticed from 2009, but among these papers, only a few are taking an interest in the corporate governance and the disclosure per se. I will here describe the three studies that (to my knowledge) have been made on the corporate disclosure of Swedish SOE's.

Bahram & Serevetnyk (2009) conduct a test that compare the sustainability report of three Swedish SOE with three privately held companies. Their aim is to understand how sustainability reporting differs between Swedish SOE's and privately held companies. In this study, they find that the structure of the report is depending on the type of company, the business and the stakeholder environment. However, they find that the sustainable reporting is more extensive in Swedish SOEs, and conclude that this is due to the fact that the Swedish government demands a certain level of disclosure on sustainability.

In another study on sustainable reporting, Gustafsson & Gustavsson Nordin (2010) use text analysis to show that the sustainability discourse in three Swedish SOEs can be traceable to the GRI's (Global Reporting Initiative) guidelines for sustainable reporting. The study show that companies with a history of better performance in sustainability has been reporting in a higher degree. This study did not take into consideration the reporting of financial disclosure. The study also show that the CSR-reporting of the company tend to focus on factors that are most central to their business (such as the focus on employees in the Swedish forest company Sveaskog, in which the labor involves a certain risk).

Lastly, in a recent evaluation of Swedish SOEs sustainability reports, Ohlsson & Lungquist (2015) conclude in a quantitative study that all SOEs of Sweden provide a sustainability report. They also find that larger corporations disclose more information than small ones.

It could be mentioned that a search on the word combination "state owned enterprise" and "annual report" yield zero title results in google scholar. There is a substantial amount of theory on the SOEs in China and among developing countries around the world, but because of the great difference in political and economic conditions, this body of research will provide little

help for this study. Because of this, I will aim to draw inspiration from three adjacent theories, namely corporate governance, stakeholder theory and business communication.

2.2 Corporate governance

Corporate governance is a managerial framework that serves to adjust the principal-agent related problem between a company's owners and its managers. In 1999 OECD released a list over principles of corporate governance (this list was then updated in 2004). These principles serve to protect the rights of the shareholder of the firm and explain in detail the rights of the shareholder in terms of control, information, and rights to equity. The principles expand on how the corporate governance should act to uphold the rights of the stakeholders, holding that corporate governance "should recognise the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises." (OECD 2004, p. 21). They also advocate a "timely and accurate disclosure on all matters regarding the corporation" (Ibid., p. 22). Both stakeholders and disclosure are key concepts within corporate governance and I will use them as the central themes in this chapter and examine how research within other disciplines understand the concepts and how they can be used to explain ownership and corporate disclosure.

2.3 Stakeholder theory

The importance of the Board is central in corporate governance. Aras & Crowther write that "[t]he board becomes a platform for balancing shareholders and stakeholders expectations, for discussing corporate strategy, for resolving shareholder conflicts and fights, for electing executives and formulating compensation policy." (2012, p. 153). In order to understand these expectations and conflicts however, it is important to understand of what a stakeholder is.

Stakeholder theory was originally introduced by Edward Freeman in 1984. It is a theoretical framework that accentuates the view of the company as an actor in an institutional environment. In the words of its originator, it attempts to make sense of the "principle of who or what really counts" for the firm (Freeman, 1994, p.413). The original model was graphically displaying the firm as the center of a number of other institutional actors such as shareholders, government, competitors, customers, suppliers. Furthermore, the nodes between the centered firm and the peripheral stakeholders are bidirectional arrows to emphasize that there is an interconnectedness between the firm and its stakeholders. The structure models the groups and institutions that have a stake in what the company do. Thus, it makes sense of the socially responsibly aligned values that is expected of the organization and contrast the more traditional

view of the company, in which capitalist ideals govern the company. The most common representation of the model have seven models, although the original one from 1984 included eleven (Fassin, 2009).

The stakeholder is defined by Freeman as any person or institution that “can affect or is affected by the achievement of an organization’s objectives” (1994, p. 46). And arguably, this definition accentuates the most evident insight from the model: the notion that all stakeholders, in one way or another, are affected by the behavior of the organization. Since they are affected by the organization, they will also perceive themselves to have a claim on how it should react. Some claims will be in the form of legally binding contracts, where employees will have one contract, suppliers another, and NGO’s yet another, while others are more ethically determined, many times relating to society or the environment.

To address the question of what claims a stakeholder actually has on the company, Mitchell, Agle & Wood have developed a theory to define the salience of the organization’s stakeholders (1997). They used the three measures of Power, Legitimacy and Urgency to define a typology of stakeholders, creating seven different stakeholder saliences, depending on if one, two or three attributes were present as well as how they were combined. These Stakeholder types could then be defined both in terms of what level they were affected by the company and to what level they could affect it in turn. It thus emphasized a crucial lesson in the stakeholder environment. While some companies, as mentioned before, have a means to control the company, be it power or a binding contract, others will not. These will instead have a more morally bound dependence on the company, which broadly constitutes the “R” in CSR.

2.3.1 Corporate social responsibility

The Corporate Social Responsibility (CSR) pronounces the responsibilities of the corporation, other than those towards the owners. Although introduced in the western world in the 50’s, or even as early as the beginning of the twentieth century according to some sources, CSR first became popular in the 80’s (De George, 2005). Since then, a tremendous amount of literature has been written on the topic, transforming into a multitude of variations such as Corporate Social Performance, Corporate Social Responsiveness, Corporate Citizenship, Corporate Governance, Corporate Accountability, Sustainability, Triple Bottom Line, and Corporate social entrepreneurship (Freeman et al., 2010).

In order to make sense of this great variety of concepts, focus areas and methods, Garriga & Melé composed a study that mapped out the main theories and methods of this diversified

discipline (2004). According to the authors, the different theories and approaches parallel to CSR can be classified into four groups: instrumental theories, political theories, integrative theories and ethical theories. The first group is aligned with a more classic and capitalist understanding of the firm, famously captured by the words of Milton Friedman: "The social responsibility of business is to increase its profits." It describes the company as an instrument to create value for the owners. The political group relates the responsibility of the company to the society with its business power. The third group, integrative theories, may be the group most aligned with stakeholder theory. It focuses on the integration and balance of all social demands on the company. Lastly, the ethical theories form the group that strongest underlines the vulnerable and the exposed stakeholders in the stakeholder environment. Compared to the other three, it constitutes a more normative approach (Garriga & Melé, 2004). Even though there is some debate between the groups, not least between the instrumental group and the integrated group (e.g. Freeman, Wicks & Parmar, 2004; Sundaram, 2004), there is evidence of the incorporation of the CSR philosophy in most contemporary companies, and improved sustainability on a global level has been reported (Global corporate sustainability report 2013, UN Global). Still, it has been shown that companies prefer and prioritize the responsibility in which they already excel at so that they need spend less resources on it (e.g. Alexis & Löwenberg, 2013).

2.3.2 Triple bottom line

One adaption of the CSR-mentality that has received considerable attention is the framework of the Triple bottom line (TBL), developed by John Elkington in his book *Cannibals with forks* (1997). The theory conceptualizes the company's social responsibilities into three main pillars, namely Profit, Planet and People. To this extent, it is an untainted framework of CSR, albeit limited in its focus of stakeholders.

The TBL concept has been popularly incorporated in business structures across a variety of organizations (Norman & MacDonald, 2004) and is still being used today (e.g. U.N. and Swedish railway company SJ). While this is true, it is important to understand the virtues and limitations of its framework. In their critical evaluation of the concept, Norman & MacDonald tries to get to the bottom line of the bottom lines. Their conclusion is that the very inclusion of the framework does not necessarily mean that the companies are actually improving their CSR performance. Hence, no viable claim can be made of any social bottom line. At the same time, the authors hold that the incorporation of a TBL reports (or any other form of CSR-report) are usually positive since it increases the transparency of the company. In the words of the authors:

“A careful reading of these reports is often sufficient to judge a firm’s real level of commitment to the principles.” (Norman & McDonald, 2004 .p. 14).

2.3.3 Intra-stakeholder perspective and conflict

While stakeholder theory and corporate governance has been dominated by a focus on shareholder value and stakeholder inclusion on the one hand, and the comparisons of shareholder interests and stakes on the other, some theory have studied cases in which shareholders have diversified interests, such as long term vs. short term profit. Within all these studies there is a consensus over the common interest of profit. In light of this, Carney, Gedajlovic and Sur emphasize that institutions and agents within the same stakeholder group do not necessarily need to have the same interest (2011). They argue that the conflict-view inspired by Freeman’s original model is too simplistic and that, the intra-stakeholder conflicts has been overlooked. For this reason, they express the need to study and understand the numerous intra-stakeholder tensions within the different groups. They propose that “firms are arenas for conflict among rivalrous stakeholders” (2011 p. 31).

The most novel idea that the authors bring however, is the appreciation of heterogeneity among corporate governance systems (allowing for the inclusion of managerial enterprises, family-controlled firms or state owned enterprises). They argue that the distribution of value created by the firm will be largely decided by the present governance system. After having evaluated different governances, Carney et al. argues that the majority owners of a company can use their authority and control rights to promote their own benefits at the expense of the minority owners. If one would assume that the owners of a company were to have a higher controlling authority than other stakeholders, and in turn that there is only one unified owner, the company’s behavior should reflect the will of its owner quite closely. And indeed, with reference to earlier studies, Carney et al. argues that the concentration of authority in a family owned company “enables the firm to serve as an instrument that reflects the personal value systems of the entrepreneur and family members” (2011 p.14).

2.4 Corporate disclosure

Before I will delve in to the research of corporate disclosure, I will first make a brief stopping point at two analytical frameworks that have been widely used in the analysis of corporate communication.

2.4.1 Critical discourse analysis

In an early and influential contribution, Norman Fairclough derives a conceptual framework of discourse analysis, in which he draws inspiration from both linguistics and social disciplines. He describes a three-dimensional conceptual definition of discourse and discourse analysis:

1. “Any discursive ‘event’ (i.e. any instance of discourse) is seen as being simultaneously a piece of text, an instance of discursive practice, and an instance of social practice. The ‘text’ dimension attends to language analysis of texts.
2. The ‘discursive practice’ dimension, like ‘interaction’ in the ‘text-and-interaction’ view of discourse, specifies the nature of the processes of text production and interpretation, for example which types of discourse (including ‘discourses’ in the more social-theoretical sense) are drawn upon and how they are combined.
3. The ‘social practice’ dimension attends to issues of concern in social analysis such as the institutional and organizational circumstances of the discursive event and how that shapes the nature of the discursive practice, and the constitutive/constructive effects of discourse referred to above.” (Fairclough, 1992, p. 4 [my numbering])

The practice of interpretation is central in this framework. It is not merely the process of linguistic classification of texts, signs and symbols, but a basis for understanding the text within a certain context. Social aspects have frequently been used as such a context and critical theorist have found an interest in studying the “discourse of racism” or the “discourse of power”, e.g. a report (the text) could be interpreted in the light of the social practice of power (the context). (Teun 1987; Fairclough 2013). This is what constitutes the framework known as critical discourse analysis (CDA), in which the word “critical” refers to the inclusion of the context in the analysis. It has been used to study “the way social power abuse, dominance, and inequality are enacted, reproduced, and resisted by text and talk in the social and political context.” (Van Dijk p. 352). By observing and interpreting this relationship between text and context, “CDA focuses on the ways discourse structures enact, confirm, legitimate, reproduce, or challenge relations of power and dominance in society.” (Ibid.)

2.4.2 Multimodality

The CDA interpretation of a text does not necessarily need to be restricted to the analysis of the written word. It can also involve various other forms of communication, such as typographical layout or images (van Dijk, 2001). Within social semiotics and communication, scholars have begun to identify new forms of meaning making. A key concept is semiotic resources, defined

by Van Leeuwen as “the actions, materials and artifacts we use for communicative purposes, whether produced physiologically - for example, with our vocal apparatus, the muscles we use to make facial expressions and gestures - or technologically - for example, with pen and ink, or computer hardware and software - together with the ways in which these resources can be organized. Semiotic resources have a meaning potential, based on their past uses, and a set of affordances based on their possible uses, and these will be actualized in concrete social contexts where their use is subject to some form of semiotic regime” (van Leeuwen, 2005, p. 285). The insight of the many potentials of semiotic resources is central in the theory of multimodality, which is the phenomenon that occurs when many semiotic resources carry meaning simultaneously and thus combine types of media. Central to the theory of multimodality are the two concepts of mode and media.

Media: “... are the material resources used in the production of semiotic products and events, including both the tools and the materials used.” (Kress and Van Leeuwen, 2001, p. 22). Less formally, media are the channels in which meanings are conveyed, such as text, speech, images or movies, but can also be the tools to convey them, such as radio or television.

Mode is defined by Gunther Kress as “a socially and culturally shaped resource for making meaning. Image, writing, layout, speech, moving images are examples of different modes.” (Kress, 2009, p. 79). It can be understood as the building blocks of media. For a piece of written text e.g., the different modes can be understood as the layout, the words, the font, the size, the colors, but also the more linguistically structural features of the text, such as the syntax, grammar and lexical characteristics. (Kress, 2009). The merits to the multimodality theory lies in its recognition of the message being conveyed through all modes. It thus enables the opportunity to analyze how everything within the media, from layout, placement of images, headlines, or structure of arguments carries and creates meaning (Lutkewitte, 2014).

2.4.3 Annual reports

Gibbins, Richardson & Waterhouse defines financial disclosure as “any deliberate public release of financial information, whether voluntary or required, numbers of words, formal or informal, at any time during the year” (1990, p. 126). And although there are many forms of financial disclosures, the annual report is “often considered as one of the most important means of communication between large companies and their shareholders and potential investors, but also between those companies and the general public” (Palmer-Silveira & Ruiz-Garrido, 2007 p. 149). To underscore the wide use of the annual report, Subero-Sáenz (2014), derived a list of potential users of annual reports from previous studies, consisting of over 28 institutional

groups, covering owners, employees, customers and government as well as many of their respective subgroups. Because of its composition, consisting of large sections of text and figures as well as including both pictures and graphs, the annual report make for refined tools of communication (Al-Razeen & Karbhari, 2004; Bhatia, 2008; Dias & Fonseca, 2010; Breeze, 2013).

Historically, the annual paper has gone through a continuous changing process. The most noticeable change has been in the length of the report but also in the inclusion of graphical media such as images and graphs (Beattie, Dhanani & Jones, 2008; Bengtsson & Hedblom, 2011). Also, the function of the annual report seem to have shifted from conveying fair information to information that promotes the company (Mobasher et al., 2013). The information in the annual report has been shown to differ depending on the nationality as well as the industry of the company (Sweeney & Coughlan, 2008), as well as depending on the performance of the company (Mobasher et al., 2013). In their review over studies on annual reports, Mobasher et al., (2013) concluded that companies use different narratives in the text sections of their annual reports when revealing bad news and failures compared to the opposite. In context of bad performance, they focused on future results, spread the blame by using multiple narrators as well as reducing the level of information.

Many studies have focused on the genres and subgenres of the annual report, confirming the presence of several subgenres within the annual report that can be regarded as independent genres, such as the CEO-letter (also referred to as management foreword), mission statements and corporate history (Thomas, 1997; Rutherford, 2005; Williams, 2008; Delahaye, Booth, Clark Procter & Rowlinson, 2009; Bhatia, 2012; Mobasher et al., 2013). Undoubtedly, the one subgenre among these that have drawn the most attention from scholars have been the CEO-letter, the purpose of which is to give the readers a good impression of the company so that the company could gain their trust. (e.g. Mobasher & Ali, 2015).

2.4.4 Multimodality and CDA in the annual reports

Although a lot of studies have been made to understand annual reports, the main part have undertaken a narrow focus in regards to media. Bhatia explains that in the beginning, the focus of the genre analysis and linguistic approach of the annual reports were more on the text and that “context played a relatively less important background role.” (2010, p. 32). In some cases, as was shown above, the text has been analyzed in a certain context (e.g. Prasad & Raza 2002). There are also several cases of which accounting scholars take an interest in the text (e.g. Dias & Fonseca, 2010; Kloptchenko, Eklund, Karlsson, Back, Vanharanta & Visa, 2004; Merkl-

Davies & Koller, 2012). This stream of studies have been conducted seemingly independently within quite separated disciplines (accounting and business rather than linguistics or semiotics) and have for natural reasons had little interaction with each other. Even so, it is reassuring to note that they arrive at the same conclusions as each other (e.g. Dias & Fonseca, 2010).

2.2.4.1 Text

Text analytical studies, apart from those accounted for in the above sections includes studies of readability (Beattie & Jones, 1994; Courtis, 1995; Courtis & Hassan, 2002; Mohamad & Azhar, 2006), and studies made on other financial channels like financial news and quarterly reports (Magnusson, Arppe, Eklund, Back, Vanharanta & Visa, 2005; Schumaker & Chen, 2006, 2009; Humpherys, Moffitt, Burns, Burgoon & Felix, 2011, Koyuncugil & Ozgulbas, 2012; Wang, Huang & Wang, 2012).

2.2.4.2 Images

Images in annual reports have been studied quite extensively (for a comprehensive summary of visual and image studies in annual report, please see Gong, Lodh & Rudkin, 2012). Subero-Sáenz identifies four specific uses for including graphical media in the annual report: “first, visuals are often used to focus the readers’ interest; second, visuals are used to attract the reader to the information presented in the text; third, visuals are remembered more easily and accurately than numbers; and fourth, visual devices clarify complex information.” (2014, p. 260). A fifth use is identified by Ruiz-Garrido, Palmer-Silveira & Fortanet-Gómez who explain that they are useful “to save time in analysing data.” (2005, p.2) Furthermore, David (2001) explains that images have the power to influence the reader to interpret any information presented in the report emotionally and positively.

2.2.4.3 Graphs

When it comes to graphs, it is surprising to notice that graphs seem to be a lost media in the multimodal study of annual reports, (and the multimodal academic discipline in general). This is not so much the case within accounting, in which a narrow but well pronounced dialogue has been going on since the early 90s, springing from *The Use and Abuse of Graphs in Annual Reports: A Theoretical Framework and an Empirical Study* (Beattie & Jones, 1992). As the title indicates, the article found that companies used graphs to distort measurement and enhance the view of their performance. In the series of studies that followed, these findings have been reinforced

Since 1992, there have been a succession of financial graphics studies (e.g., Beattie and Jones, 2000 and 2001; Mather, Mather and Ramsay, 2005) all of which have developed, and reinforced, the earlier findings of selectivity, measurement distortion and presentational enhancement. Beattie & Jones (2008) explain that “[o]verall, the annual report continues to exhibit many features of public relations rather than a financially driven, statutory document and the analysis on graph usage suggests a need for policy guidelines to protect users.” (Abstract).

2.2.4.4 Numbers

Numbers seem to have followed the same fate as graphs in the multimodal discipline and is also largely left out of the analysis. In any case, one linguistic study that has taken in the figures-section of the annual report was performed by Vijay Bhatia (2010). Although, the numbers were not considered as a media but rather as the context of the text in a critical discourse analysis of the annual report. Still, to my knowledge Bhatia is first to study the text of the annual report in the context of their numbers.

Bhatia discuss the fact that the text sections and figure sections are placed alongside each other, which might give the impression that they will represent true interpretations of each other. He continues by saying that “This strategic appropriation of interdiscursive space creates an unmistakable impression in the mind of uninitiated readers, particularly the minority shareholders, who really do not understand the complexity of numbers in the accounting discourse, that the one they understand better is a seeming interpretation of the one that is beyond their capacity to interpret.” (2010, p.40).

2.5 Identifying the research gap

To summarize, when reading through the theory related to the topic of this paper, three different research gaps reveal themselves. Firstly, while corporate governance presents a thorough framework with clearly defined guidelines it is polemic with established theory on two central concepts, namely stakeholders and transparency. Furthermore, while earlier papers have studied the disclosure of Swedish SOEs, none have to my knowledge studied the quality of the disclosure. Still, it should be mentioned that Swedish SOEs present a research gap in itself. Lastly, while annual reports have been studied quite extensively within both business communication and linguistics, the subsection of the Board of directors’ report has been the subject of very limited research.

Although a few studies have been made on the disclosure of Swedish SOEs, none of the studies have accounted for the transparency of the reports. While one of the papers used a text-analysis (Gustafsson & Gustavsson Nordin, 2010), any context have not been taken into consideration. And while the context of business environments have been taken into account (Bahram & Serevetnyk, 2010; Karlsson & Källström, 2011) it has been between companies with very different institutional environments. Needless to say, no study have been made from a CDA perspective, and no paper have been done that accounts for both the report and the progress of the company.

Whereas the discipline of corporate governance could be used to draw inspiration, it turns out that it is conflicting with both stakeholder theory and business communication on two quite central concepts, namely stakeholders and transparency. In corporate governance it is usually assumed that the stakeholders in an intra-stakeholder conflict are at least sharing the same ultimatum goal, which is profit. However, as Carney et al. (2011) argues, this is not necessarily the case. While performing a study accounting for variations of corporate governances, Carney et al. excluded state owned enterprises (SOE) from their study, primarily on the basis of SOE's being heavily influenced of the geo-political situation and the agendas of the nation. Still, family firms and SOE's are similar in the sense that they are both unified owners that are fully in control.

Between corporate governance and business communication, there is a mutual agreement that transparency is a function of the corporate disclosure. In the studies of annual reports however, another parallel function has been to promote the company into looking good. This seem to stress a conflict between the corporate governance's principle of transparent disclosure, and the promoting function suggested by the various streams of disciplines studying the annual report (Beattie & Jones, 1992; David, 2001; Mobasher et al., 2013).

The annual report has been studied quite extensively both in term of text and context. While a lot has been written on the characteristics and the transparency of the annual report - as well as on the CEO-letter - very little have been written on Board of directors' report. In fact, to my knowledge, no study yet has been performed on the transparency and disclosure of the directors' reports. Although a few studies, such as Day & Woodward (2004), have been studying disclosure in the board of directors, it has not considered taken transparency into consideration, which I hold to be a key aspect in the understanding of disclosure. This might seem a bit peculiar in the light of the importance that corporate governance attribute towards the board. Having that in mind, and seeing as the function of the Board is to balance the conflict of shareholders

and the stakeholders, the directors' report seem to be a highly relevant platform for studying disclosure. Yet, it seem to be an absent research focus.

3 Methodology

3.1 Identifying a case

When identifying suitable cases for analysis, there are certain criteria that need to be met. To start with, the cases need to be comparable with each other. Companies differ quite dramatically in terms of the claims and expectations that stakeholders have on them. For this reason the cases need to be comparable in terms of rivalry, service provided, geography and culture. If this is the case, then *ceteris paribus*, the claims of the other institutional stakeholders should be approximately the same and will then allow for the best comparison. Moreover, because I want to account for the different levels of Swedish state ownership, this difference is important. Preferably I would like to use one case having a mixed Swedish state/private ownership, one having full and one having zero. Also, the 0 % should be a publicly held company because it then encompasses the marketing effect towards the investors. In doing so, I will cover a spectrum, which will help to indicate the relevance of the results.

In Sweden there are two promising cases of partly state owned companies that stand out. One is TeliaSonera (45,1 % owned by the Swedish (37,3 %) and Finnish (7,8 %) states, 14% of trusts and foundations and 37% by other shareholders). The other is SAS (50% owned by the Swedish, Danish and Norwegian states, 16 % owned by funds and foundations, and 34% owned by other shareholders). Because of the profiles of its competitors, TeliaSonera is not suitable for analysis. The telecom-industry in Sweden is defined by large owners:

- Hi3G Access, who also owns 3, is owned by Hong Kong investment holding company Hutchison-Whampoa Limited (60 %) and Swedish investment holding company Investor AB (40 %).
- Telenor, who also own all shares in Glocalnet AB, is owned by Telenor ASA, which is in turn owned to 54 % by the Norwegian State.
- Tele2 AB is owned to 34 % by Swedish investment company Investment AB Kinnevik.

3.1.1 Scandinavian transportation industry

SAS, however, is a worthy candidate for a number of reasons. Most notably of course because it is partly Swedish state owned. For this reason it creates an interesting case to study the relation between the transparency of the corporate disclosure and the dual purposes of the annual reports.

Norwegian is a valid comparative case because of three reasons. 1) It is an aviation company that is subject to much of the same regulations, expectations and institutional pressures as SAS.

2) Because it is Scandinavian and thus to a high degree has the same geo-political environment as SAS. 3) Unlike SAS actually is 0 % Swedish SOE (that is, 100 % privately held and publicly traded). It should be noted, that the largest shareholder, owning 25 % of the company, is Bjørn Kjos, who is also the CEO of Norwegian. It could be added that while the influence of the Swedish State on its enterprises is more specific, corporate governance is instead an internationally adopted framework - e.g. the OECD principles of 2004 – and to this end it shouldn't matter if the listed company is a Swedish or a Norwegian company.

SJ is suitable for comparison because of four reasons: 1) It is also a travelling service company that meets much the same expectations and institutional pressures as SAS. An example of this is that it shares CO₂-emissions, punctuality and sick leave as highlighted key indexes of progress. Also, although it is not an aviation company, it is still a close competitor of SAS, and refers to the air travels frequently in its annual reports. 2) Because it is also Swedish. 3) Because it is a 100 % SOE. 4) Because it has also been on a regulated market that was deregulated at the same time as SAS.

3.1.2 Labor related conflicts

In March 2015, pilots of the Norwegian Airline company Norwegian Air Shuttle went on an 11 day long strike. 21 of May 2015, pilots in the airline company SAS will follow the example. These are not isolated examples, but instead just another couple of events in a series of labor-related conflicts that Norwegian and SAS have both endured. While these two companies can be compared in the context of labor-related conflicts, SJ has not experienced the same labor-related conflicts in the last ten years. However, SJ underwent a crisis in services throughout the year of 2010 which resulted in heavy criticism towards the company. To study and compare the transparency in disclosure, this might be used as a comparative case. While both Norwegian and SAS are at least publicly traded companies, the Swedish, Danish and Norwegian states together own 50 % of SAS shares, in which the Swedish state 21.4 %. SJ is 100 % Swedish state-owned. The interplay of these conditions: the contrast in state ownership and the presence of visible conflicts suggest that these three companies make for an interesting case comparison of the transparency in corporate disclosure.

3.2 Motivation of study

3.2.1 Qualitative vs. quantitative research

My research question suggest the use of a qualitative study. In order to get into the depth of how the different corporate disclosure, it is imperative to examine the data in very close detail. In this regard, quantitative tools might not help to delve deep enough into the theory. Naturally,

since the disclosure that is studied here is of very qualitative nature (words, pictures, graphs etc.) it makes it all the more suiting to employ a qualitative methodology.

3.2.2 Text analysis

There are many different qualitative methods to gather data. One that is very popular and widely used is interviews. I will refrain from this for two reasons. The main reason is that the focus of this paper is the corporate disclosure, and text-based at that, which promotes the need for a text-analytical method before another one, such as interviews. Intuitively, a complementary qualitative study - such as interviews of people from the three companies - should be valuable, but the fact is that this is counter-productive to the data gathering of text analysis. This is because text analysis is based on interpretation, which implies that the researcher step in between the text and the reader. For this reason, the writer is of no interest in an interpretative study.

3.2.3 Annual report

It is reasonable to assume that a company has different mediums that are linked to different stakeholders (annual report to shareholders - advertisement to customers - employment information and mail send outs to employees). Even towards the same stakeholder, there are a number of channels to choose among (annual reports, call to the rights issue, press releases, news spreads in the form of both scandals and tributes). Of these I argue that the annual report is the most suitable channel of communication to study. It is an object that is conveyed on a yearly basis from all companies. Because of the regularity and the formal structure of it, as well as its quite extensive length (normally covering some 70+ and sometimes well over 100 pages) it also generates a base of both qualitative and quantitative data.

3.2.4 Board of directors' report

Looking back at the transparency-function of corporate governance (OECD 2004), along with the function of the Boards as a manager of shareholder and stakeholder conflicts (Aras & Crowther, 2012), it suggests that the directors' report should be of particular interest in the study of corporate disclosure. In Norwegians annual report from 2014, it is written that "Norwegian's objective for corporate governance is based on accountability, transparency, fairness and simplicity with the ultimate goal of maximizing shareholder value while creating added value for all stakeholders." (Annual Report – Norwegian Air Shuttle, 2014. p. 86.) This can be read alongside that of the Swedish government: "The Government's overall objectives are for the companies to generate value." (Annual Report – SJ (2013). p. 50). Although Norwegian use more words, the statements doesn't oppose each other.

There are many different sections within the annual report, as has been recognized by the genre-analysts, and the different sections have different characteristics that make them more or less interesting. Inspired from four other studies, Subero-Sáenz lists and ranks the different sections of the annual reports according to investors (2014, p. 253-255). According to this list, Management analysis and discussion (another name for the Board of Director's report) was the most important text-based section.

The same observation was made by Mobasher et al. (2013). The directors' report hold several qualities that make it valuable for studying. Firstly, it is connected to - and a natural part of the annual report. Secondly, it is the report of the Board and typically written by the different board members (Subero-Sáenz, 2014). Furthermore, since it isn't regulated by law, in contrast to the different figure-based accounts, it could prove to have interesting content. The text-based report has often unadorned its technicalities and is instead communicated in layman terms. This, too, allows the board the opportunity to express themselves more freely, helping to indicate the transparency in the disclosure. Lastly, it could be mentioned, that while other sections of the annual report (the CEO-letters in particular but also the Chairholder's letter) has been studied quite extensively, the directors' report has not. The fact is that the director's report, and especially the transparency of it has been omitted within the disclosure research altogether. For all these reasons I argue that the directors' report is the best channel for studying the transparency in the companies' corporate disclosure.

3.2.1 Timeframe

In spite of ambitious auditing efforts, key numbers are losing comparability with each other over time. Also, as was shown in the literature review, the annual report is a communication channel that is undergoing continuous change. These facts point out that I need to perform my study at a somewhat limited time frame. Since a regular section of the annual report is the 10-year overview, I find it suitable to use this as inspiration. For this reason, I will study the communication of SAS, Norwegian and SJ with their owners through the annual report over the years 2005-2014.

3.3 Qualitative research

This paper constitutes a qualitative study, albeit with quantitative elements. I will use quantitative aspects to make some overview and basic understanding of the board of directors' reports as well as of the annual reports of 2014. This is necessary because both of the study focuses are fairly unique. No studies have been made on the director's report as a genre, thus it is important to get the basic structure of the reports and their focus over time. In regards the

multimodal analysis, no study before have taken all the four modes into consideration. For this reason I deem it necessary to use some descriptive information to create an overview that serves to complement and support the quantitative aspects.

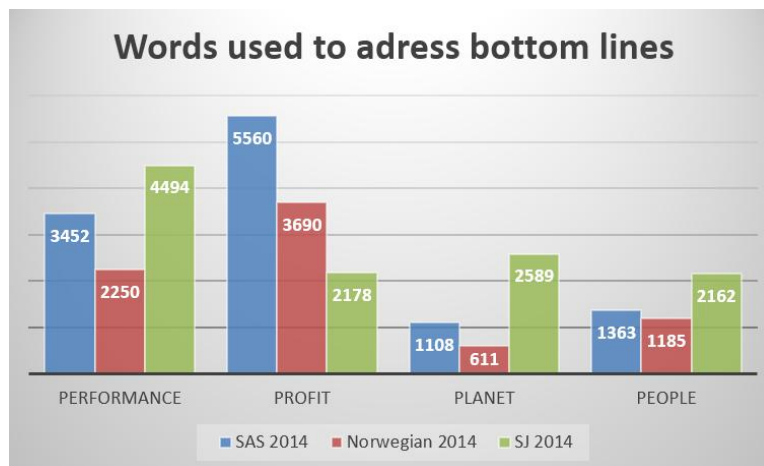
3.4 Pre-study

3.4.1 Purpose

In this paper I will analyze how the corporate disclosure of SAS, Norwegian, and SJ differ from each other in addressing the interests of their stakeholders. In order to make sure that I don't miss an important stakeholder interest, I performed a pre-study on the text within the annual report of the three companies. In doing so, I pay special attention to the possible union of Fassin's suggested main stakeholder groups (2009) and Elkington's TBL-framework (1997).

3.4.2 Execution

I extracted the combined text sections (CEO-letter, Strategy, Board of Director's etc.) of the three annual reports of SJ, SAS and Norwegian respectively for year 2014 and placed them in three separate documents. I read the content carefully and noticed that quite a lot of the content was directed towards the interest of the customers. This involved safety, punctuality, regularity, new routes, comfortability, better offers etc. I created the four columns of Performance (as it is perceived by the customer), Profit, Planet and People and allocated the words accordingly. If a word or sentence fit to none of them, it was removed. This method resulted in graph 1, which shows that a large share of the text was actually allocated towards the interests of the customers. This effect was biggest for SJ, but also considerable for the other two. I didn't find evidence for the identification of another stakeholder to a relevant extent.



Graph 1: The number of words in three annual reports addressing different stakeholder interests.

3.4.3 Conclusion

Inspired by these results, I decided to complete Elkingtons TBL-model with Fassins conclusion of the customer as a main stakeholder in order to create a four pillar framework of Performance (as perceived by customer), Profit, Planet and People. These four pillars effectively represent the interests of four different stakeholders, namely Customer, Owner, The Environment (through environmentalists and NGOs) and Employee.

3.4.4 Discussion

One could argue that customer satisfaction is so closely linked with the profit-pillar that they are unnecessary to separate. I would argue however that the two are different on a fundamental way. The main difference is the fact that the Performance-pillar take into consideration the interest of the customer whereas the Profit-pillar consider the owner's main interest. Further argument in favor of the separation of Performance and Profit is the fact that the Performance as perceived by customer and the profit allocated to the owner directly cannibalize on each other. The profit that is given to the owner could otherwise have been allocated to the customer in terms of new investments, lower prices, better service etc. I will be using this 4-pillar framework to create the framework of the method.

3.5 Identifying a method: Bridging stakeholder theory with CDA and multimodality

In order to gain insights on corporate communications to its stakeholders, I will need to analyze large sections of qualitative data. The humanities disciplines, and especially communication-focused ones, are specializing in developing methods that handle qualitative data. For this reason, I will compound the tools of CDA and multimodal analysis. The emphasis of CDA is

the fact that every discourse is produced within a certain context. In order to analyze and make sense of the discourse, it has to be understood within the same context that it was produced in. Because the discourse of the annual report is produced within the organizational circumstances of the company, and its progress, it should also be analyzed accordingly. The multimodal analysis is valuable because an annual report is a mix of different semiotic resources (text, images, numbers and graphs). If a study is singling in and isolating a single media, it would imply a narrow and misrepresenting sample. Graphs and numbers are to my knowledge absent media in the current multimodal analysis. For this reason I will draw on learnings from accounting and business communication instead. In in the category of graphs, I will also include other abstract models.

3.5.1 CDA analysis

In order to identify the stakeholders' interests, I want to execute the CDA and the multimodal analysis of the communication in regards to the 4-pillar framework. I will perform a CDA of the three companies SAS, Norwegian and SJ, in which I will analyze and interpret the text of the Board of directors' report in two separate contexts: The first context is the progress of the companies (in key numbers). The second context is the information highlighted in news reports of the companies' respective conflicts and crises. Hence, before this analysis can be commenced, I will first need to produce three things.

Context 1 – The progress chart: This compose of an overview of the progress of the companies over time in key numbers. This will be produced from the compound information of the consecutive annual reports. This dataset will contain three tables of quantitative data, all of which are carefully selected indexes and measurements of the progress of the three companies in regards to the 4-pillar framework.

Context 2 – The media coverage: This will help to promote a basic understanding of the nature and timing of the labor disputes. It is a summarizing sheet of news reports on the labor disputes of the airlines and of the service-crisis of SJ.

The text: A qualitative database created through a meticulous process, in which the text of the separate directors' reports will be extracted from the annual reports of the ten years and rearranged into a more comprehensible form. This text in the reports will be filtrated and divided according to the 4-pillar framework. In doing so, it enables me to isolate communication that addresses the interest of one particular stakeholder group and in turn interpret it in the context of the progress of its corresponding key-indexes.

In order to get an overview of the basic structure of the directors' report, I will first of all make a structural analysis of the data. This analysis will be conducted in much the same fashion as that of the pre-study. By extracting the text of the directors' reports I will be able to make an overview in the same pattern as the pre-study, only accounting for the directors' reports in isolation and over time. This dataset allow for a quantitative overview of the report, and describe how many words in the reports that are used to describe the stakeholder interests between the companies and over the years.

Using these three datasets, I will then produce two case comparisons between the companies. While both cases aim to study the transparency of the three companies, they will do so with two separate focuses.

3.5.1.1 Comparison 1 - Transparency in the case of sick leave

This case comparison is inspired by the Swedish government's emphasis for the SOEs to reduce sick leave (mentioned in the intro). I will analyze the transparency of the three companies by studying the text of the directors' report in Context 1's progress in sick leave.

3.5.1.2 Comparison 2 - Transparency in the case of conflict

This case will use Context 2 which the text of the directors' reports can be understood. By observing how the labor conflicts of SAS and Norwegian, and the service crisis in 2010 for SJ are presented in the text, I hope to get insight about the transparency in the corporate disclosure of the three companies'.

3.5.2 Multimodal analysis

In order to capture a more wholesome picture the annual report, the CDA will be followed up by an in-depth analysis of the three annual reports of SAS, Norwegian and SJ. It would have been interesting to make a comparative case on the annual report over several consecutive years, but the fact is that the annual reports of Norwegian have been quite single-modal throughout the years 2009-2013. It is within these years that the labor-related conflicts have commenced, and for this reason it is not very interesting to compare the multimodal approach of Norwegian's report in 2008 or earlier. For this reason, I will look at the annual report of SAS, Norwegian and SJ for the year 2014. In order to analyze these data and compare them with each other, I will rearrange the three annual reports so that the different media of text, images, numbers and graphs can be accounted for individually. The purpose of this complement is to analyze the messages carried in the other semiotic resources and to this end, while including text, I will put more focus on comparing the other media.

3.6 Credibility of the study

While discourse analysis is an interpretative discipline, the “critical” aspect of the CDA emphasizes the necessity to take the context into consideration in which the text was produced. In this study I consider the text both in the context of the documented progress of the company and in the light of how media have portrayed it. In the first of these contexts, I only make use of data that have been scrutinized and approved by auditors. In the second, while media coverage does not imply true facts, by drawing inspiration from several different news organs and from different times, I make sure to increase the validity of this context. The quality of this study also increases by analyzing the corporate discourse over many years. In that way it is possible to contrast not only the text with the context, but also compare different text-context relations over time and between companies.

4 Empirics

The empirics in this section come from 30 annual reports, during the years 2005-2014 from the Scandinavian (2 Swedish and 1 Norwegian) transport companies SAS, Norwegian Air and SJ. The information provided in Context 2 is information provided from the media coverage of several newspapers.

4.1 Overview of the companies

4.1.1 SAS in brief

SAS is a Scandinavian airline company owned to 50 % by the three Scandinavian states Sweden (21.4 % by Sweden, 14.3 % by Norway and 14.3 % by Denmark). In an industry defined by heavy competition and many low fare-operators, such as Norwegian Air and Ryanair, the company has been struggling to compete. As an example, in 2014 the total revenue was 38 006 MSEK and the average no. of employees was 12 389, whereas In 2005, the respective numbers was 55 501 MSEK and 26 727 employees. The company has a history of labor related conflicts, including strikes breaking out among its pilots, cabinet-staff and technicians alike.

4.1.2 Norwegian in brief

Norwegian Air Shuttle is a Norwegian air service and has been operating since 2002. Norwegian is a publicly traded company, although its owner, Bjørn Kjos, who is also the CEO of Norwegian, holds 25 % of the shares. Norwegian has attained a remarkable growth since 2001. Their total revenue on 2014 was 19 540 MNOK and their average no. of employees was 4 570, which can be compared to 1 972 MNOK and 536 employees in 2005. In 2014 Norwegian displayed a rather low EBIT of (–)1 627 MNOK. Norwegian has also been the subject of some criticism lately, primarily regarding its responsibilities as an employer.

4.1.3 SJ in brief

SJ is a Swedish railway company that is 100 % owned by the Swedish state. It is operating on a market that has been incrementally deregulated since 2001 (full deregulation was reached in 2011). Since 2001, SJ has met an increasing competition. Except for leisure and business travels, the company also compete on freight services. Through an intensified competitive environment from airline services as well as local train operators, the company has performed positively and managed a steady growth. The total revenue in 2014 was 9 065 MSEK and the company had 4 968 employees. In 2005, the corresponding figures were 5 673 MSEK and 3 153 employees. During the year of 2010, SJ received heavy criticism from customers, media and

politicians alike for a series of breakdowns and faulty services. It had started in the winter of 2009/2010 but continued in the summer and the following winter.

4.2 Context 1: Progress charts

The three progress maps are qualitative datasets serving to give an overview of the progress over time for SAS, Norwegian and SJ. The charts denotes a year-for-year development of the key numbers associated with the four pillars during the years 2005-2014. This overview is vital to grasp the context in which I will analyze and interpret the text in the directors' reports. The data was without exception procured from the annual reports. The Performance-pillar includes punctuality and customer satisfaction (when available). The Profit-pillar includes common share price (when available), revenue and EBIT. The Planet-pillar includes CO₂-emissions per passenger km and climate index (when available). Lastly, the People-pillar includes No. of employees, sick leave, job satisfaction (when available), employee turnover (when available), and percentage of women. A short comment on the development of the three companies will follow. An observation is that both SJ and SAS have several indexes to evaluate their progress on the different pillars such as Customer satisfaction, Employee satisfaction, Leadership satisfaction and climate index. (Please find details in Appendix 1).

4.2.1 The progress of SAS

The Performance-pillar of SAS has been increasing in general. While customer satisfaction was low in 2005-2008 it saw an increase in 2010, which corresponds to an increase in punctuality in 2009.

In terms of Profit, the company has been struggling in all the years of observation. Revenue has been declining continuously. EBIT has been negative in general but saw a very high peak in 2013 (compared to the year before and after).

The progress in the Planet-pillar has been altogether positive. In terms of CO₂-emissions as well as the climate index, the company has decreased emissions from 136 gram/passenger km in 2005 to 100 in 2014.

Lastly, in terms of People, SAS progress has been problematic, seeing as four of their five key indicators are on at a bottom low. The reduction of the average no. of employees is a natural effect of the company's declining business. The one indicator that is positive is a continuously increasing proportion of women in management.

4.2.2 The progress of Norwegian

Norwegian's Performance (punctuality) have a solely positive and steady development, with a peak in 2014.

The Profit, too, show a positive trend throughout the years, but had a dramatic decline of EBIT in 2014 (-1627 MNOK). The share price declined somewhat from the previous year but have altogether followed a positive trend.

On the Planet-pillar, Norwegian provide information on CO₂ gram/passenger km. The CO₂ gram/passenger km, which they present from 2007 and onwards, have had a steady decline (which implies a better environmental profile). Norwegian also had a lower initial emission: In 2007, when Norwegian had 109 gram/passenger km, SAS had 131. In 2014, these numbers are 83 for Norwegian and 100 for SAS.

The People of Norwegian are somewhat mixed. Norwegian have continuously increased their crew from year to year, and upheld a gender neutrality that was already high from the beginning. Still, the company have no records of job satisfaction and have only presented figures of employee turnover for the first two years (which was increasing). More importantly, the sick leave in % has increased throughout the years, and therefore follows a similar trend as that of SAS.

4.2.3 The progress of SJ

SJ's progress in Performance do not look overly positive. Punctuality in the regional trains have been high. In 2010, a distinct fall can be noted on all three measures. Although punctuality have started to recover, customer satisfaction continued a low outcome.

No clear pattern can be seen in the Profit. The revenue is at its peak in 2014 but had undergone a fall and rise since 2008, with a bottom in 2011. SJ have had no negative EBIT-results over the years.

In the Planet-pillar, there is a positive, albeit irregular trend. SJ has decreased their CO₂ gram/passenger kilometer from 1,5 gram in 2005 to 0,39 in 2014 (although 0,22 in 2013).

In the People progress have followed a curve with a peak around the years 2010-2011. This correspond to the years when the company had a negative development in the average no. of employees. Compared to the earlier years of 2005 and 2006, SJ has increases on all key figures. Compared to both years 2010 and 2011, it has declined on all figures except for average no. of employees.

4.3 Context 2: Media coverage

4.3.1 Labor disputes in the airline industry

The airline industry has been heavily influenced by the low-fare strategies that Norwegian and Ryanair are representing. A crucial aspect in this strategy is to reduce the costs as much as possible, which have been affecting the employees wages in both SAS and Norwegian. Both companies have experienced an ongoing labor dispute, SAS as far back as 2002, or even longer, and Norwegian at least since 2011 (Hammarström, 2002; Grundberg Wolodarski, 2007). For SAS, these disputes has resulted in multiple strikes over the last 10 or 15 years. Norwegian, on the other hand has been subject to many times since 2011. Specifically the company has been criticized for using i) foreign labor, ii) short term contracts and iii) using the employment services of external employment agencies that reduce the job safety of the workers (DN.no & TDN Finans, 2011; Berglund, 2012). In Norwegian's case this emerged into an 11 day strike in February and March (Bergin, 2015). In SAS' case, there is a strike pending, which has been given notice to start May 21. For a more detailed overview of these affairs, please see Appendix 2.

4.3.2 Service crisis for SJ

SJ have not had a strike in the last ten years. In order to get as close an example as possible, I will instead look at as close a case as possible. Although not with employees but rather with customers, in the winter of 2010, SJ had a lot of troubles with their services. The problem, which continued in the summer and the successive winter, did affect the customers in a non-negligible way. SJ received heavy criticism from customers, media and politicians alike for a series of breakdowns and faulty services. Please see Appendix 2 for a more comprehensive overview of these events.

4.3.3 Conformance between Context 1 and 2

It can be added that the two contexts seem to reflect each other. SJ's service crisis in 2010 have a corresponding outcome in both punctuality and customer satisfaction, whereas an increasing number strikes for both SAS and Norwegian run parallel with the steadily increasing sick leave in the companies (which is continuously referred to as the most important measure of employee well-being). This is an indicator of the validity of the two contexts.

4.4 The text: Board of Directors' reports

This dataset comprise both quantitative and qualitative elements. In total, 160 455 words were processed, sorted and analyzed, covering the directors' report of 30 annual reports, 10 each from SAS, Norwegian and SJ. Every report except one was in English. SJ's annual report of

2014 had not been translated into English when this thesis was finished and is therefore analyzed in its Swedish version. Any used material has been translated.

4.4.1 Construction

For each report, I extracted the text into a text processing program in order to neutralize the content. Line breaks was removed, as well as fonts, sizes, colors and layout. Whence extracted, the text was carefully read and sorted. Any content relating to the different pillars in the 4-pillar framework was sorted accordingly. The residual text was put in a miscellaneous pillar. For an example of a sorted report, please see Appendix 3.

Sentences were sometimes split apart, e.g. when one part regards the environment whereas the other regards employees. Also, in some cases it was somewhat complex to categorize the sections correctly because of the sentences being either dualistic, or benefitting for more than one stakeholder, as in the following example from SJ 2009:

“Regarding traffic safety, SJ’s overriding aim is to ensure that rail travel is safe and secure. Neither passengers nor SJ crew should be at risk of loss of life or serious injury from the company’s operations.”

Which can be understood as promoting both the interest of the customer and that of the employee. I made a choice however to go for the customer and made sure to be cohesive in the different choices when sorting the other reports.

When the words had been allocated, they were counted and compared. This constitute the quantitative properties of this dataset. Some sections was mainly attributed to a certain pillar. A few examples are “Income”, “Financial risk management” and “The Share” that are all treating the interest Profit. “Environmental risk” and “Environmental responsibility” were instead dedicated to the interest of Planet. “Corporate social responsibility” (Human resources in some sections) addressed the interest of People. Performance did not have as clearly defined sections in the report, but was more sporadically mentioned.

There were also sections and topics that generally went into the Miscellaneous-pillar. These include “Market performance”, “Changes in the group structure”, “Seasonal effects”, “Work of the board of directors”, “Guidelines for remuneration of senior executives”, “Legal issues”, “Parent company”, and “Significant events after the balance sheet date”. It was not rare however that these sections included some interesting information. For instance, the mention of legal disputes with employees was covered in “Legal issues”.

As I went through the text I found some sections that had to be understood as an integrated 4P-section. An example is the following section from SAS 2012:

“The SAS Group has an overarching sustainability policy which supports its ambition, based on the Group’s requirement regarding long-term financial performance, to reduce environmental impact and further social progress.”

This passage mentions i) overarching sustainability policy, ii) long-term financial performance which I associate with Profit, iii) environmental impact, which I associate with Planet, and iv) social progress, which I associate with People. In this sense the text represents a section that reveals a more all-inclusive concern. For this reason, I have also included a fifth column, called 4P. My criteria for a text to be placed in this category was that it had to address the interests of at least three different stakeholders.

4.4.1.1 Alternate methods

Another way to do this could be to sort out the words section by section. For two reasons I was reluctant to do this: First of all, the main reason for doing so would be to reduce the noise level that the personal selection might bring to the data. But a first issue is that the three companies have different headlines, subsections and themes in their text and a second that it would not adjust the problem of individual selection. Many headlines have unintuitive headlines so that it isn’t obvious what pillar, if any, it should belong to. Furthermore, I would argue that it would do more harm than good since it would increase the noise level in the data. Lastly, in such a method, most of the text regarding Performance would be unaccounted for.

4.4.2 Quantitative characteristics

The composition of the board of directors’ report have been quite different both between the companies and over time. A summary of the progress in total words addressing either of the four pillars in relation to each other can be found in Appendix 4 and 5.

4.4.2.1 SAS

- Longer reports: Starting with a report with just over 3000 words in 2005, had a report that contained 7539 words in 2014.
- More words on Profit: While the total word count increased, the graph in Appendix 5 displays that the number of words addressing Profit also grew in proportion, from 8% to 54% between 2005 and 2014. The number of words have increased from 243 in 2005 to 3549 in 2014.

- Reduced focus on Planet: The share of words on Planet was around 30 % in year 2005 and 2006 but only 7 % in year 2013 and 2014. This reduction is also the case in absolute terms, where SAS have gone from 943 words in 2005 to 524 words in 2014.
- Even dedication to 4P: Usually corresponding to the same key message being repeated year after year.

4.4.2.2 Norwegian

- Spike in 2014: The previous years have had approximately the same amount of words, ranging around 3000-4000 words. In 2014 it saw an increase to over 8071 words. Each pillar got more words in absolute terms but Performance, People and Profit were the ones that increased most acutely (Performance increased from 136 to 1268 words, Profit from 1799 to 3524, and People from 529 to 1069).
- Gradually increased focus on Planet: In 2005 the directors' report had no words attributed to environment or Planet-aligned interests. Gradually it has increasing to cover 519 words in 2014.

4.4.2.3 SJ

- Shorter reports: SJ have shortened their report. From roughly 7000-8000 words in 2005-2010 to around 4000 words in 2012-2014.
- Balanced proportions: In spite of the change in length, SJ have kept the proportions of the share of words addressing the different pillars relatively constant.
- Increased focus on integrated 4P-pillar: The words dedicated to the integrated 4P-pillar increased from being neglected or comprising less than 100 words in 2005-2010, to 381 and 332 words respectively in 2013 and 2014, encompassing almost 10 % of the words in the reports.

4.4.4 Qualitative characteristics

When reading the reports, I found that the basic anatomy is repeating itself, so that many of the sections are often repeated word for word, or merely changing the key number within the section. If there are “ordinary” reoccurring statements and sections in the text, and the length of the text is changing over time, this would imply that there are “extraordinary” statements and sections. Because of the repetition, whence the data has been sorted, it allows for a rather honest description of what the change in words actually represents. A full list of such repeated and non-repeated words addressing People in the years 2010-2014 is provided in Appendix 6.

4.4.5 Disclosure on sick leave

For example, in the SAS reports, the following passage could be read in each year 2005-2014:

“SAS Group subsidiaries and units report sick leave and occupational injuries pursuant to national legislation. Efforts to reduce sick leave have priority, and there are special projects to return employees on long-term sick leave back to work. In 20XX, sick leave in Scandinavian Airlines was X.X%.”

Similarly, a section on employee health can be read in Norwegian’s reports in the years 2009-2014:

“The important HES activities (Health, Environment and Safety) continue in compliance with labor law and the Group’s guidelines. Active monitoring of HES indicators, corporate health insurance policies and continuing cooperation with protective services will insure that reduction of sickness leave remains a priority.”

SJs comments on sick leave was less repetitive in nature. In 2005 they write that.

“The sickness absence rate remained high in 2005 at 8.8% (8.6), despite efforts to improve health and well-being. The company responded by launching a project to reduce sickness absence and create a healthier company that pursues a preventive approach to illness. The project is a joint venture with the Swedish Social Insurance Agency, which is providing assistance via a more hands-on approach to sickness absence administration. The target is to reduce the sickness absence rate to 7% or less in 2006.”

In 2006, the company seem to respond to the previous year’s message:

“The campaign to reduce sickness absence has been under way for more than a year and is starting to yield clear results. The negative trend has been reversed and sickness absence was lower in 2006 than the year before, totalling 7.7% (8.8).”

And then again in 2007:

“A programme to reduce sickness absence in the parent company took place in 2005-2007. The average annual sickness absence rate decreased steadily during the project, falling from 8.6% to 6.6%. For 2008, the sickness absence target is 6%.”

This type of comment-feedback continued in SJ’s directors’ reports as the sick leave continued to decline. In 2010, when the sick leave was reported to increase again, the report wrote:

“We continued our determined efforts to reduce sickness absence in 2010, particularly short-term sick leave. SJ's long-term target is 4.5 per cent. The rate of sick leave for 2010 was 5.2 (4.6) per cent. This is still a good level for the industry and reflects the broad work undertaken in recent years. The increase that has occurred is in short-term sick leave – 1 to 14 days – while long-term sick leave has continued to decrease. Staff turnover for the Group was 5 per cent (9).”

Except for a brief added passage in 2009 regarding the costs involved with sick leave, SAS did not disclose any more information in the years 2005-2014.

“Sick leave costs in the SAS Group amounted to approximately MSEK 1,100 in 2007.”

Norwegian have also shown examples of highlighting an increasing sick leave. In 2011 it states:

“Absence due to sick leaves in 2011 was 7.44%, an increase compared to 2010. The HR team has implemented significant resources and efforts in solving this problem in 2012.”

Also, in 2014, Norwegian emphasize on the interests of the employees:

“A number of key HSE activities (Health, Safety and the Environment) are conducted in compliance with laws and corporate guidelines, such as risk assessments, audits, handling of safety reports, work environment surveys and following up with group processes on base meetings both for crew and technical staff. Activities also include participation in environmental resources management and in several other HSE-related projects.”

4.4.6 Disclosure on labor conflict

SAS disclosed information in collective agreements in 2009:

“In January 2009 negotiations were concluded between SAS and the unions concerning new collective agreements for the entire Group. The agreement is a result of an extensive dialog throughout 2008.”

Which was treated again in 2012, when new agreements had been reached. Many of the sections addressing the unions and the collective agreements focus on Profit-related interests. For this reason, that text have been sorted into the Profit-pillar. E.g.:

“Following the signing of the new collective agreements on November 19, 2012, the share price rose significantly.”

“In November 2012, new collective agreements were signed with flight crews in Scandinavia, which entailed major changes in pension terms. The majority of existing defined-benefit pension plans will be replaced with defined-contribution pension plans. The previous right to early retirement has also been eliminated. These changes have not been included in the present value computation of the pension commitment as of October 31, 2012. As a result of the agreed changes in pension terms, the effect on the recognition of actuarial gains and losses is estimated to decrease by about SEK 3.4 billion and the pension commitment to be reduced by about 60%.”

The second of these two messages was then followed up in 2013 and 2014 with a continuous focus on costs. In Norwegian’s case, a repeated message can be read in the years 2010-2014:

“The 2012 collective salary review was conducted through centralized collective bargaining with most unions. Moderate changes in wages and efficiency were achieved with these unions.”

In three specific, once in 2013 and twice in 2014, a legal dispute is mentioned in the directors’ reports of SAS,² as for example from 2014:

“The SAS pilot associations in Norway and Sweden have filed lawsuits against SAS at instances including the Swedish Labour Court claiming breach of collective agreements insofar as the seniority list has not been applied by SAS in conjunction with promoting and appointing pilots.”

In Norwegian’s reports, two similar news are being made. Once in 2010:

“Resolving the base situation for crew employees in Sweden was a priority for 2010. It was resolved in October 2010 for the pilots. For crew, technical unions and personnel the settlement for 2010 will be finalized at the start of 2011.”

And once in 2014, in the section “Events after 31 December 2014”:

“In March 2015 the negotiations with the Scandinavian trade unions failed and thus the pilots were on strike for 11 days. During the strike 1 891 flights were cancelled and over 200 000 passengers were affected. Most of Norwegian’s domestic flights in Norway,

² There are two more in 2011 and 2012 but seeing as they cover a file suit from a dispute in 1993, I have chosen to omit these cases from this selection.

Sweden and Denmark were grounded during the strike. In addition several flights were also affected by other sympathy actions.”

In one passage in 2014 can the report of SAS be understood to highlight a problem in a more explicit way:

“The new norm with external production models, the launch of proprietary low cost carriers and using staffing agencies is becoming increasingly established and is radically changing competitive conditions. To meet these market challenges, SAS has initiated discussions with its trade unions to achieve increased flexibility and reduced complexity.”

Norwegian make no further addressing to the conflicts. However, since the Quantitative characteristics-section in this paper mentioned a spike of words in 2014, including an extra 540 words, it is interesting to observe. While a lot of new text was covered in the 2014 report, some phrases was stressed to the extent that they were sometimes mentioned more than once:

“We promote an environment free from any discrimination, be it religion, skin colour, gender, sexual orientation, age, nationality, race or disability.”

“Norwegian’s human resources policy is intended to be equitable, neutral and non-discriminatory, regardless of ethnicity and national background, gender, religion, or age.”

“Norwegian has no discrimination on grounds of ethnicity, nationality, gender or sexual orientation.”

And:

“Everyone has a joint responsibility to create a good working environment and develop a sound corporate culture marked by openness and tolerance.”

“Everyone at Norwegian has a joint responsibility to create a good working environment and develop a sound corporate culture marked by openness and tolerance.” (This last sentence is in fact mentioned twice in the report – once in the directors’ report and once as a highlighted quote beside an image.)

For a full coverage of the added phrases in 2014 concerning People, see Appendix 6.

4.4.7 SJ’s disclosure on service

As a comparative case to SAS’s and Norwegian’s response to the labor-conflict, I will look at SJ’s disclosure of the faulty service in 2010. In order to do this, I will examine SJ’s directors’

reports for the years 2008-2012. In reading these reports, I discovered a dialogue on the matter that had started two years prior to 2010 and which continued until 2012 (see Appendix 7 for a list of repeated and added sections).

The reports treat the subject in the following manner: i) That the company is dependent on suppliers with highly specialized know-how and equipment for train services (2008-2011), ii) that punctuality is not entirely in SJ's control (2008-2010), iii) although commenting that the company still have full responsibility towards its customers (2008-2010), iv) it is somewhat complex, because the company is dependent on highly specialized suppliers (2009-2011), v) but the company aims at satisfying the increasing demands of the customers by settings stringent targets for service quality development (2009-2010).

These reports then emerge in a disclosure of service disruption management, in which it is stated that if SJ's suppliers do not meet their requirements, then SJ will not be able to satisfy customer requirements for punctuality, service and cleanliness (2011-2012). The concept of service disruption management is not mentioned in the previous reports and can be understood as a reaction to the service problems. What follows then is a set of unique sentences added only for the particular year of 2011 or 2012. This disclosure show the same dialogue over the consecutive reports that the sick-leave dialogue mentioned, including the elements of highlighting a problem (2012):

“The infrastructure is inadequate partly because it restricts expansion of cargo and passenger services and partly because it has for many years suffered from a drastic neglect of maintenance, which may lead to service disruptions.”

And to have an action-based approach (2012):

“To reduce its vulnerability, SJ has decided with effect from 2012 to bring train cleaning in-house.”

4.5 Multimodal framework

Just like the two datasets, the multimodal dataset is organized according to the 4 pillars, along with the extra integrated 4P-pillar. Within these pillars the data was sorted after type of media, so that text, images, numbers and graphs made subsections in each separate pillar. Just like in the rearranged directors' report, this framework enable me to stack together different sections of the annual report that address the same interest, even when they were originally apart. Only in this database, it doesn't only add together text, but also records the media of images, numbers

and graphs. This enables a more convenient comparison between the media, the pillars and the three companies. In short, it makes the large amount of qualitative data more accessible and comprehensible. In total, the dataset was 128 pages, of which SJ's part accounted for 59 pages, SAS' for 40 and Norwegian's for 29. In total, it included 33 741 words, 57 images, 645 rows of tables and numbers and 59 graphs.

4.5.1 Construction

Text, pictures, graphs and numbers were extracted in turn in much the same way as the process with the board of directors' reports. The only difference was that this extracted every section of the annual report apart from a few that I deliberately deterred from using. These were "Notes", "Auditor's report", "Board of Directors", "Management Team" and "Definitions". Albeit the notes undoubtedly contain information in relation to the four pillars, my main interest is what the company communicates in the report. The information in the notes are of a more tacit nature, and for this reason I argue that they fall outside the scope of this analysis. For the same reason, I consciously exclude Norwegian's external sustainable report.

I went through the same process with the images, the numbers and the graphs, in which I have also included abstract models explaining either structures or relationships. Any information that was not connecting to any of the four pillars have been excluded. For example, in the case of SJ and SAS, the picture of the CEO in the CEO letter was left out. In Norwegian's case however, the picture of the CEO was put alongside a highlighted quote urging on the importance of profit over growth. Therefore this picture was interpreted as treating the interest of Profit. (See Appendix 9.2 for reference). For an overview of the companies' use of Images and Graphs, please see Appendix 9 and 10 respectively.

4.5.2 Quantitative characteristics

To understand how the three companies use the media to address the different stakeholder interests I first created a structural overview. This is presented In Table 1. Because Norwegian does not have a sustainable report, which both the other companies include, it is less interesting to analyze Norwegian in a structural sense. I have therefore included it in Table 1 but do not make any comments on it. A few observations can be made:

Text

- In terms of words, SAS and SJ can be considered somewhat equal in balance.
- SJ have a more balanced focus between the four pillars. It could also be mentioned that SJ spend quite a lot of words to discuss the integrated interests in 4P.

- SAS use a large share of the words to discourse Profit.

Images

- In terms of images, SJ seem to be more balanced than SAS, having photos describing three different pillars.
- SAS, in turn, have a larger focus on Performance.

Numbers

- SAS and SJ both disclose information in regards to all pillars.
- The fact that SJ uses a higher number to address Performance can partly be explained by the fact that different regions in Sweden have different punctuality, which are presented individually. Still, the company measures other ideas such as likes on facebook, followers on Twitter, and customer satisfaction.
- SJ only disclose one row on Planet. This can be balanced with reference to SJ instead having an integrated section in the form of a balanced scorecard.

Graphs and models

- The graphs and models also indicate a more balanced focus between the pillars for SJ than for SAS.
- The attention to Profit of SAS is standing out, and SAS does not use any graph to explain address People.

This structural evaluation indicate that SJ has a more balanced disclosure towards stakeholder interests than SAS. SJ use their range of multimodal resources in a balanced way in regards to the four pillars. SJ also seems to have a focus on the integrated 4P that is not shared with SAS.

Table 1: Multimodal profiles: 2014 annual reports of SAS, Norwegian and SJ

SAS				
	Text	Images	Numbers	Graphs
Performance	3 652	10	11	2
Profit	7 654	0	195	24
Planet	1 075	0	7	1
People	1 418	4	9	0
4P	197	0	0	0
Total	13 906	14	222	27

SJ				
	Text	Images	Numbers	Graphs
Performance	4 494	19	25	3
Profit	2 767	0	277	3
Planet	1 567	3	1	3
People	2 162	7	6	3
4P	1 116	0	25	3
Total	12 106	29	334	15

Norwegian				
	Text	Images	Numbers	Graphs
Performance	2 250	0	8	1
Profit	3 683	1	81	13
Planet	611	0	0	1
People	1 185	13	0	2
4P	0	0	0	0
Total	7 729	14	89	17

4.5.3 Qualitative characteristics

I would also like to make few notes on how the images, numbers and graphs are used, and what they display. Each company seem to have a color theme. SAS have blue, Norwegian have red, and SJ have green.

4.5.3.1 Images

In terms of images, Norwegian stick out by using the pictures as an extra facility to communicate their textual messages. Many pictures, including the portrait their CEO-letter, has a highlighted quote alongside it. SAS' pictures seem to promote an understanding of professionalism and a high level of service. It could be mentioned that their first picture is a picture of the employees, whereas there is a modeling-picture of a kid and a dad in the table of contents.

SJ's images in turn are focusing to a high degree on customers, depicting the joy and easiness of travelling with SJ. In one instance, SJ also use the picture as carrier of a message. SJ seem to have a more varied image-attention than the other two companies. The themes of SJ's images are stringent with the content of the pages, so that the customer-section contain pictures of the travelling customers, diversity in employees have a picture of four non-Swedish employees and the Environmental page have a picture of the environment.



*Image 1: Pictures as a vessel to communicate text
Annual Report – Norwegian (2014) p. 21*



Image 2: Frontpage and table of contents of SAS Annual Report – SAS (2014) p. 1,2



Image 3: Pictures addressing Performance and People Annual Report – SJ (2014) p. 20, 36

4.5.3.2 Numbers

When evaluating the way that the numbers are displayed between SAS and SJ, two observations can be made. The first is that SJ's numbers are presented in context of i) what was reached last year, ii) what was aimed for during the year, and iii) what will be the aim in the next year. This is the case for most of SJ's numbers. In contrast, SAS and Norwegian present their numbers in contrast to last year's outcome. This point to a higher transparency for SJ's disclosure than for SAS and Norwegian (that don't display any numbers on Planet).

SAMHÄLLE	Utfall 2013	Mål 2014	Utfall 2014	Mål 2015
Miljöindex ¹⁾	68	70	71	72

Figure 1: Display of numbers by SJ Annual Report – SJ (2014) p. 42

Sustainability-related key figures¹

	Nov 2013– Oct 2014	Nov 2012– Oct 2013
Average number of employees	12,329	14,127
of whom women, %	40	39
of whom men, %	60	61
Sick leave, % ²	7.8	8.0
Job satisfaction according to the index	58	57
Carbon dioxide (CO ₂), 000s tonnes ³	3,890	3,815
Carbon dioxide (CO ₂), grams per passenger km ⁴	100	104
Climate index ³	92	94

¹ See Accounting Policies at www.sasgroup.net

² Applies to SAS (excluding Blue1).

³ Excluding Widerøe. Refer to page 24 for more information.

⁴ New calculation model from and including November 2012.

Figure 2: Display of number by SAS
Annual Report – SAS (2014) p. 17

4.5.3.3 Graphs

Another interesting comparison is the graphs used to describe punctuality between Norwegian and SJ. While both graphs are showing both the development and the target, Norwegian's graph is deceptive and indicate that they have reached their target. This was done by using a including a linear trend line, which reached the target, in a non-linear development that didn't reach the target. In contrast, SJ's show that both this year and yesteryear was below.



Figure 3: Graph on Punctuality by Norwegian
Annual Report – Norwegian (2014) p. 17

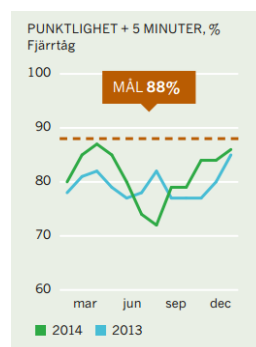
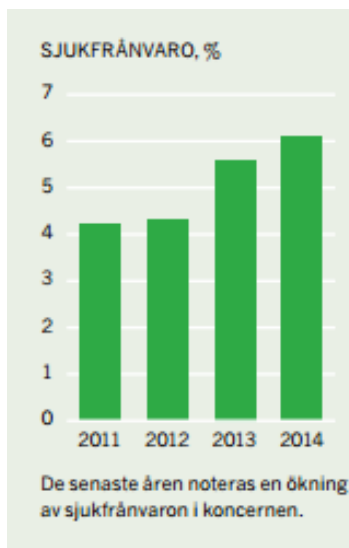


Figure 4: Graph on Punctuality by SJ
Annual Report – SJ (2014) p. 47

SJ also use graphs to depict and highlight a bad outcome. To revisit sick leave, which was analyzed and discussed in 4.4.5, it is interesting to see that while SJ use a graph alongside a passage in the text to address the problem of an increasing sick leave, as well as strategies to improve it, SAS instead use two different headlines “Employee commitment trend” and “Reduction in sick leave” to expound on the bettered conditions for the employees. When benchmarking these values with the progress chart in Appendix 2 however, one can determine that the 2013-2014 development is hardly a trend, but rather a steep decline since 2011. The same is the case for the sick leave, but on a longer basis. In comparison, Norwegian have no mention of the employees outside the board of directors’ report, except for a quote in the CEO-letter.



*Figure 5: Graph by SJ showing an increase in sick leave
Annual Report – SJ (2014) p. 34*

5 Analysis

The development in total number of words have looked quite different for the three companies. While the length of SAS' reports have increased notable, SJ's have shrunken. The length of Norwegian's reports have been steady until 2014 when it increased substantially. As an example, while SJ had more than twice the number of words of either SAS or Norwegian in 2005, the tables had turned in 2014 so that SJ's directors' reports was almost half the length of the of the other two companies. It could also be mentioned that the percentage of words dedicated to both Planet, Profit and People have consolidated somewhat over the last ten years so that SAS, Norwegian and SJ all spent less than 10 % on Planet in the years 2013-2014, and 40-50 % of the words on Profit.

5.1 Case 1: The transparency and disclosure of sick leave

For both SAS and Norwegian, sick leave have shown a clear increasing trend in the last ten years. While being the most mentioned and emphasized measurement of employee wellbeing, the discourses in both streams of directors' reports fail to respond to the increase. Instead a repetition can be observed where SAS communicate the prioritization of special projects in the years 2005-2014 and Norwegian prioritize the important HES activities in 2009-2013. Norwegian does acknowledge the problem in 2011 and write that they will provide a solution but do not follow up the results of their "significant resources", nor the fact that their sick leave increased in the following year (from 7.44 % to 7.90 %). This repetition is unlikely to be so easily discerned for a reader, just as the sick leave ratio, which is at most benchmarked towards the previous year.

In short, what is written doesn't correspond to the context. For this reasons, a reader is likely to be convinced of the progress of both SAS and Norwegian in regards to employees. While contradicting the ideals of the corporate governance, in which is "based on accountability, transparency, fairness and simplicity with the ultimate goal of maximising shareholder value while creating added value for all stakeholders." (Annual Report – Norwegian Air Shuttle (2014), p. 86), these observations instead seem to be aligned with the trend in which the marketing function of the annual report crowd out the transparency function (Dias & Floneca, 2010; Mobashar, et al., 2013).

These observations can be contrasted with SJ, which had a comparably high sick leave-ratio in 2005. SJ explain to the reader the existence of the problem and then how they should go about to fix it. The sick leave numbers are mentioned not only with last year's figure, but also

in context of what they are aiming for. They then tend to follow it up, creating a form of dialogue with the reader. It appears as if SJ, while facing a lesser problem, respond with a stronger reaction. It should be mentioned that SJ's repetition is much more sporadic, so that sections usually repeat themselves in terms of two or three years, and usually then as a means of following up the activities of previous years. This can be interpreted as a more responsive report that is determined more by the developments in and around the company.

In the 2005-section, they also use the sentence “despite efforts to improve health and well-being.”, which is an admittance to the fact that the company tried to decrease the sick leave in the previous year and failed. These observations of both transparency and disclosure continue into 2014 and have thus been a repeated case in a ten year period. To that sense, the case of SJ seem to be misaligned with the trend over time in marketing discovered within business communication and linguistics (Dias & Floneca, 2010; Mobashar et al., 2013). Instead, the CDA-analysis provides evidence that SJ's disclosure can be understood through the framework of corporate governance (OECD, 2004; Aras & Crowther, 2012).

5.2 Case 2: The transparency and disclosure of conflicts

The surveillance of the length and the change of focus in the directors' reports over time help to create an impression of what the companies communicate. In SAS, we observe a steady increase in the number of words in total. For SJ, the trend is the opposite, while Norwegian show a steady scope until 2014, which is considerably lengthier. Norwegian's sudden spike can for example be due to a policy change in the reporting system, but it might also suggest a reaction to occurrences happening in the prior years.

5.2.1 Norwegian

During the years observed, Norwegian mention the labor-related problems in two cases. In 2010, a settlement is briefly explained, in which there seem to have been an issue with the employees, although it was not clarified to a greater extent. In the report of 2014, the strike of March 2015 was described. The strike was mentioned, whereas the passage in large seemed to stress the inconvenience of the customers.

In the directors' report of 2014 the change in words had involved 540 words between 2013 and 2014. The mention of the strike encompassed 68 words, and 79 additional words were used to explain HSE-activities. This means that a large text concerning People is still unaccounted for. When examining these added sections (found in Appendix 6.2.2), the words seem to be of

a less formal tone and holding less accounting-validity then what is the case in previous reports (and of those from the other two companies).

It seems as if a lot of the content is responding directly to the criticism of Norwegian (covered in Appendix 2). E.g. the report highlights employee rights and explicitly states that “good relations and respect between people are key success factors” in their line of business. These statements are not altogether compatible with the media coverage however, which describe cases of how the company abolish the employee rights by forcing their staff from permanent employment into hiring through external agencies. The inconsistency between text and context is beneficial for the company as investors might be more inclined to invest in a company with good employee relations than with bad, and customers more willing to travel with such. This observation can be explained with the shift in function from transparency to marketing (Dias & Floneca, 2010; Mobashar, et al., 2013).

The company also make use of more colourful descriptions of the business. They use words such as “people business”, “humanitarian organisation” and “joint responsibility”, which are all enticing phrases that help to create credibility but that are not necessarily carrying meaning. The language in the board of directors, in Norwegian as well as in SAS and SJ, tend to be more neutral and factual in the tone. This corresponds to previous finding in the study of annual reports, that companies use different narratives in their annual reports when disclosing a negative outcome compared to a positive. (Mobashar, et al., 2013).

Thirdly, Norwegian emphasize a strengths that they are already successful in. Among the new material, only one key number was presented, which was percentage of women. Despite the fact that it has been unchanged over a ten year period and that it has been mentioned before, the company expand on this in some detail. This can again be understood from the perspective of the marketing function. It also analogous with the behavior of Swedish banks, in which the company endeavor and disclose CSR-related activities that they are already proficient at (Alexis & Löwenberg, 2013).

On a last note, while analyzing all of this material, it should be noted that no information, except for the mention of the strike at the very end of the report, has been disclosed on any labor-related issue. This further address the marketing-transparency conflict of purpose, and speaks in favor of marketing).

5.2.2 SAS

When looking at the case for SAS, a lot of the disclosure seem to be focused on more profit-related aspects of the collective agreement, addressing cost savings and the effect of share price. For this reason, I will not include those sections here. After removing the repeated text of the report, except for a short comment on Board fees in 2012, what remains are all passages concerning employee-related conflicts. The other four are in one way or another covering the employee issues. The sections, one in 2013 and two in 2014 (found in Appendix 6.2.1), describe in some detail the lawsuit of SAS pilot association and the class action of SAS cabin crew against SAS. There is not a discussion of the problem nor any expansion of solution. Any effect or consideration of the employees are omitted, although the text states that SAS disputes the claims. The conflict is explained and SAS is clarifying both the nature of the conflict and their stance in it, as well as the expected outcome. Although not emphasizing a problem, SAS does not seem to neglect it either. Also, compared to the more vibrant disclosure of Norwegian, the case of SAS can be understood as fairly aligned with the corporate governance framework (OECD, 2004; Aras & Crowther, 2012).

What also speak in favor of the transparency in SAS corporate disclosure, is a subsection in the beginning of the 2014 report, under the headline “Strategic priorities for SAS”. In this text, SAS brings up the main problem of the labor conflict (low cost carriers and the trend of using staffing agencies) and explain the need for action. In this case, SAS recognizes the problem and incorporates it into their strategy. The report also explain the need to form a solution together with the unions. The description of the labor conflicts of SAS produced the major part of the change in words in 2013-2014, addressing the People pillar (covering 288 words).

5.2.3 SJ

While SJ did discuss the development of sick leave in more detail than both Norwegian and SAS, an increasing sick leave ratio is very different from the protracted labor disputes of the two airline companies. However, by comparing the cases of SAS’ and Norwegian’s disclosure of conflict with SJ’s disclosure of the service crisis, the consistency between the sick leave-case and the conflict/crisis case will help to validate the relevance of the observations.

In the case of SJ’s disclosure of service, I find that the company addresses the problem and admit to the service being inadequate and to their vulnerability. The reports trace down the problem and explain its basic characteristics, and finally they plan and take action to solve it.

SJ in turn have a more direct approach in their reports than the other SAS and Norwegian, discussing the crisis and the adjacent elements over the course of many years. The company expand both on the inadequacy of their services and on their responsibility in the matter. While this evidence of transparency in the disclosure contradicts the pattern of marketing, it is quite aligned with the corporate governance framework (OECD, 2004; Aras & Crowther, 2012).

5.2.4 Discussion and comparison

Holding it true that the disclosure of SJ's crisis is at least to some degree analogous with the labor conflicts of the airline-services, the in-depth analysis of the three companies' transparency in disclosure show that SJ's discloses in regards to a conflict or crisis is more transparent than SAS', and that SAS' seem to be more so than Norwegian's. While Norwegian just barely recognizes the fact that there is a problem, it actually adds a large portion of material that can be interpreted as serving a marketing-function rather than a transparency-function. While Norwegian do treat the subjects of the conflict, the report of 2014 imply a rather different picture than what can be gathered from both the media coverage and the progress of their sick-leave. Furthermore, the company make use of buzzwords and catchphrases rather than tangible and traceable measurable, which I dare say is otherwise the status quo of directors' Reports. Concurrently, in the one case of the added material where Norwegian do expand on a measurable progress factor, it seem to be in order to emphasize their strength.

While adding fewer words in general, SAS expands on the problem in more detail than Norwegian. SAS display a more clarified description of their labor disputes, which are shown to make up most of the added text. The added section apart from this is a comment on the importance of reaching a solution with the unions. While being brief, it is placed in the introduction of the report and can thus be ascribed some added transparency. SJ in turn is having a more direct and more open disclosure, in which they address the problem, discuss possible solutions and finally pursue a course to solve it – all in a dialogue covering a couple of years. There seem to be an interesting pattern in that SJ is more transparent than SAS and that SAS is more transparent than Norwegian.

5.3 Multimodal analysis

While there is much to be interpreted in the directors' report, much information is undoubtedly lost by only focusing on this subgenre. As an example, in their annual reports, SAS, Norwegian and SJ has 17, 9, and 50 pages prior to the actual annual report. This use of introductory information has been common for all three companies in all the years since 2005. Still, one

should keep in mind that Norwegian does not include a sustainability report, which makes it natural that the company has a more narrow focus.

What more is, up until now I have only looked at the text from a single media (text) and a single mode (since the text has been stripped from characteristics such as font, size and layout). However, as Bhatia (2012) have pointed out, the annual report is not a single modal communication channel. A lot of the message is thus lost by isolating only one form of media. This should not only be the case of disclosure, but transparency as well. To address these limitations, I will compare the companies' annual reports from a multimodal perspective. When looking at the annual report from a multimodal perspective, SJ express a more transparent communication than SAS. SJ engage the different media (text, images, numbers and graphs) to address the interests of more stakeholders than what SAS does (and in turn SAS use the media more broadly than Norwegian). This can be observed both in terms of the balance of the stakeholder interests that SJ addresses and the quality of the disclosure in terms of transparency. This seem to be the case both in the quantity of the multimodal portfolio, and the quality.

A first indication is the numbers, which are conveying a higher transparency than SAS. Another is the fact that SJ uses graphs to highlight a negative trend (increase in sick leave). This is not the case for either SAS or Norwegian. Still, SAS does not use a graph in a misleading way, which I argue is the case for Norwegian. Thirdly, looking at the companies' use of images, I would like to highlight two pictures used by SAS, namely the cover picture and the picture at the table of contents (see Appendix 9.1). The cover-picture is interesting as I interpret it to convey an appreciation of cohesion and team spirit among employees. This of course is interesting both in Context 1 and 2. Context 1 shows that SAS have lost more than half of their staff between 2005 and 2014 (26 727 down to 12 329). Additionally, the rate of sick leave have increased and employee satisfaction index have decreased. On top of that, SAS have also faced several disputes with their employees, including law suites and strikes. In this context, the use of this image can be understood to follow the behavior that David (2001) proposes, that images can be used to impose or insinuate a certain emotion or attitude. In this case, perhaps the notion that SAS is a company with strong team-spirit. Another example of this is on the second page. The image of a happy father and his child might seem a bit misplaced in a corporate disclosure, still it is not impossible that it could incur positive feelings for the reader.

Looking at SJ then, one notices that this company too, make use of many images. Seeing as that the pictures serve a more thematic purpose in SJ's annual report, this could be discussed between the dialogue of Subero-Sáenz (2014) who propose the benefits of including graphical

elements, with that of David (2001). There is undeniably a balance between these, but in this case I would argue that SJ's disclosure is more transparent. Regarding Norwegian, I will mention that the company they have a strong focus of images on their staff, I can't use this observation. The reason is that the last annual report of Norwegian that contained any visual media, was in 2008, which also had a major focus on staff.

Again, this indicate that SJ have a more transparent communication than SAS. Furthermore, it is interesting to note this difference in sustainable reporting between SAS and SJ in the light of the paper by Bahram & Serevetnyk (2009). They concluded that Swedish SOEs disclose more thorough sustainable reports because of demands from the Swedish government. Although the quantity of SAS' and SJ's reports could be argues as fairly similar, SJ's report show a consistent tendency to be more transparent. While transparency was not accounted for by Bahram & Serevetnyk, such an argument should hold for Swedish SOEs both on disclosure and on transparency.

6 Conclusion

6.1 Summary and findings

In this paper, I have conducted a comparative case study of the companies SAS, Norwegian Air Shuttle and SJ. These have three different levels of Swedish state ownership where SJ have 100%, SAS have 21 % (although 50 % total state ownership) and Norwegian have 0 %. The paper have aimed to answer the question “How does transparency differ in the corporate disclosure of companies with different levels of Swedish state ownership?” This has been done by combining the frameworks of critical discourse analysis and stakeholder theory. This has in turn produced two different case studies, in which I test for the transparency of the companies’ corporate disclosure. The first studied the disclosure in regards of the increase and decline of sick leave in the company. The second case compares the transparency of the company in its corporate disclosure in the context of an ongoing conflict. These two cases are in turn complemented by two studies. A structural analysis that observes the change of the structure of the board of directors’ for the three companies during the years 2005 to 2014. The other is a multimodal analysis that studied how the companies made use of different media (text, images, numbers and graphs) and to emphasize what stakeholder interests the companies addressed.

The two case comparisons and the multimodal analysis produced consistent observations, showing that SJ had a higher level of transparency than SAS, and that SAS in turn had a higher transparency than Norwegian.

6.2 Discussion

The Government Offices of Sweden have guidelines for what the corporate disclosure should encompass and express that the corporate governance of the Swedish SOEs should be similar to each other. Even so, it is clear that this is not the case when comparing the disclosure of SJ and SAS.

The transparency observed in SJs directors’ reports can be explained by the framework of corporate governance. Norwegian’s corporate disclosure is instead polemic with the transparency and seems to be aligned with the trend observed by both business communication and linguistics – that the corporate disclosure have another marketing-related function alongside the transparency-function purpose, which have been observed to crowd out the transparency function over time. SAS could in turn seem to be a hybrid between the two as its behavior would be partly consistent with both but fully with neither. The findings in this study can be considered robust in the sense that both the two case-comparisons and the multimodal

analysis supported the same pattern. The question that emerges then is why there is a difference between SJ and SAS.

What was regularly the case here, was that the different theories contrasting the transparency and disclosure-ideal - such as the marketing purpose of the annual report (Mobasher, et al., 2013; Dias & Floneca, 2010), the abuse of graphs (Beattie & Jones, 1992) and the use of pictures to promote a certain feeling (David, 2001) - would not be the case for SJ. At the same time, it would be more so for SAS than for SJ, and in turn more for Norwegian than SAS. These observations in this study are not aligned with the findings of Ohlsson & Lungquist (2015) in which larger Swedish SOEs disclose more information than small ones (SJ having 9 065 MSEK revenue, whereas SAS have 38 006 MSEK).

In a sense these findings are consistent with the suggestion by Bahram & Serevetnyk, seeing as both the Swedish SOEs are more transparent than Norwegian. The corporate governance suggested by the Swedish government demand a certain level of disclosure which is reflected in the SOEs. This doesn't explain the difference between SAS and SJ however, who have both applied the same Swedish Code for corporate governance, and who have the same requirements from the Swedish state as SJ. In addition, Norwegian have a more explicit policy in its corporate governance report, stating specifically that their corporate governance is based on transparency.

This inconsistency between the cases of SAS and SJ shed some interesting light on the suggestion by Bahram & Serevetnyk (2009), that sustainable reporting is more extensive in Swedish SOEs than in privately held firms. It is important to point out that while these previous studies have studied disclosure, they have not accounted for transparency. Still, within corporate governance, these two could be seen as twin concepts. An example of this is the fact that Principle IV in the OECD corporate governance principles is titled "Disclosure and Transparency".

This irregularity could be explained by the fact that the implicit purpose of the marketing function of an annual report, i.e. to attract new investors, does not have the same relevance in a 100 % SOE than in a 50 % SOE, and not the same relevance in a 50 % SOE than in a 0 % SOE. If this was true, it would suggest the pattern that we see between the companies. Still, the observations in this study is not enough to sponsor such hypothesis but might help to inspire further research.

6.3 Contributions

6.3.1 Theoretical Contribution

This study help to emphasize a research gap between corporate governance, corporate disclosure and research on SOE. It compares the transparency in the corporate disclosure of three companies and tries to explain it with corporate governance and with theory in business communication. While each is shown to have some explanatory power, the observations in this paper suggest the need for more research.

This paper can hopefully also help to act as a contribution to the study of annual reports. Specifically in the sense that it draws inspiration from the two otherwise quite divided academic disciplines of linguistics and business communication. While they have been studying the same phenomenon, they have done so from different perspectives and in this sense they no doubt have a lot to learn from each other.

6.3.2 Empirical contribution

Empirically, this has shown rather interesting case concerning the transparence in the corporate disclosure of Swedish SOEs. Furthermore, this study have to my knowledge been the first to study the transparency in the directors' reports. In observing the corporate discourse over several years, it gives some insights into the structure of a directors' report and its changes over time.

Since the observations have been made from a stakeholder perspective, they contribute to the body of stakeholder literature by providing a case comparison of the stakeholder dialogue of three companies with different levels of Swedish state ownership. This paper also contributes to stakeholder theory by providing evidence for the practice of an extension of the Triple bottom line, and for compelling evidence that companies use a corporate disclosure of four pillars rather than three, addressing the interests of customers, owners, the environment and the employees.

While a lot of genre-studies have been made on the annual reports and on the CEO-letter. There is not much studies made on the directors' report. The differences found in this study and the similarities could prove an interesting starting point from a genre-perspective and might help to inspire further research.

An identified pattern is that SJ have a more balanced communication in their annual report than SAS, and again that SAS have a more balanced report than Norwegian. This could help to suggest that a SOE have a more holistic interest than a private owner have, and that the state

owner, in the case of Sweden acts as a cover stakeholder, caring for the interests of many stakeholders. This would be an interesting case for further studies.

The balance of SJ's stakeholder attention could also be interesting to discuss in the light of Carney et al., who point out the fact that the company can be used as a an instrument "that reflects the personal value systems of the entrepreneur and family members." (Carney et al., 2011 p. 14). Allowing for extrapolation, the balance of SJ's stakeholder interests could be understood as evidence of the owners "personal value system" That is, that the state of Sweden have a balanced interest in the customer, the employees and the environment and thus act as a form of coating interest of the other stakeholders in the institutional environment. Would Denmark and Norway in turn share this balanced interest, it could help to explain the hybridized communication that SAS expresses, being somewhere in the middle of the transparency of Norwegian and SJ. This suggest a topic for further research.

6.3.3 Methodological contribution

This paper contribute to the methodology of multimodal analysis by adopting the new media of numbers and graphs and showing how these too have relevance as semiotic resources. Numbers and graphs are usually outside the CDA and multimodal frameworks. One explanation for this might be that linguists and scholars from other neighboring disciplines are not very familiar with mathematics or statistics. For this reason they might confuse numbers and graphs with facts that are to be taken for granted in their honesty.

6.4 Limitations

Having decided to focus on the director's report. Even though it is a report by the board, there are still many other sections in the annual report and it is unlikely that the message in the directors' report will be representative for all sections in the text. It should be mentioned that Norwegian, while being a publicly traded company, is still owned to 25 % by its CEO. As Carney et al. (2011) explains, the presence of an owner-CEO can play a significant role in the way the company's business is carried out. Also, SJ is not an airline company, neither has it experienced the same labor related conflicts that SAS and Norwegian have and there is not guaranteed that the conflicts of Norwegian and for SAS is analogous with SJ's crisis in 2010. They relate to different stakeholder groups and interests. To continue, by only looking at three companies, I can only argue for case-based findings, and not develop a more generic result.

Performing a qualitative study in this way has many advantages. One disadvantage that should be pointed out however is that the data selection and processing that is being done is

biased by me as an individual. For this reason, while commencing a similar study, another person might get somewhat different results. To adjust for this, I have tried to be as transparent as possible in this report, giving a rich appendix with examples of the data and how it has been used. On a final point, it should be noted that the data that made up the context of the progress chart, was not always consistent between the annual reports over the years. When the numbers were conflicting, I used the latest year's figures. However, this inconsistency could help to make the context less credible. While having performed a more extensive study of the directors' report, I did not make a thorough comparison between the messages in the directors' report and the full annual report. This could make for an interesting study.

7 References

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Appendix 1: Charts displaying the progress of SAS, Norwegian and SJ in key numbers, sorted after the 4-pillar framework

1.1. Year 2005-2010

1.1.1 Progress chart of SAS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Performance										
Number of passengers, total 000s	41 033	43 138	31 381	30 936	27 382	27 096	28 990	25 916	30 436	29 408
Punctuality (%) within 15 min.	84,5	78,1	79,3	84,9	90,10	86,90	88,90	89,40	86,20	88,40
Customer Satisfaction Index	66,78	64,10	61	66,33	64,00	70,00	71,00	72,00	71,00	72,00
Profitability										
Common share price average	61,70	75,60	96,10	131,40	28,75	25,90	16,16	7,13	13,31	14,65
Revenue	55 501,00	50 152,00	52 870,00	53 195,00	44 918,00	41 070,00	41 412,00	35 986,00	42 182,00	38 006,00
Earnings before tax	- 246,00	177,00	1 044,00	- 969,00	- 3 423,00	- 3 096,00	- 1 629,00	- 1 245,00	1 648,00	- 918,00
Planet										
CO2 gram/ passenger kilometer	136	131	131	129	127	121	122	118	104	100
Climate index	100	94	92	93	94	90	91	98	94	92
People										
Average No. Of employees	26 727	26 554	23 538	24 635	18 789	15 559	15 142	14 897	14 127	12 329
Sick leave, %	6,80	6,10	6,40	6,50	6,90	7,10	7,00	7,10	8,00	7,80
Job satisfaction index	-	-	65,00	67,00	61,00	68,00	68,00	63,00	57,00	58,00
Employee turnover	-	-	-	-	-	-	-	-	-	-
Percentage of women	42%	40%	41%	42%	45%	44%	38%	38%	39%	40%
Women in mgmt, %	-	20%	23%	16%	20%	23%	24%	23%	29%	-

1.1.2 Progress chart of Norwegian

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Performance										
Number of passengers	3 300 000	5 100 000	6 900 000	9 100 000	10 800 000	13 000 000	15 700 000	17 700 000	20 700 000	24 000 000
Punctuality (%) within 15 min.	-	65	66	76	81,00	82,00	85,00	82,00	85,00	86,00
Customer Satisfaction Index	-	-	-	-	-	-	-	-	-	-
Profitability										
Common share price average	37,40	94,10	119,20	71,70	73,60	115,60	93,00	103,57	231,38	220,00
Revenue	1 972,00	2 941,00	4 226,00	6 226,00	7 309,00	8 598,00	10 532,00	12 859,00	15 580,00	19 540,00
Earnings before tax	39,00	- 32,00	113,00	5,00	623,00	243,00	167,00	623,00	438,00	- 1 627,00
Planet										
Carbon dioxide (CO2), 000s tonnes3	-	-	-	-	-	-	-	-	-	-
CO2 gram/ passenger kilometer	-	-	109	104	103	97	92	88	87	83
Climate index	-	-	-	-	-	-	-	-	-	-
People										
No. Of employees at year end	536	638	1 143	1 484	1 684	2 137	2 435	2 890	3 965	4 375
Sick leave, %	4,60%	6,80%	5,70%	5,80%	6,80%	6,40%	7,44%	7,90%	7,40%	8,10%
Job satisfaction index	-	-	-	-	-	-	-	-	-	-
Employee turnover	2,3%	4,0%	-	-	-	-	-	-	-	-
Percentage of women	48,1%	45,6%	42,0%	47,6%	48,4%	48,4%	-	-	-	48,3%

1.1.3 Progress chart of SJ

Performance

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Passenger kilometres	5 673	6 160	6 467	7 156	7 038	6 774	6 431	6 415	-	-
Customer Satisfaction Index	-	71	73	73	74	70	68	60	60	-
Punctuality long-distance (%) within 5 min.	91	90	90	90	91	85	88	91	78	81
Punctuality regional (%) within 5 min.	91	90	90	90	91	85	87	90	89	89

Profitability

Common share price average	-	-	-	-	-	-	-	-	-	-
Revenue	5 744,00	6 970,00	8 267,00	9 031,00	8 741,00	8 627,00	8 038,00	8 504,00	9 023,00	9 065,00
Earnings before tax (EBIT)	666,00	615,00	814,00	795,00	629,00	439,00	60,00	467,00	298,00	568,00

Planet

CO2 gram/ passenger kilometer	1,50	1,26	1,36	-	0,87	1,20	0,58	0,27	0,22	0,39
Climate index	-	-	-	-	-	-	-	-	-	-

People

Average No. Of employees	3 153	3 581	4 053	4 539	4 439	4 263	4 041	4 299	4 953	4 968
Sick leave, %	8,8%	7,7%	6,8%	5,1%	4,6%	5,2%	4,6%	4,3%	5,6%	6,1%
Job satisfaction index	49	50,00	58,00	-	57,00	56,00	59,00	64,00	-	-
Employee turnover	-	7,0%	14,0%	7,0%	8,5%	5,5%	6,0%	8,4%	6,8%	6,7%
Percentage of women	-	36%	37%	38%	40%	41%	42%	40%	39%	38%

1.2. Year 2010-2014

1.2.1 Progress chart of SAS

Performance

	2010	2011	2012	2013	2014
Number of passengers, total 000s	27 096	28 990	25 916	30 436	29 408
Punctuality (%) within 15 min.	86,90	88,90	89,40	86,20	88,40
Customer Satisfaction Index	70	71	72	71	72

Profitability

Common share price average	25,90	16,16	7,13	13,31	14,65
Revenue	41 070	41 412	35 986	42 182	38 006
Earnings before tax	- 3 096	- 1 629	- 1 245	1 648	- 918

Planet

CO2 gram/ passenger kilometer	121	122	118	104	100
Climate index	90	91	98	94	92

People

Average No. Of employees	15559	15142	14 897,00	14 127,00	12 329,00
Sick leave, %	7,10	7,00	7,10	8,00	7,80
Job satisfaction according to the index	68	68	63	57	58
Employee turnover	-	-	-	-	-
Percentage of women	44%	38%	38%	39%	40%
Women in mgmt, %	23%	24%	23%	29%	-

1.2.2 Progress chart of Norwegian

Performance

Number of passengers, total 000s	13 000 000	15 700 000	17 700 000	20 700 000	24 000 000
Punctuality (%) within 15 min.	82	85	82	85	86
Customer Satisfaction Index	-	-	-	-	-

Profitability

Common share price average	115,60	93,00	103,57	231,38	220,00
Revenue	8 598	10 532	12 859	15 580	19 540
Earnings before tax	243	167	623	438	- 1 627

Planet

Carbon dioxide (CO2), 000s tonnes3	-	-	-	-	-
CO2 gram/ passenger kilometer	97	92	88	87	83
Climate index	-	-	-	-	-

People

No. Of employees at year end	2137	2435	2 890	3 965	4 375
Sick leave, %	6,40%	7,44%	7,90%	7,40%	8,10%
Job satisfaction index	-	-	-	-	-
Employee turnover	-	-	-	-	-
Percentage of women	48,4%	-	-	-	48,3%

1.2.3 Progress chart of SJ

Performance

	2010	2011	2012	2013	2014
Passenger kilometres	6 774,00	6 431,00	6 415,00	-	-
Customer Satisfaction Index	70	68	60	60	-
Punctuality long-distance (%) within 5 min.	85	88	91	78	81
Punctuality regional (%) within 5 min.	85	87	90	89	89

Profitability

Common share price average	-	-	-	-	-
Revenue	8 627	8 038	8 504	9 023	9 065
Earnings before tax (EBIT)	439	60	467	298	568

Planet

CO2 gram/ passenger kilometer	1,20	0,58	0,27	0,22	0,39
Climate index	-	-	-	-	-

People

Average No. Of employees	4263	4041	4 299,00	4 953,00	4 968,00
Sick leave, %	5,2%	4,6%	4,3%	5,6%	6,1%
Employee satisfaction index	56	59	64	-	-
Employee turnover	5,5%	6,0%	8,4%	6,8%	6,7%
Percentage of women	41%	42%	40%	39%	38%

Appendix 2: Media coverage of SAS, Norwegian and SJ*

* All links retrieved 2015-05-14

2.1 The labor disputes of SAS

2010

“SAS circumvents the the strike”¹

Flights technicians' strike has so far affected a small number of SAS departures. SAS solves maintenance by service plan abroad. The unions have announced stronger strike action next week. SAS has set some departures during the strike, on Friday there was at least one departure from Arlanda to London and Helsinki that did not come in the way. The Technicians' main demands regard the local agreements in airports, which have been terminated or deteriorated by SAS. The unions want to prevent it with central contracts.

2012

“Continuous negotiations with SAS”²

The unions have to accept the inferior contractual terms on Sunday, according to the owners. The savings is a requirement for banks to provide new loans to the hard-pressed airline. The union deters from specifying what their proposal contains, but SAS has demanded wage cuts of up to 15 percent, along with longer work weeks, and changed conditions for holidays and pensions.

2014

“SAS-strike on Kastrup called off”³

After a union meeting, all flights operated by SAS from Kastrup was temporarily halted after a wildcat strike began. The work was resumed during the same day.

2015

“Pilots portend Swedish SAS strike”⁴

The pilot union SPF gives notice of strike in the Swedish part of the SAS from 21 May. Negotiations for a new collective agreement is canceled with immediate effect. In order to reach a solution that both parties can accept, however, is requires that SAS are willing to back down from their demands of further substantial concessions in our collective agreements, said Petter Larsson of the union.

¹ <http://www.sydsvenskan.se/ekonomi/sas-flyger-runt-teknikerstrejken/>

² <http://www.dn.se/ekonomi/fortsatta-forhandlingar-med-sas/>

³ http://www.svd.se/naringsliv/sas-strejk-pa-kastrup-avblast_3988729.svd

⁴ http://www.svd.se/naringsliv/nyheter/piloter-varslar-om-svensk-sas-strejk_4547544.svd

2.2 The labor disputes of Norwegian Air Shuttle

2013

“Pilots portend sympathy strike”⁵

The Swedish and Norwegian pilot associations are protesting together against Norwegian Air Shuttle. The company encourage their pilots to leave the employment of the organization in order to be employed by an employment agency instead. These agencies are normally seated in foreign countries, where the employee rights are lower than in Scandinavia.

“Norwegian give cabin crew notice of termination”⁶

The Swedish cabin crew of Norwegian Air Shuttle is offered an ultimatum: Take up employment in the employment agency Proffice Aviation, or quit altogether. The crew was permanent staff in employment but was forced into being hired instead.

2014

“Norwegian’s strike called off”⁷

The planned strike of the cabin crew, including 1300 union-members, have been called off. The unions had given notice of strike 1 300 members. Norwegian responded by including advance notice of the closure of cabin crew bases in Norway and threatening to staff in Denmark would be replaced with people from a staffing company. The strike, which until now included only one person stopped.

2015

“Norwegian cancel all Scandinavian flights”⁸

As a result of the Norwegian pilot union's strike notice to Wednesday, in which 650 pilots are on strike, Norwegian Air had to cancel all air traffic in Sweden, Norway and Denmark. The strike affects that more than 35,000 travelers regarding their flights within Scandinavia. Ultimately, the conflict on the crisis in the airline industry, where low cost is depressing prices and thus costs. Norwegian's management wants to cut the company's costs when the group made a loss last year of 1.6 billion NOK last year. For three months, the parties have negotiated new agreements for pilots that involves freezing wages, longer working hours and more flexible schedules that can be changed at short notice; demands that the union rejected.

“Pilot strike called off”⁹

“The eleven-day pilot strike has reached a solution. Up to 200 000 travellers are estimated to have been affected.

⁵ http://www.svd.se/naringsliv/nyheter/varlden/piloter-varslar-om-sympatistrej_8677788.svd

⁶ <http://www.aftonbladet.se/nyheter/article18054832.ab>

⁷ <http://www.hd.se/nyheter/ekonomi/2014/05/19/norwegian-strejk-avblast/?from=rss>

⁸ <http://www.dn.se/ekonomi/norwegian-staller-in-alla-skandinaviska-flyg/>

⁹ http://www.svd.se/naringsliv/pilotstrejken-avblast_4397803.svd

2.3 The performance problems of SJ

2010

“The traffic chaos continues over Christmas”¹⁰

The storm hampers the traffic situation on the roads and trains alike. The traffic is not expected to be back to normal until the day after Christmas. One of the big problems is, according to Björn Östlund, is that the snow is whirling up. After it has been removed, it quickly whirls back and impedes the traffic flow again.

“The causes of SJ's crisis”¹¹

The number of canceled trains and notified faults has increased sharply. At the same time, SJ has lagged behind when it comes to maintenance. Furthermore, the company halved their investments last year. The traffic chaos that affected SJ's customers during the summer is not a coincidence, writes Dagens Nyheter in Monday's newspaper. SJ has had a strong focus on profitability in recent years and while the company implemented a savings program, the problems have increased rapidly. A forthcoming report by the Transport Agency shows that the number of reported incidents in the railway, including accidents and failures rose sharply in the first quarter 185-248 notifications. Transport Administration's annual report shows that the number suspend passenger doubled to just over 26,000 last year. In addition, this also increases the number of hours of delay significantly.

“Chaos in the train traffic – SJ in crisis meeting”¹²

There is chaos in the train traffic. On Sunday SJ hold a number of meetings to secure the traffic. The heavy snowfalls have forced large parts of Sweden to a standstill. Train services are particularly hard hit by, among other things, frozen switches. Many travelers were on Saturday to sit in carts in the dark and wait, hour after hour.

¹⁰ <http://www.aftonbladet.se/nyheter/article12716441.ab>

¹¹ http://www.svd.se/naringsliv/nyheter/sverige/orsakerna-till-sjs-kris_7023517.svd

¹² <http://www.expressen.se/gt/kaos-i-tagtrafiken---sj-i-krismote/>

Appendix 3: A sample of the extracted and rearranged Board of Directors report - SAS 2012

3.1 Performance (as perceived by customers) 485

SAFETY IN THE SAS GROUP Pervasive safety culture The safety culture in the SAS Group rests on the values, skills and experience of all employees throughout the organization. The safety culture includes actively learning, adapting and modifying individual and organizational behavior to constantly improve operations and reduce exposure to risk. SAS's safety work has top priority. The efforts are managed with the aim of achieving continuous improvements and a common understanding of the importance of safety to the customers and to SAS. The Group's safety policy is documented and applied throughout all operations. The management of SAS is constantly engaged in safety issues based on a safety policy that is documented, communicated and implemented in SAS operations. In 2012, SAS worked proactively to identify and manage safety issues in its assessment of safety performance indicators that were introduced in 2011. Information is gathered from airline operations, crews, station activities, technical maintenance and aviation security. This information is compiled in a hierarchical system of objective safety performance indicators, which show how well the daily operations are progressing in relation to the safety targets that SAS has identified. In compliance with new requirements from the civil aviation authorities, SAS continued to develop a systematic safety management system for flight safety. The management system covers all operative components, including organizational structure, responsibility, alignment and procedures. The improvement process encompassed by the system is based on planning, implementing, follow-up and correction. The airlines in the SAS Group have a high level of flight safety with committed personnel at all levels. All airlines in the Group hold IATA Operational Safety Audit (IOSA) certification which can be compared to ISO 9000 certification. To remain certified, the airlines must be audited and approved every second year by IATA following the original inspection. SAS implemented the fifth IOSA audit in 2012 without any observations for the fifth time. The companies in the SAS Group only initiate code-share collaboration with other airlines that have IOSA certification or that have submitted to a comparable audit. During the 2012 fiscal year, the flight safety level in the SAS Group was high and in line with the current industry standard.

As a consequence of the European Commission's decision on the cargo investigation in November 2010, SAS and other airlines fined by the Commission are involved in various civil lawsuits in Europe (the UK, the Netherlands and Norway). SAS, which appealed the European Commission's decision, contests its liability in all of these legal processes.

PUNCTUALITY AND REGULARITY Scandinavian Airlines was named Europe's most punctual major airline according to research company FlightStats in 2009–2011 with regard to arrivals. Scandinavian Airlines achieved a punctuality rating of 89.9% for departures and a regularity of 99.1% during the January–October 2012 period with both ratios posting an improvement compared with the full-year 2011. Widerøe's punctuality was high at 87.6% with a regularity of 96.3%.

- SAS launches 45 new routes for 2013

3.2 Profit 2368

The SAS Group's income before tax and nonrecurring items was MSEK 23 (94) and income after tax totaled MSEK –985 (–1,687). The SAS Group's revenue amounted to MSEK 35,986 (41,412). The

strategy has a strong focus on unit cost. As part of 4Excellence, measures were implemented in a number of key areas in 2012. In total, about half of the program's measures were implemented during the fiscal year with an estimated effect on earnings of about SEK 1.8 billion before nonrecurring items. The implementation of 4Excellence resulted in SAS being able to increase currency-adjusted passenger revenue by 5.6% and lower the unit cost (CASK – after fuel and currency adjustments) by 4% in January–October 2012. Despite major progress and healthy results in 4Excellence, the challenge of achieving long-term competitiveness and financial stability remained. The new plan deals with the remaining structural and financial limitations through radical changes and simplification of operations. In total, the plan means further cost reductions of about SEK 3 billion over and above those resulting from ongoing activities in 4Excellence. The plan also includes the divestment of assets to reduce the company's long-term dependence on credit facilities. These divestments total about SEK 3 billion and include Widerøe, SAS Ground Handling, properties and aircraft engines. The 4XNG plan aims to enable SAS, moving forward, to efficiently compete in the growing leisure travel market while also maintaining competitiveness in the important business travel market. As part of its overriding strategy of focusing on its core business, SAS sold six properties at Arlanda, Landvetter and Sturup to Swedavia for MSEK 1,775 in 2012. Prior to the sale, purchase options were exercised for three separate properties, which were previously leased by SAS under operating leases. All of the properties were either acquired or sold as corporate entities. No other businesses were sold or acquired during the year. Under the 4XNG plan, SAS intends to divest the following, moving forward:

- Widerøe
- Airport-related properties
- Ground handling
- Aircraft engines

The parent company SAS AB's recognized shareholders' equity is not affected by this amendment. At October 31, 2012, the item "unrecognized actuarial gains and losses and plan amendments" amounted to about SEK 13.5 billion, up slightly more than SEK 1 billion compared with December 31, 2011. The increase was partly due to a lower discount rate and a lower-than anticipated return on plan assets. The recognition of actuarial gains and losses and plan amendments will also involve a reversal of deferred tax liabilities related to pensions given that the temporary difference between the accounting value and the value for tax purposes will be eliminated. The effect of the reversal of deferred tax liabilities related to pensions amounted to approximately SEK 1.5 billion, which had a positive impact on the SAS Group's shareholders' equity. In November 2012, new collective agreements were signed with flight crews in Scandinavia, which entailed major changes in pension terms. The majority of existing defined-benefit pension plans will be replaced with defined-contribution pension plans. The previous right to early retirement has also been eliminated. These changes have not been included in the present value computation of the pension commitment as of October 31, 2012. As a result of the agreed changes in pension terms, the effect on the recognition of actuarial gains and losses is estimated to decrease by about SEK 3.4 billion and the pension commitment to be reduced by about 60%. However, the Group is active in several markets and is therefore affected by different economic cycles, mitigating the Group's exposure. As a result of the somewhat more stable economies in the Nordic region compared with the rest of Europe, passenger growth was healthy in 2012, although the robustness of the growth varied. Changes in customer behavior and an increasing number of low-cost carriers in the SAS Group's home market could result in further intensification of competition. To meet this, SAS is implementing the 4XNG plan, which will introduce structural changes that will lower costs to levels that are competitive in the long-term.

Financial risks: The SAS Group is exposed to various types of financial risk. All risk management is performed centrally pursuant to the financial policy adopted by the Board. SAS utilizes derivative instruments in its financial risk management to limit exposure to currency, interest-rate and jet-fuel price risk; see Note 27. The SAS Group hedges 40–80% of its anticipated fuel consumption on a rolling 12-month basis. This is done primarily to create enough time to adapt operations to market conditions. The SAS Group's strategy for dealing with higher jet

fuel prices is based on the hedging of jet fuel, yield management and fare adjustments. For foreign currency, the policy is to hedge 40 – 80%. During the 2012 fiscal year, a Board decision was taken, whereby an exception to this policy was approved, which enables a lower degree of hedging. In October 2012, the SAS Group had hedged 22% of its anticipated USD deficit for the next 12 months. The SAS Group has hedged its USD deficit using a combination of forward contracts and options.

THE SAS SHARE Two share classes SAS AB has two classes of shares, common shares and subordinated shares. Currently, there are 329 million common shares issued, which constitute a total registered share capital of MSEK 6,612. Common shares provide shareholders all of the rights laid down in the Swedish Companies Act and the Articles of Association. In addition, the capacity exists to issue special subordinated shares to safeguard the company's air traffic rights. Subordinated shares give shareholders the right to participate in and vote at SAS AB's shareholders' meetings. However, subordinated shares do not entitle shareholders to dividends or participation in bonus issues. If subordinated shares are redeemed or the company is dissolved and its assets distributed, holders of subordinated shares receive compensation equivalent only to the nominal value of the shares plus an interest rate factor. For more information on subordinated shares, see Note 21. Share price performance In the period January– October 2012, SAS AB's market capitalization declined 19.4%, due to a weak yield trend and uncertainty concerning the future recognition of pensions under IAS 19. Following the signing of the new collective agreements on November 19, 2012, the share price rose significantly. For aviation policy reasons, the company's Articles of Association authorizes, in part, the mandatory redemption of shares by means of a reduction of share capital and, in part, should redemption not be possible or be adjudged adequate, an option to issue subordinated shares for subscription with the support of previously issued warrants. A precondition for both of these actions is an assessment by the company's Board that a direct threat exists against the air traffic rights of the company or any of its subsidiaries when the company or its subsidiaries infringe or risk infringing provisions on ownership and control in bilateral aviation agreements or in laws or regulations pertaining to permits for air traffic in the EU/EEA. In that case the Board may decide to mandatorily redeem a sufficient number of shares not owned by shareholders domiciled in Denmark, Norway or Sweden along with shares that, even if they are held by a legal entity domiciled in any of these countries, are controlled, directly or indirectly, by a person or company outside of these three countries, so as to ensure continued Scandinavian ownership and control. Primarily, such mandatory redemption of shares is performed on shares owned or controlled by a person or company outside the EU/EEA. Prior to redemption, the shareholders are given an opportunity to sell their shares voluntarily within a prescribed period. Redemptions are made subsequently without refund to the shareholder since the reduction is to be transferred to the Company's statutory reserve. Should the Board deem the action of redeeming common shares not possible or inadequate, the Board may propose a shareholders' meeting to decide whether to issue subordinated shares in such number so as to safeguard continued Scandinavian ownership and control. Such a decision must be approved by at least half of the votes cast at the meeting. The subordinated shares thus issued are subscribed for with the support of previously issued warrants, which are currently held by a subsidiary of SAS AB but which the Board of SAS AB has the right to decide to transfer to one or more appropriate legal entities domiciled in Denmark, Norway or Sweden as soon as this is judged necessary for aviation policy reasons. In total, there are 75,000 warrants issued which, after the rights issue conducted and the reverse split of shares in 2010, provide entitlement to subscription of a total of 150,000,000 subordinated shares, which would increase the company's share capital by a maximum of SEK 3,015,000,000. As soon as the threat no longer exists, the Board shall ensure that the subordinated shares thus issued are redeemed. Ownership and control At October 31, 2012, there were only three shareholders who each own and control more than 10% of the voting rights for all shares in the

company. The Danish government owns 14.3%, the Norwegian government owns 14.3% and the Swedish government owns 21.4%. Combined, the three states own 50.0% of the shares in SAS AB. At the beginning of the year, Scandinavian shareholders held approximately 91% and non-Scandinavian shareholders held about 9% of the total share capital in SAS AB. No restrictions exist concerning the voting rights of shareholders at shareholders' meetings and pursuant to the Swedish Companies Act, shareholders may vote for the entire number of shares they own or represent by proxy. Nor are there any special plans, such as employee benefit plans or the like, through which company or Group employees own shares with restricted voting rights. SAS AB has no knowledge of agreements between shareholders that would restrict the capacity of shareholders to vote at a shareholders' meeting or their right to freely transfer such shares. Besides the aforementioned warrants for subordinated shares (which require the approval of the shareholders' meeting), the Board has, as of February 2013, no authorization to decide that the company will issue new shares or buy back its own shares.

Effects of a public takeover bid The SAS Group is currently party to a number of loan agreements in which the counterparties are entitled to terminate the agreement, in the event of changes in the majority stake or control of the company.

CAPITAL MANAGEMENT Financial targets The SAS Group's overall target is to create value for its shareholders. In conjunction with the new measures contained in the 4XNG plan implemented by SAS, the financial targets reflect an operation that has reduced its fixed costs, increased its profitability and cash flow and reduced its balance sheet. The financial targets are as follows: Profitability: An operating margin (EBIT margin) >8%, which is expected to be achieved from fiscal year 2014/2015. Equity/assets ratio: >35% – despite the amended accounting rules for pensions, SAS assesses that the equity/assets ratio will not fall below 20% in fiscal year 2013/2014. The equity/assets ratio target is expected to be achieved in fiscal year 2014/2015. Financial preparedness: Cash and cash equivalents and unutilized credit facilities/fixed costs >20%, which was achieved during the year. Target attainment at October 31, 2012 The EBIT margin was – 0.8% The Equity/assets ratio was 30%. Financial preparedness amounted to 29% corresponding to MSEK 8,055. Dividend policy The SAS Group's annual dividend is determined by taking into account the Group's earnings, financial position, capital requirements and relevant macroeconomic conditions. Over a business cycle the dividend is to be in the region of 30–40% of the Group's income after standard tax. To protect the Group's financial position, no dividend is paid as a rule in the event of a loss.

PARENT COMPANY SAS AB is a Swedish public limited company registered in Stockholm, Sweden and the address of its head office is Kabinvägen 5, Arlanda, Stockholm, Sweden. SAS AB is the Parent Company of the SAS Group. The company conducts air traffic operations in a comprehensive Nordic and international network.

DIVIDEND 2012 The Board of Directors proposes to the Annual General Shareholders' Meeting that no dividends be paid to SAS AB's shareholders for the 2012 fiscal year. This is motivated by the SAS Group's results and cash flow. A good financial position and financial flexibility will be important in completing all measures in the 4Excellence and 4XNG strategies as well as in future investments.

PROPOSED DISPOSITION OF EARNINGS The following Parent Company earnings are available for disposition by the Annual General Shareholders' Meeting: MSEK Retained earnings 3,666 Net income for the year –120 Total unrestricted equity 3,546 The Board of Directors proposes that the earnings be allocated as follows: MSEK Amount retained by Parent Company 3,546 Total 3,546 The position of the Group and Parent Company at October 31, 2012 and the earnings of operations for fiscal year 2012 are stated in the following statements of income, balance sheets, cash-flow statements, changes in shareholders' equity, comments on the financial statements and notes.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE • The Board of Directors resolves that prerequisites exist for the implementation of the 4XNG plan. The credit facility of SEK 3.5 billion is made available – Measures with an annual positive earnings effect of approximately SEK 3 billion;

including new collective agreements with such features as changed pension conditions in place – The new pension terms reduce by approximately SEK 3.4 billion the negative impact on equity of amended reporting rules for pensions – Divestment of assets with a liquidity effect of about SEK 3 billion, 2012 FULL-YEAR 2012/13 4XNG will deliver a significantly improved cost base moving forward. New collective agreements for flight crews will be implemented directly, at the same time as SAS has full focus on realization of the remaining activities. During 2012/2013, a positive impact on earnings of SEK 1.5 billion is expected from the 4XNG plan. SAS continues to expect a negative trend for the RASK and yield but, given that no significant unexpected events occur in our operating environment and that jet-fuel prices remain stable at current levels, the SAS Group's assessment is that potential exists to post a positive EBIT margin in excess of 3% and a positive EBT for full-year 2012/2013. However, due to seasonality, the first quarter of 2013 (November–January) will be extremely weak.

3.3 Planet 963

Environmental risks: Environmental laws and regulations, including restrictions on noise levels and greenhouse gas emissions, could have an adverse impact on the SAS Group. The Group works continuously on sustainability issues to ensure compliance with national and international requirements.

. Together with the Code of Conduct, the sustainability policy is a part of the SAS Corporate Manual that governs the Group's operations. The 4Excellence strategy, which was launched in 2011, has four main targets, of which one is sustainability-related, namely the reduction of carbon emissions from the SAS Group's airline operations by 20% in 2015 from 2005 levels. Environmental responsibility The overwhelming majority of the SAS Group's environmental impact comprises airline operations and its use of fossil fuels. Other environmental impact consists primarily of cabin and ground operations, the majority of which comprises energy and water consumption as well as waste generation. The environmental impact of airline operations mainly consists of emissions of carbon dioxide and nitrogen oxides related to the consumption of non-renewable fuels, as well as noise. Local and regional environmental impact consists mainly of noise during takeoffs and landings, as well as acidification and eutrophication of soil and water. To lessen the environmental impact, two long-term measures have the greatest potential according to SAS: continuous renewal of the aircraft fleet to a newer generation, which means that the SAS Group always seeks the best economically viable technology, and incorporation of biofuel blends to reduce total carbon emissions. The SAS Group's airline operations use internationally type-approved aircraft according to ICAO certification standards. Environmental approval is an integral part of national registrations of aircraft. Environment-based national and/or local permits, rules and regulations provide a framework for aircraft use. The trend is toward a stricter environmental policy framework for the airline industry. For example, there is a risk that in coming years stricter emissions and noise standards could affect the Group's traffic to certain airports. This could potentially prevent the Group from utilizing parts of its aircraft fleet in the most flexible way possible and/ or lead to higher emission-based landing fees.

The SAS Group measures its eco-efficiency with a climate index, which tracks trends in airline operations relative to environmental impact. The climate index for the Group improved by 2 percentage points to 98 at October 31, 2012 compared with the base year 2011. In absolute terms, the SAS Group's airlines reduced their carbon emissions per passenger kilometer to 118 grams (121) in the period January–October 2012 compared with the same period in 2011. Of the SAS Group's operations, parts of ground operations at Stockholm, Oslo and Copenhagen airports are covered by

permits pursuant to national environmental laws. The permit for Stockholm covers maintenance bases and regulates emissions to air, chemicals and waste management, and sets target and monthly mean values for effluent from the treatment plant. The permit also includes operations not run by the SAS Group, such as other airlines or businesses that rent hangars. The SAS Group submits an annual environmental report to Sigtuna Municipality. The permit at Oslo Airport covers water from a treatment plant connected to hangars and maintenance bases. The SAS Group submits an annual environmental report to Ullensaker Municipality. Copenhagen Airport has environmental permits for treatment plants and chemical stocks as well as permits that primarily concern the use of chemicals in maintenance work in workshops and hangars. Here too, an annual report must be submitted to the local environmental agencies. The operational management of SAS premises in Scandinavia is performed by Coor Service Management. Responsibility for the Group's operations carried out in properties managed by Coor Service Management, including all environmental permits, is vested in the SAS Group. In general, the SAS Group's airline operations are dependent on the licensed activities conducted by Ground Operations and Technical Operations in workshops, maintenance bases and hangars and on the respective airport owners' licenses for operations and glycol handling and thresholds for atmospheric emissions and noise. The Group has obtained all the necessary licenses and permits for its operations in Scandinavia. One of environmental regulations that Stockholm-Arlanda Airport is subject to stipulates ceilings for the airport's carbon and nitrogen oxide emissions. In 2011, Sweden submitted an application for an entirely new environmental permit. The SAS Group has extensive operations at Stockholm-Arlanda and is highly dependent on the airport's environmental permit. From January 7, 2013, a new amendment enters force in the Swedish Environmental Code (Chapter 16, Section 2 and Chapter 26, Section 9), which states that carbon emissions from airline operations, in the same manner as from fixed facilities, may not be regulated in any manner other than that stipulated by the Emissions Trading Act (2004:1199). The SAS Group's airline operations have a dispensation for halon use and submit annual reports to the authorities on consumption including leakages and storage. In the January–December 2012 period, the SAS Group estimates that the discharge of halon was just over 12 kilograms. During the year, the authorities did not issue the Group any orders with a material impact on the SAS Group's activities. In the January–October 2012 period, aircraft operated by SAS Group airlines, in exceptional cases, deviated from local approach and takeoff rules. It is the considered opinion of SAS that none of the incidents had any material environmental consequences. Efforts to sanitize the land in connection with the discharge of Perfluorooctane sulfonate (PFOS) that occurred in conjunction with the filling of a rented out hangar at Oslo-Gardermoen with foam in 2010 were completed during the period. Minor work remained at October 31, 2012 and continuous measurements and, when needed, action will be taken for a number of years. Otherwise, the Group was not involved in any environment-related disputes or complaints and has no known major environment-related liabilities or provisions for ground pollution or the like.

3.4 People 580

The main components include new collective agreements for flight crews with salary and employment terms at market levels that enable significant efficiency enhancements with regard to planning and scheduling. Furthermore, new defined-contribution pension solutions will be introduced for most employees and administrative functions will be reduced and centralized to Stockholm. On November 19, the first crucial step in the 4XNG plan was taken through the signing of new collective agreements with the flight crew unions. In addition, outsourcing is planned for ground handling and major parts of customer service, as well as comprehensive saving and streamlining measures in IT.

Further lawsuits by cargo customers cannot be ruled out and no provisions have been made. In April 2010, 33 SAS pilots jointly submitted an application for a summons against SAS at the Stockholm City Court. In the application, the claimants seek to have certain terms of employment rendered invalid and adjusted, and also seek a declaratory claim for damages. The claimants are former employees of Swedish airline Linjeflyg, who were employed by SAS in conjunction with its acquisition of Linjeflyg in 1993. The claimants allege that the terms of employment are discriminatory and are in breach of EU law on free movement of labor.

Corporate social responsibility SAS's social responsibilities include responsibility for employees and for its impact on the surroundings and communities in which the Group operates. Given the organizational changes that the renewed and accelerated strategic approach entails, redundancies will continue to occur. The issue of redundancy is initially handled by the individual companies, where the negotiations follow national laws and practice. The SAS Group also has its own guidelines that permit transfer of employees between the national companies under a special arrangement negotiated between SAS AB and the personnel trade union organizations. SAS Group subsidiaries and units report sick leave and occupational injuries pursuant to national legislation. Efforts to reduce sick leave have priority, and there are special projects to return employees on long-term sick leave back to work. In the January– October 2012 period, sick leave at Scandinavian Airlines was 7.1%. SAS Group companies are working actively on equal opportunity, based in part on the legislation in effect in each country, and in part on the current situation in the respective companies. The SAS Group's diversity policy is based on equal treatment of all employees and job applicants. Work on equal treatment includes promotion of diversity and equality in all its forms. SAS Group Management consisted of one woman and six men at October 31, 2012. Approximately 23% of the TOP100 management forum are women. With regard to human resources, the airlines plan and conduct regular in-service training of all certified personnel such as technicians, cabin crew and pilots. This is done to uphold competency standards, such as those required by air operator certificates (AOCs). In addition, the SAS Group has an extensive management training program and a large number of web-based training programs. The PULS employee satisfaction survey shows that general job satisfaction in the SAS Group is on a declining trend. This is probably due to the general uncertainty regarding the Group's situation. Long-term plans are ongoing to address these issues. The response rate was declining but still relatively high. The sustainability section of this report and the separate sustainability report for the SAS Group in 2012 contain more complete descriptions of the SAS Group's efforts to contribute to sustainable development.

- The SAS Group's Board of Directors reduces Board fees by 30% from November 5

3.5 4P 114

4Excellence and 4Excellence Next Generation At the end of 2011, the new 4Excellence strategy was launched with the aim of achieving excellence in four core areas by 2015 – Commercial Excellence, Sales Excellence, Operational Excellence and People Excellence. In parallel, other ambitious targets were set, such as, that SAS must reduce total emissions by 20% by 2015, become the Nordic region's most appreciated airline and secure job satisfaction levels corresponding to the top five in the entire Nordic transportation sector.

SAS GROUP'S CONTRIBUTION TO SUSTAINABLE DEVELOPMENT The SAS Group has an overarching sustainability policy which supports its ambition, based on the Group's requirement regarding long-term financial performance, to reduce environmental impact and further social progress.

3.6 Misc. 3961

Annual report 2012

Report by the Board of Directors The Board of Directors and the President of SAS AB hereby submit the annual report for SAS AB and the SAS Group for fiscal year 2012 (January– October). The company is domiciled in Stockholm, Sweden, and its Corporate Registration Number is 556606-8499.

MARKET PERFORMANCE Traffic growth was healthy during January–October 2012, in parallel with a relatively moderate increase in capacity, leading to a general increase in load factors for the industry and for the SAS Group, which posted record high load factors in April, July and August. The Group's traffic increased 6.2% in January–October 2012, positively impacted by healthy growth on the intercontinental routes, primarily to Asia. Traffic to and from Asia was weaker at the start of the year and only climbed marginally. However, from March 2012, strong growth was posted, which was attributable primarily to weak comparative levels following the earthquake in Japan in March 2011 and the opening of a new route to Shanghai. Traffic to and from North America also trended positively and rose 6% during the period. The trend was also positive for traffic in Scandinavia/Europe, which contributed to the SAS Group increasing total market share in Scandinavia. Capacity increased by a total of 4.5% during the January-October period due to increased capacity on the intercontinental routes and the opening of more longer-distance leisure destinations during the summer months. Despite the positive traffic trend, the currency-adjusted yield for Scandinavian Airlines declined by 0.7% as a consequence of continued overcapacity in key markets. However, the currency-adjusted total unit revenue, RASK, increased 2.2%, positively impacted by the higher load factor. In total, the SAS Group carried 24 million passengers on scheduled services in January– October 2012 corresponding to an increase of 4.3% year-on-year.

INCOME January–October 2012 At the Annual General Shareholders' Meeting of the SAS Group on April 19, 2012 a resolution was passed to change the Group's fiscal year to comprise the period November 1–October 31 instead of the calendar year and that the current fiscal year for 2012 be shortened to comprise the period January 1, 2012–October 31, 2012. The aim of this change was to match the fiscal year to the Group's operations, which are conducted in two distinct periods; a winter and a summer program. This change in the Group's fiscal year was approved by the Swedish Tax Agency. Accordingly, the Annual Report, including notes, for the January 1, 2012–October 31, 2012 fiscal year will be compared with the preceding fiscal year, which comprised the period January 1–December 31, 2011. The objective is to achieve sustainable profitability to deliver sufficient returns to shareholders. In conjunction with the report for the third quarter in November 2012, a new business plan called 4Excellence Next Generation (4XNG) was launched. This is an aggressive plan that builds on the positive trend we have witnessed to date in 2012.

CHANGES IN GROUP STRUCTURE The Group structure continued to be simplified during the year, primarily in connection with the 4Excellence strategy. As a consequence of the new strategy and of the transition of SAS from a holding structure with multiple subsidiaries to an airline organized by function, changes were implemented in Group Management to create clearly defined responsibility for the strategy's four areas of excellence.

REMAINING LIABILITIES, RECEIVABLES AND ACCOUNTING CHANGES In June 2011, the IASB (International Accounting Standards Board) published amendments to IAS 19 Employee Benefits. The amendments to IAS 19 have been adopted by the EU. The amendments related to the recognition of defined-benefit pension plans will be applied from fiscal years beginning as of January 1, 2013. The change in the SAS Group's fiscal year means that the amended IAS 19 will be applied from November 1, 2013. Among other features, the revised IAS 19 no longer permits the deferral of the recognition of certain deviations in estimates (the "corridor approach" has been

removed). Instead, all deviations in estimates are to be recognized immediately in other comprehensive income. As a result of the amendments, the accumulative unrecognized deviations (unrecognized actuarial gains and losses and plan amendments) will be recognized in its entirety in shareholders' equity, which will have a significant negative effect on the Group's shareholders' equity.

RISK MANAGEMENT The SAS Group works strategically to refine and improve its risk management. Risk management includes identifying both new risks and known risks. The Group monitors the comprehensive risks centrally, while portions of risk management are conducted in the operations and include identification, action plans and policies.

Market risks: The SAS Group is especially sensitive to global trends and events. The Group adjusts its production to ensure the right capacity in each market to reduce market risk. The airline industry is highly competitive since new airlines continuously enter the market.

Compliance risks: The SAS Group manages and secures compliance risks through various kinds of internal policies and rules and develops internal guidelines as well as a Code of Conduct to manage these risks. The Group's airline insurance contracts are of the all-risks type and cover the aircraft fleet, spare parts and other technical equipment as well as liability exposure associated with airline operations.

SEASONAL EFFECTS Demand in SAS's markets is seasonally low in the winter period from December–February, relatively high in September–November and peaks in April–June. This is due to demand variations in the business market. Demand can deviate from the normal seasonal pattern and take different paths in the Group's markets. SAS has gradually developed sophisticated methods to dynamically adjust capacity to demand on a monthly and weekly basis, for example in connection with major holidays.

Protection of the Group's air traffic rights in the Articles of Association Furthermore, for aviation policy reasons, the Articles of Association contain certain suitability and qualifications requirements for Board members to ensure that the Board will at all times have the composition it needs to ensure that the company and its subsidiaries are able to retain their air traffic rights. These requirements include citizenship, domicile and knowledge and experience of the social, business and cultural conditions prevailing in the Scandinavian countries. Beyond these requirements and the regulations contained in the Articles of Association, there are no restrictions or voting rules pertaining to the appointment or removal of Board members.

WORK OF THE BOARD OF DIRECTORS The Board of Directors of SAS AB consists of ten members, of whom seven are elected by the Annual General Shareholders' Meeting. The three other members plus six deputies are elected by the employee organizations in Denmark, Norway and Sweden. The Board's work is primarily governed by the Swedish Companies Act, the Articles of Association, the Swedish Corporate Governance Code and the formal work plan adopted by the Board each year, which regulates the division of the Board's work between the Board and its committees and among the Board, its Chairman and the President. This process is evaluated each year. The Board appoints from among its own members the members of the Board's two committees, the Remuneration Committee and the Audit Committee. The Board's work follows a yearly agenda with regular business items as well as special topics. At the Annual General Shareholders' Meeting on April 19, 2012, all Board members were reelected. Fritz H. Schur was reelected as the Chairman of the Board. Working closely with the President, the Chairman of the Board monitors the company's performance, plans Board meetings, takes responsibility for ensuring that the other members of the Board always receive high-quality information about the Group's finances and performance, and ensures that the Board evaluates its work and that of the President each year. The Board held 13 meetings, of which one was statutory and one held by correspondence. The Board discussed the regular business items presented at the respective meetings, such as business and market conditions, financial reporting and follow-up, the company's financial position and investment. Additionally, at various meetings the Board discussed matters involving flight safety work, internal control, the work of the Board, the year-end report, interim reports, strategy and business plans as well as budget. Special topics discussed by the Board during the year included the

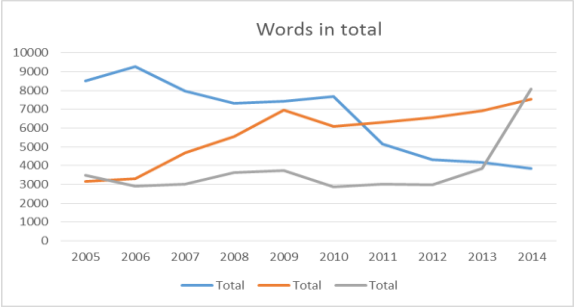
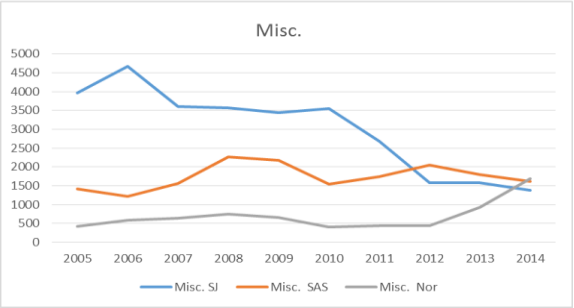
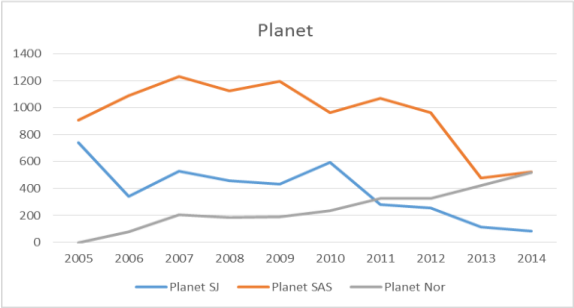
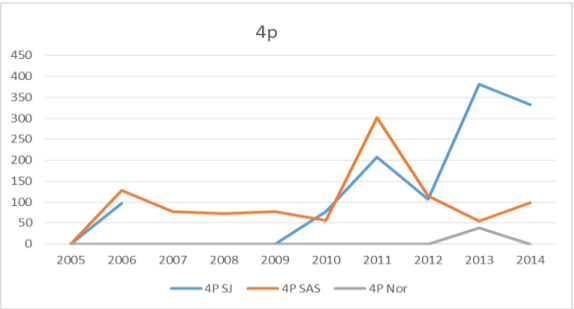
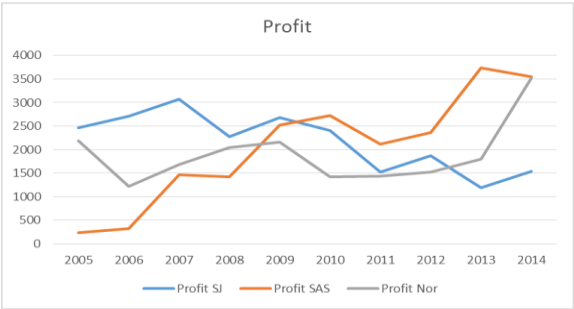
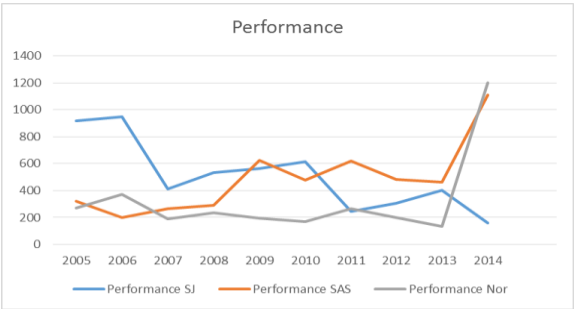
4Excellence strategy and the 4XNG plan. The Board has diligently monitored the financial position and kept itself informed of the negotiations with banks and owners with regard to the long-term funding of the company. The Board has also dealt with the effects of the future changes in accounting rules pertaining to pensions and their impact on the SAS Group. The integration of Blue1 with Scandinavian Airlines was also dealt with and decided in 2012. On three occasions during the year, the company's auditor met with the Board, presenting the program for auditing work, the audit of the annual report and an evaluation of internal control. In 2012, no review of the interim report at September 30 (hard-close) was performed due to the shortened fiscal year. On one occasion the Board met with the company's auditor without the President or anyone else from company management being present. The main task of the Board's two committees is to prepare issues for the Board's decision. The Remuneration Committee consists of three members and the Audit Committee of three members all elected by the Annual General Shareholders' Meeting. In 2012, the Audit Committee held three minuted meetings, examining the scope and performance of external and internal auditing work, financial reporting and internal control. During the year, the Remuneration Committee had two minuted meetings plus a number of informal meetings in connection with the adoption of guidelines and policies for remuneration and other employment terms for senior executives. These terms were reviewed in connection with the 4XNG plan. The Committee also discussed the employment terms for the new members of the Group Management. Prior to the 2013 Annual General Shareholders' Meeting, the Remuneration Committee prepared the recommendation for remuneration policies and other terms of employment for company management that, pursuant to the Swedish Companies Act and the Swedish Corporate Governance Code, the Board is obligated to present to the Meeting for resolution. The fees paid to Board members and remuneration for serving on the separate Board committees are reported in Note 3. The SAS Group prepares a separate corporate governance report; see page 79.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES The Remuneration Committee prepares remuneration policies applicable to the Group Management, which are subsequently addressed by the Board, which presents the motion to the Annual General Shareholders' Meeting for resolution. Remuneration of the President is to be decided by the Board within the framework of approved policies following preparation and recommendation by the Remuneration Committee. Remuneration of other senior executives is decided by the President within the framework of approved policies and after consulting with the Remuneration Committee. The guidelines adopted at the 2012 Annual General Shareholders' Meeting are outlined in Note 3. During the fiscal year, one deviation from the stipulated guidelines was made with regard to the Executive Vice President for Sales & Marketing. The Board is of the opinion that particular reasons exist for such a deviation and that he should receive variable remuneration with a target salary of 100%, comprising a fixed base salary of 60% and a variable salary of 40% linked to specific set sales targets. In parallel with the negotiations regarding new collective agreements in November 2012, a decrease in pay was decided for all members of Group Management. As of December 1, 2012 the remuneration of all members of Group Management was lowered by 5–20%. The guidelines to be proposed to the Annual General Shareholders' Meeting on March 20, 2013 are unchanged in relation to the remuneration policies adopted at the 2012 Annual General Shareholders' Meeting.

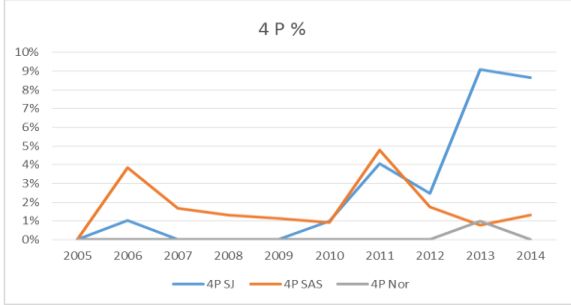
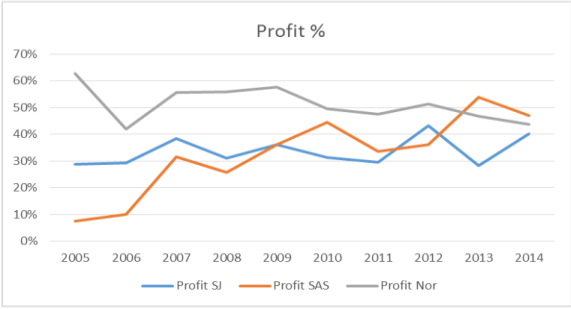
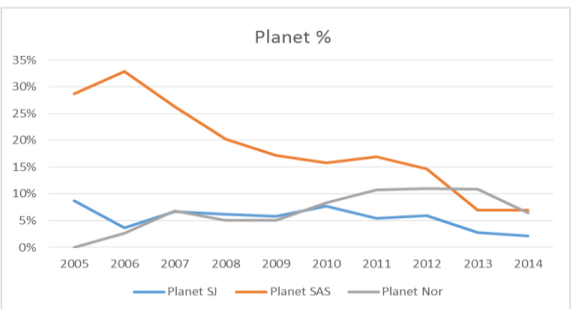
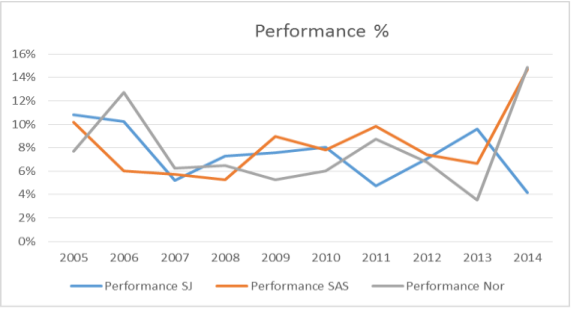
LEGAL ISSUES SAS, which disputes the claim in its entirety, considers the risk of a negative outcome to be limited and no provisions have been made. The special directive, designed to include airlines in EU ETS emission rights trading, endorsed by the EU in 2008, took effect on January 1, 2012. All of the SAS Group's airlines, Scandinavian Airlines, Blue1 and Widerøe, have approved and verified MRV (Monitoring, Reporting and Verification) plans and verifying reports to meet statutory requirements in EU ETS. Otherwise, SAS is not aware of any changes in the policy framework that could have significant operational or financial consequences for its business during the coming fiscal years.

Appendix 4

Appendix 4.1 Change over time in word allocated to the different baselines in Board of Directors' report: number of words

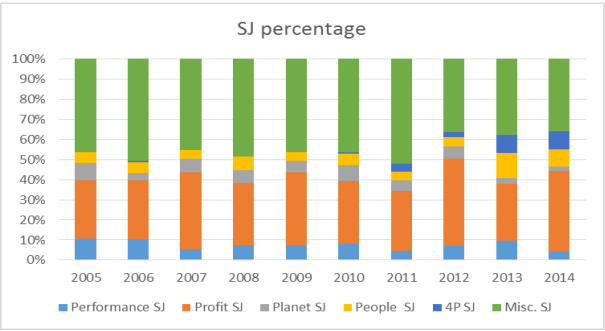
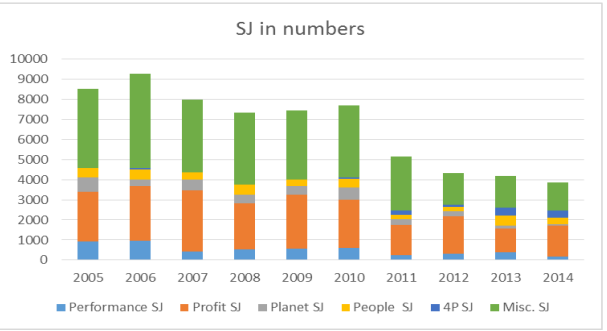
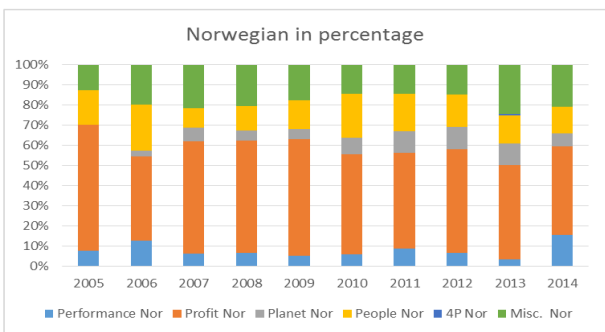
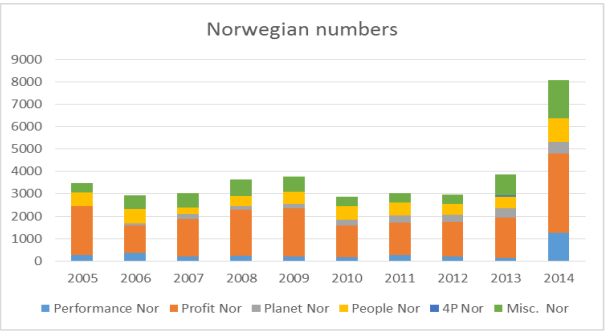
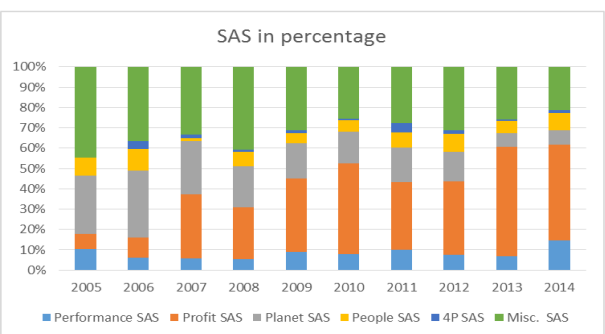
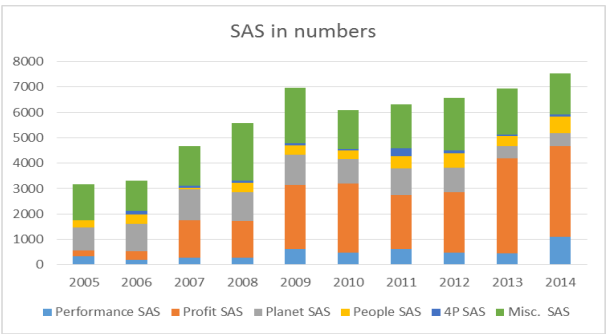


Appendix 4.2 Change over time in word allocated to the different baselines in Board of Directors' report: percentage



Appendix 5: Words addressing either of the four pillars Performance, Profit, Planet or People in the Board of Directors' report

5.1 Graphs explaining development over time



5.2 Table showing words addressing either of the four pillars

SAS, words

	Performan	Profit SAS	Planet SAS	People SAS	4P SAS	Misc. SAS	Total SAS
2005	323	243	910	273	0	1420	3169
2006	199	332	1092	356	128	1213	3320
2007	267	1473	1232	67	78	1556	4673
2008	292	1430	1124	380	73	2265	5564
2009	625	2517	1196	363	78	2185	6964
2010	422	2718	963	386	56	1554	6098
2011	583	2115	1070	501	302	1737	6308
2012	485	2368	963	565	114	2054	6564
2013	462	3732	479	405	54	1796	6928
2014	1109	3549	524	645	99	1613	7539

Norwegian, words

	Performan	Profit Nor	Planet Nor	People Nor	4P Nor	Misc. Nor	Total Nor
2005	269	2185	0	605	0	433	3492
2006	371	1225	77	665	0	580	2918
2007	190	1689	206	299	0	650	3034
2008	237	2042	186	439	0	746	3650
2009	197	2167	190	542	0	659	3755
2010	172	1419	237	620	0	412	2860
2011	265	1440	327	568	0	434	3034
2012	230	1532	326	457	0	435	2980
2013	136	1799	420	529	38	933	3855
2014	1268	3524	519	1069	0	1690	8070

SJ, words

	Performan	Profit SJ	Planet SJ	People SJ	4P SJ	Misc. SJ	Total SJ
2005	920	2463	743	433	0	3961	8520
2006	948	2716	342	481	96	4677	9260
2007	413	3070	531	350		3607	7971
2008	535	2273	458	494	0	3563	7323
2009	564	2679	433	314	0	3445	7435
2010	616	2403	596	433	77	3547	7672
2011	244	1519	282	209	208	2675	5137
2012	306	1877	258	211	107	1574	4333
2013	401	1187	115	524	381	1578	4186
2014	160	1542	82	256	408	1390	3842

5.3 Table showing words in percentage of whole addressing either of the four pillars

SAS, % of total

	Performan	Profit SAS	Planet SAS	People SAS	4P SAS	Misc. SAS
2005	10%	8%	29%	9%	0%	45%
2006	6%	10%	33%	11%	4%	37%
2007	6%	32%	26%	1%	2%	33%
2008	5%	26%	20%	7%	1%	41%
2009	9%	36%	17%	5%	1%	31%
2010	7%	45%	16%	6%	1%	25%
2011	9%	34%	17%	8%	5%	28%
2012	7%	36%	15%	9%	2%	31%
2013	7%	54%	7%	6%	1%	26%
2014	15%	47%	7%	9%	1%	21%

Norwegian, % of total

	Performan	Profit Nor	Planet Nor	People Nor	4P Nor	Misc. Nor
2005	8%	63%	0%	17%	0%	12%
2006	13%	42%	3%	23%	0%	20%
2007	6%	56%	7%	10%	0%	21%
2008	6%	56%	5%	12%	0%	20%
2009	5%	58%	5%	14%	0%	18%
2010	6%	50%	8%	22%	0%	14%
2011	9%	47%	11%	19%	0%	14%
2012	8%	51%	11%	15%	0%	15%
2013	4%	47%	11%	14%	1%	24%
2014	16%	44%	6%	13%	0%	21%

SJ, % of total

	Performan	Profit SJ	Planet SJ	People SJ	4P SJ	Misc. SJ
2005	11%	29%	9%	5%	0%	46%
2006	10%	29%	4%	5%	1%	51%
2007	5%	39%	7%	4%	0%	45%
2008	7%	31%	6%	7%	0%	49%
2009	8%	36%	6%	4%	0%	46%
2010	8%	31%	8%	6%	1%	46%
2011	5%	30%	5%	4%	4%	52%
2012	7%	43%	6%	5%	2%	36%
2013	10%	28%	3%	13%	9%	38%
2014	4%	40%	2%	7%	11%	36%

Appendix 6: The repeated and the new sections of words addressing People

6.1 Repetition:

6.1.1 SAS

- | | |
|-----------|---|
| 2010-2014 | Corporate social responsibility SAS's social responsibilities include responsibility for employees and for its impact on the surroundings and communities in which the Group operates. Given the organizational changes that the renewed strategic approach entails, redundancies will continue to occur. The issue of redundancy is initially handled by the individual companies, where the negotiations follow national laws and practice. In addition, the SAS Group has its own guidelines that permit transfer of employees between the national companies under a special arrangement negotiated between SAS AB and the personnel organizations. |
| 2010-2014 | SAS Group subsidiaries and units report sick leave and occupational injuries pursuant to national legislation. Efforts to reduce sick leave have priority, and there are special projects to return employees on long-term sick leave back to work. In 20XX, sick leave in Scandinavian Airlines was X.X%. |
| 2010-2014 | The SAS Group's diversity policy is based on equal treatment of all employees and job applicants. Work on equal treatment includes promotion of diversity and equality in all its forms. The SAS Group Management consists of one woman and five men. The figure for the Top100 management forum is approximately XX% women. |
| 2010-2014 | The SAS Group has an overarching "Sustainability Policy," which, taking the Group's requirement regarding long-term financial performance into account, guides its efforts to reduce its environmental impact and contribute to social progress. |
| 2010-2012 | SAS Group companies are working actively on equal opportunity, based in part on the legislation in effect in each country, and in part on the current situation in the respective companies. |
| 2010-2014 | With regard to human resources, the airlines plan and conduct regular in-service training of all certified personnel such as technicians, cabin crew and pilots. This is done to uphold the competency standards such as required by air operator certificates (AOCs). In addition, the SAS Group has an extensive management training program and a large number of web-based training programs. |
| 2010-2011 | Organizational learning: Learning in the organization is based on interdisciplinary collaboration, information technology, process orientation and development in a creative and supportive environment, characterized by security and challenges, curiosity and dedication to increase safety and safety initiatives. |
| 2011-2012 | 2012: In April 2010, 33 SAS pilots jointly submitted an application for a summons against SAS at the Stockholm City Court. In the application, the claimants seek to have certain terms of employment rendered invalid and adjusted, and also seek a declaratory claim for damages. The claimants are former employees of Swedish airline Linjeflyg, who were employed by SAS in conjunction with its acquisition of |

Linjeflyg in 1993. The claimants allege that the terms of employment are discriminatory and are in breach of EU law on free movement of labor.

2011-2014 The Sustainability section of this report and the separate sustainability report for the SAS Group in 20XX contain more complete descriptions of the SAS Group's efforts to contribute to sustainable development.

6.1.2 Norwegian

- 2010-2014 The important HES activities (Health, Environment and Safety) continue in compliance with labor law and the Group's guidelines.
- 2010-2014 Active monitoring of HSE indicators, corporate health insurance policies and continuing cooperation with protective services will insure that reduction of sickness leave remains a priority.
- 2010-2014 Norwegian's human resources policy is intended to be equitable, neutral and non-discriminatory, regardless of ethnicity and national background, gender, religion, or age.
- 2010-2014 Norwegian Air Shuttle ASA is a member of NHO Aviation, which is a member of NHO (Confederation of Norwegian Enterprise). The 20XX collective salary review was conducted through local collective bargaining with most unions. Moderate changes in wages and efficiency were achieved with these unions.
- 2010-2011 The new personnel and salary management system implemented in 2010 has made HES activities more efficient and has helped the Company better manage its rapid growth. The HES Manager is responsible for the HES partners as well as the team leaders and the management team in order to make sure that Norwegian's working practices and conditions are fully up to speed in this area.
- 2010-2013 The apprentice program in Norway was continued in 20XX and by the end of the year consisted of XXX apprentices. The apprentices have during the training, which also contains a stay in Berlin, London and Las Palmas, had internships while working abroad in countries which Norwegian operates in. A further intake of apprentices is planned for 20XX. All the candidates which graduated in 20XX, successfully completed and passed their exams which were carried out in conjunction with Akershus County Council. The labor unions are also actively included in planning of the apprentices' syllabus. Many graduates who passed the examination in 20XX have now attained positions in the Group. Graduates of the program also visit schools and colleges, and promote the program and help recruit new apprentices. This has been a focus area in 20XX and the program now provides a steady stream of candidates to fill permanent positions.
- 2011-2014 Norwegian has a long-term focus on creating an attractive workplace. An important success factor for Norwegian is maintaining a workforce of highly motivated and skilled employees and leaders. Our goal is to offer unique opportunities to our employees and a company culture that help us attract and retain the best people of our industry, regardless of who they are and where we do business. Creating fruitful arenas for learning and professional development of all levels of the organization is a priority in Norwegian.

6.1.3 SJ

- 2010-2012 SJ's work environment plan for 20XX–20XX states three overarching objectives for this work: lower sick leave, higher employee satisfaction index/ health index and efficient, systematic work on occupational safety. Activities to achieve these targets aim at ensuring long-term sustainable development at SJ, taking due account of the personal development and good health of its employees.
- 2011-2012 SJ's Equal Opportunities Policy aims at ensuring that all employees should have equal rights and opportunities, and that SJ should strive for diversity and equal opportunity, and against discrimination and degrading treatment.
SJ's Equal Opportunities Policy aims at ensuring that all employees should have equal rights and opportunities, and that SJ should strive for diversity and equal opportunity, and against discrimination and degrading treatment.
- 2011-2014 SJ's employees The efforts of our employees, both individually and in groups, are critically important in deciding the extent to which our goals for efficiency, quality and service are achieved. The Company's success is therefore totally dependent on the competence, motivation and commitment of our employees. To maintain this, SJ takes on board the views of our employees via employee surveys which, since 2011, have been annual. SJ invests in employee fitness, in the form for example of various exercise facilities. Health motivators are active in the workplace, health blogs are posted on the Internet and guidance on diet and exercise is provided. SJ also pays entry fees for teams wishing to take part in various exercise runs.
- 2013-2014 SJ's business plan includes three overall targets for occupational health and safety: reduced sick leave, improved Performance Index and improved Leadership Index. Activities to achieve these targets aim at ensuring long-term sustainable development at SJ, taking due account of the personal development and good health of its employees.
- 2013-2014 Employees who work on board trains and in travel centres risk being subjected to threats and violence in their day-to-day work. SJ takes a preventive approach to the problem, in dialogue with government agencies, the police and other operators. In-house, SJ provides training in employee safety and continues with the introduction of personal alarms in its subsidiaries. The process at SJ AB was carried out in 2012. In cases where employees have been exposed to threats and violence, there are guidelines for victim care, as well as a plan to enable the employee to return to work.

6.2 The unique words

6.2.1 SAS

- 2010 Organizational learning: The SAS Group is a learning organization that questions prevailing practices and continuously and systematically searches for faults and weaknesses in its operations. Learning in the organization is based on interdisciplinary collaboration, information technology, process orientation and development in a creative and supportive environment, characterized by security and challenges, curiosity and dedication.
- 2011 Organizational learning: Learning in the organization is based on interdisciplinary collaboration, information technology, process orientation and development in a creative and supportive environment, characterized by security and challenges, curiosity and dedication to increase safety and safety initiatives.
- 2011 In April 2010, 33 SAS pilots jointly submitted an application for a summons against SAS at the Stockholm City Court. In the application, the claimants seek to have certain terms of employment rendered invalid and adjusted, and also seek a declaratory claim for damages. The claimants are former employees of Swedish airline Linjeflyg, who were employed by SAS in conjunction with its acquisition of Linjeflyg in 1993. The claimants allege that the terms of employment are discriminatory and are in breach of EU law on free movement of labor. SAS, which disputes the claim in its entirety, considers the risk of a negative outcome to be limited and no provisions have been made.
- 2012 The SAS Group's Board of Directors reduces Board fees by 30% from November 5
- 2012 The main components include new collective agreements for flight crews with salary and employment terms at market levels that enable significant efficiency enhancements with regard to planning and scheduling. Furthermore, new defined-contribution pension solutions will be introduced for most employees and administrative functions will be reduced and centralized to Stockholm. On November 19, the first crucial step in the 4XNG plan was taken through the signing of new collective agreements with the flight crew unions. In addition, outsourcing is planned for ground handling and major parts of customer service, as well as comprehensive saving and streamlining measures in IT.
- 2012 In April 2010, 33 SAS pilots jointly submitted an application for a summons against SAS at the Stockholm City Court. In the application, the claimants seek to have certain terms of employment rendered invalid and adjusted, and also seek a declaratory claim for damages. The claimants are former employees of Swedish airline Linjeflyg, who were employed by SAS in conjunction with its acquisition of Linjeflyg in 1993. The claimants allege that the terms of employment are discriminatory and are in breach of EU law on free movement of labor.
- 2013 January 2014, the SAS pilot associations filed a lawsuit against SAS with the Swedish Labour Court claiming damages for breach of collective agreements. This comprises a claim for declaratory judgment and no financial damages are specified in the summons application. The dispute pertains to a large group of pilots employed at

the Stockholm base but who worked out of the Copenhagen base, and the calculation and coordination of the rights to Swedish and Danish pension benefits of these pilots on changing bases.

- 2014 The new norm with external production models, the launch of proprietary low cost carriers and using staffing agencies is becoming increasingly established and is radically changing competitive conditions. To meet these market challenges, SAS has initiated discussions with its trade unions to achieve increased flexibility and reduced complexity.
- 2014 A larger number of former cabin crew of SAS in Denmark are pursuing a class action against SAS at a Danish court, demanding additional payments from SAS to the Pension Improvements Fund for Cabin Crew (the CAU fund) citing that the CAU fund is a defined-benefit pension plan. The financial exposure is difficult to quantify, but SAS, which disputes the claim, considers the risk of a negative outcome to be limited and no provisions have been made. The SAS pilot associations in Norway and Sweden have filed lawsuits against SAS at instances including the Swedish Labour Court claiming breach of collective agreements insofar as the seniority list has not been applied by SAS in conjunction with promoting and appointing pilots.
- 2014 The SAS pilot associations have filed a lawsuit against SAS with the Swedish Labour Court claiming damages for breach of collective agreements. No financial damages were specified in the summons application. The dispute pertains to a large group of pilots employed at the Stockholm base but who worked out of the Copenhagen base, and the calculation and coordination of the rights to Swedish and Danish pension benefits of these pilots on changing bases. SAS contests all claims. Irrespective of the outcome, the assessment of SAS is that the dispute will not have any material negative financial impact on SAS. A group of former Braathens cabin crew have, through the Parat trade union, initiated a legal process against SAS at a general court in Norway with a claim for correction of a work time factor (part-time percentage) in the calculation of pension rights in the occupational pension plan in accordance with the Norwegian Occupational Pensions Act. The summons application contains no specified demand for compensation. SAS contests the claim.

6.2.2 Norwegian

- 2010 Resolving the base situation for crew employees in Sweden was a priority for 2010. It was resolved in October 2010 for the pilots. For crew, technical unions and personnel the settlement for 2010 will be finalized at the start of 2011.
- 2010 The Company has acquired corporate health insurance which provides access to professionals in an effort to address sick leave and get employees back to work quickly. The Company's new human resources management system simplifies much of the human resources back-office work. The system provides a skills database covering all employees, providing the Company with a tool for matching jobs with qualifications. The system also allows employees to add information as well as log attendance and vacations.
- 2010 In 2010 the Group employed 51.6% men and 48.4% women. The majority of pilots and technical personnel are men. The majority of cabin personnel are still women, but the number of men is increasing. Recruitment in 2010 led to an increase in women in different leadership roles compared to 2009. Norwegian aims to be an attractive employer.
- 2011 Absence due to sick leaves in 2011 was 7.44%, an increase compared to 2010. The HR team has implemented significant resources and efforts in solving this problem in 2012.
- 2011 The Company's new human resources management system simplifies much of the human resources' back office work. The system provides a skilled database covering all employees, providing the company with the tool for matching jobs with the internal qualifications. The system also allows employees to add information as well as log attendants and vacations.
- 2011 The Group's defined benefit plan was closed 1 December 2012 and a new defined contribution plan was issued to all employees.
- 2013 Norwegian has a zero tolerance policy for corruption and every employee is responsible for reporting suspicious behaviour to his or her superior. The company has never had any reported or suspected occurrences of corruption.
- 2013 Norwegian advocates diversity, something that reflects our growth in Europe, Asia and the United States. Norwegian employs people from several different countries, with a multitude of backgrounds. We believe that diversity creates a better working environment. Norwegian's main stakeholders include our passengers, employees, owners, authorities and the media.
- 2014 A number of key HSE activities (Health, Safety and the Environment) are conducted in compliance with labour laws and corporate guidelines, such as risk assessments, audits, handling of safety reports, work environment surveys and following up with group processes on base meetings both for crew and technical staff. Activities also include participation in environmental resources management and in several other HSE-related projects. Information about HSE is also provided in connection with the training of crew, pilots and technical staff.

- 2014 Equality must be guaranteed between men and women in terms of employment, working conditions, career opportunities and remuneration.
- 2014 The airline industry has historically been male-dominated. Norwegian has been characterized by equality since its inception in 2002. In 2014, 48.3 per cent of the employees were women and 51.7 per cent were men. Most of the pilots are men, but the number of female pilots is increasing steadily and is now around 5 per cent. Cabin personnel are mainly women, but men account for approximately 23 per cent. The administration is more or less equally employed by women and men. Among employees in technical positions as technicians and engineers there has historically been a predominance of men, but this has changed in last few years with an increasing share of female employees. The board of directors comprises more than 40 per cent women. Norwegian gives weight to have staff with expertise related to tip tasks and is committed to recruit both women and men to these positions. Norwegian has no discrimination on grounds of ethnicity, nationality, gender or sexual orientation. The group has reviewed and updated its ethical guidelines, which emphasise the company's personnel policies.
- 2014 CODE OF ETHICS Everyone has a joint responsibility to create a good working environment and develop a sound corporate culture marked by openness and tolerance. We promote an environment free from any discrimination, be it religion, skin colour, gender, sexual orientation, age, nationality, race or disability. The work environment shall be free from bullying, harassment or similar. We do not tolerate any behaviour that can be perceived as degrading or threatening. When engaging in businesses with third party suppliers, Norwegian will, whenever possible, ensure that the suppliers adhere to international rules of ethical behaviour and trading standards. Norwegian is firmly opposed to all forms of corruption. Norwegian is against any type of involvement in illegal influencing of decision makers, either directly or through middlemen. Our codes of ethics provides the directions for a good working environment and highlights the group's guidelines for human rights, preventing corruption, employee rights and safety for all – both for our customers and our employees. Norwegian has a dedicated corporate cooperation with the humanitarian organisation.
- 2014 The group also participates in organisations such as AKA (workplace advisory centre for issues relating to alcohol, drugs and addictive gambling and gaming) and other work environment committees and safety representative meetings.
- 2014 Norwegian hires crewmembers where they are based, a win-win for both for Norwegian, its employees and the local community. It increases efficiency and ensures that crewmembers are protected by the full range of labour and employment laws of their home base country. To attract and retain a qualified crew, Norwegian offers fully competitive wages in the markets in which we operate. Globally, the majority of Norwegian's crew members participate in unions under the collective bargaining laws of their respective countries.
- 2014 The airline business is a people business where good relations and respect between people are key success factors. Everyone at Norwegian has a joint responsibility to create a good working environment and develop a sound corporate culture marked by openness and tolerance. Norwegian supports the international human rights as outlined by the UN declaration and conventions. No one shall in any way cause or

contribute to the violation or circumvention of human rights. We place great importance in ensuring compliance with employees' basic human rights as outlined in the International Labour Organisation's core conventions.

2014 Recruitment to new bases takes place locally, at competitive local wages and benefits.

2014 EVENTS AFTER 31 DECEMBER 2014 In March 2015 the negotiations with the Scandinavian trade unions failed and thus the pilots were on strike for 11 days. During the strike 1 891 flights were cancelled and over 200 000 passengers were affected. Most of Norwegian's domestic flights in Norway, Sweden and Denmark were grounded during the strike. In addition several flights were also affected by other sympathy actions.

6.2.3 SJ

- 2010 HUMAN RESOURCES SJ's Board in 2010 consisted of four women and three men, as well as three employee representatives, all men. The Executive Management contains three women and six men. A long-term and determined effort is being made to encourage more women to become train drivers. The SJ Group has 4,262 (4,439) employees, of whom 39 per cent (40) are female and 61 per cent (60) are male.
- 2010 We continued our determined efforts to reduce sickness absence in 2010, particularly short-term sick leave. SJ's longterm target is 4.5 per cent. The rate of sick leave for 2010 was 5.2 (4.6) per cent. This is still a good level for the industry and reflects the broad work undertaken in recent years. The increase that has occurred is in short-term sick leave – 1 to 14 days – while long-term sick leave has continued to decrease.
- 2010 A review of the leadership activities has been performed in order to improve SJ management. The aim is to give managers a better tool for use in their leadership. A two-part interactive induction programme has been devised for all staff. Work is in hand to devise a third module aimed at managers so that they enter leadership more quickly in SJ.
- 2010 A new system for skills management was launched during the year under the name Kompassen (The Compass). Employees can see their training history and future planned training in this system. Managers can track training initiatives taken and conduct overarching skills inventories, and both SJ Service Academy and personnel planners gain a better administrative tool.
- 2012 In 2011, SJ was certified under the work environment standard OHSAS 18001.
- 2013 The fixed salary component shall reflect the demands placed on the position in terms of competence, responsibility, complexity and the manner in which it contributes towards achieving the objectives of the business. The fixed salary component shall be individually calculated and differentiated. Variable pay, including gratuities, bonuses and similar remuneration, shall not be offered. Pension benefits should be of the defined-contribution type. In the event that SJ agrees to a defined-benefit pension, it shall comply with the appropriate collective-bargaining pension plan. The pensionable age shall not be less than 62 years and should be not less than 65 years. The cost of the pension to the Company shall be borne during the employee's period of activity. The period of notice for members of the executive management may be up to six months if employment is terminated by the executive. If employment is terminated by the Company, the executive may also be entitled to a termination benefit corresponding to no more than 18 monthly salary payments. Termination benefit shall be paid monthly and shall consist of a fixed monthly salary without employment benefits. Termination benefit will in no circumstances be paid for longer than up to the age of 65 years.
- 2013 On 1 January 2014, SJ AB's new organisation was presented. On 21 January 2014, SJ announced redundancies affecting 400 employees in administration and sales. The redundancies are attributable in part to the closure of 18 travel centres, including one in Denmark, and also to the closure of a Contact Center.

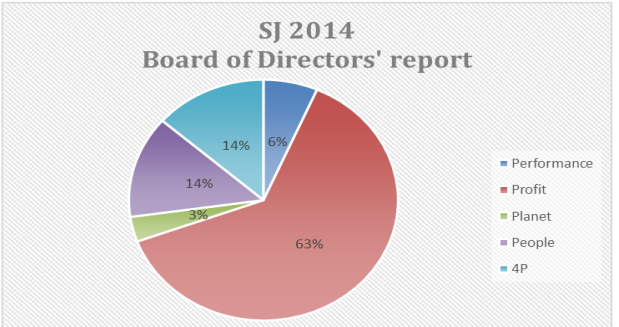
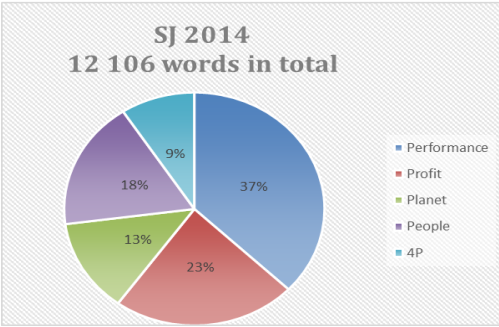
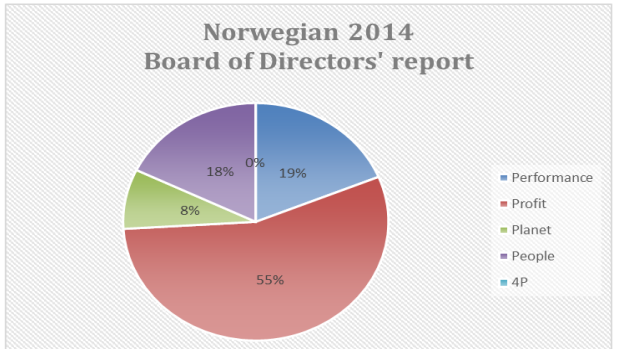
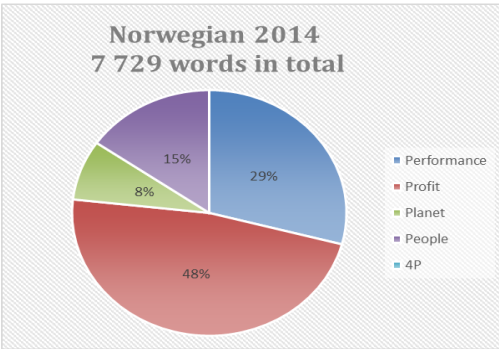
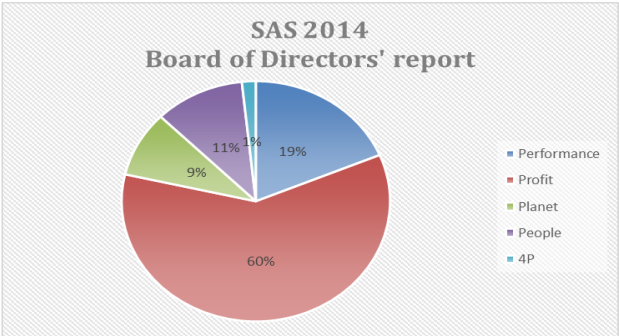
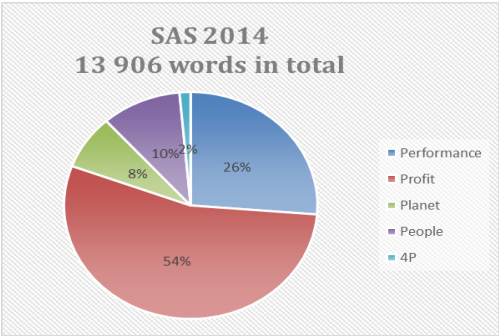
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SJ has a great responsibility to prevent illness and return employees on sick leave back to work. During the year, SJ has decided to launch a program to get long-term sick back to work. The initiative is based on a team of expertise, doctor, health nurse, ergonomist with more available to diagnose at an early stage. Then, set targets with rehabilitation and an action plan is drawn up. (My translation)

Appendix 7: The repeated and the new sections of words disclosing the service level of SJ 2008-2012

SJ, 2008-2011:	SJ's suppliers are often highly specialized in terms of know-how and equipment, which makes it difficult to quickly expose them to competition or change supplier. SJ collaborates with its suppliers to ensure good quality and employs incentive agreements linked to quality parameters that are regularly followed up.
SJ, 2008-2010:	Punctuality is often affected by factors beyond SJ's control, e.g., shortage of available track. Quality shortcomings impact the confidence of customers regardless of the cause.
SJ, 2008-2010:	SJ bears full responsibility toward its customers for the quality delivered by its suppliers.
SJ, 2008-2010, 2012:	Punctuality is often adversely affected by factors outside the company's control, such as low track availability. Poor quality affects customers' confidence in the company, regard less of who is to blame.
SJ, 2009-2011:	Nevertheless, the company's ability to influence its suppliers in the short term is still limited.
SJ, 2009-2010:	Customer demands regarding punctuality and service are growing. SJ aims to satisfy these demands and sets stringent targets for service quality development.
SJ, 2011:	As a result, there is a major risk of service disruptions. The severe winters of 2009 and 2010 demonstrated the vulnerability of the railway system, in that inadequate snow clearance, as well as frozen points, falling overhead contact lines etc. led to train cancellations and delays.
SJ, 2011:	To reduce its vulnerability, SJ has decided with effect from 2012 to bring train cleaning in-house.
SJ, 2011-2012	Service disruption management Suppliers SJ is dependent on certain strategic suppliers, dealing for example with maintenance and cleaning, and if they do not fulfil agreed commitments SJ will not be able to satisfy customer requirements for punctuality, service and cleanliness.
SJ, 2012:	The infrastructure is inadequate partly because it restricts expansion of cargo and passenger services and partly because it has for many years suffered from a drastic neglect of maintenance, which may lead to service disruptions.
SJ, 2012:	SJ works with suppliers to achieve high quality, and incentive agreements linked to quality parameters are in place and monitored continuously.
SJ, 2012:	To increase quality, SJ has decided with effect from 2012 to take train cleaning in-house.

Appendix 8: Comparson of share of words addressing the different pillars betewen full annual report 2014 and Board of Director's report 2014



Appendix 9: An excerpt of the pictures in the annual reports of SAS, Norwegian and SJ in the year 2014

9.1 SAS



9.2 Norwegian



"Norwegian is one of the world's fastest growing airlines. But big is not necessarily beautiful. At Norwegian we believe growth must be profitable, whether it be less, equal to, or more than the market average."



"We promote an environment free from any discrimination, be it religion, skin colour, gender, sexual orientation, age, nationality, race or disability."



"Norwegian gives weight to have staff with expertise related to tip tasks and is committed to recruit both women and men to these positions."

"Norwegian hires crew members where they are based, a win-win for both Norwegian, its employees and the local community."

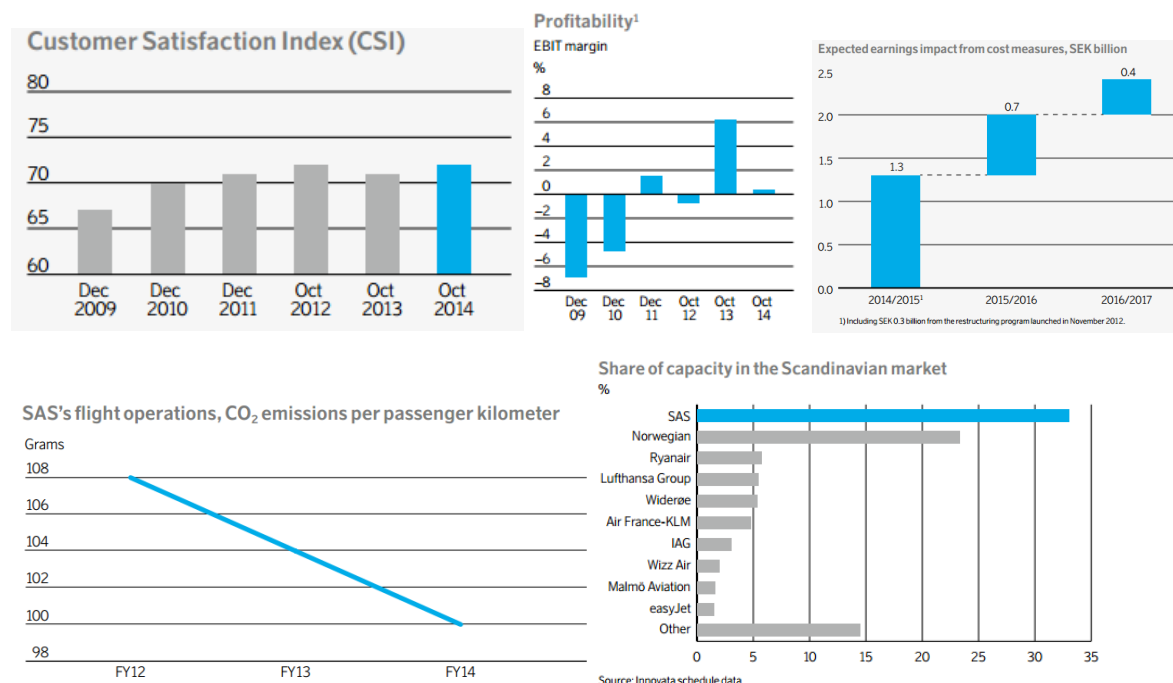


9.3 SJ

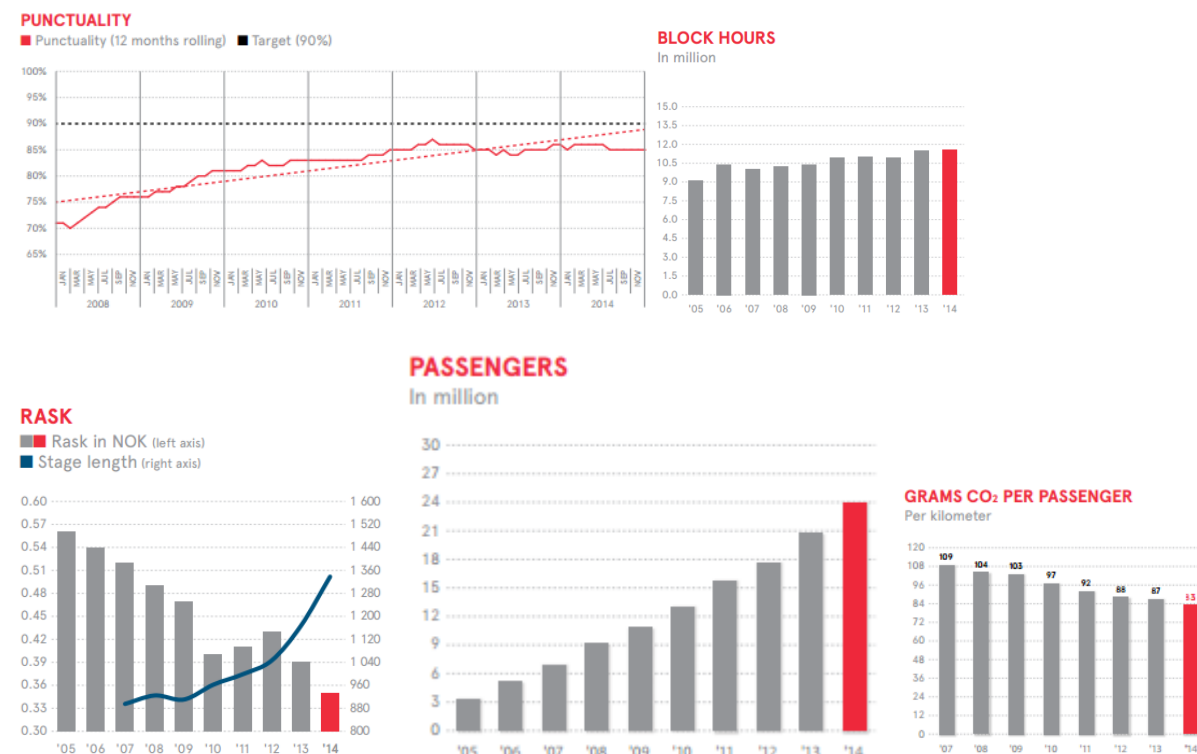


Appendix 10: An excerpt of the graphs used in the annual report

10.1 SAS



10.2 Norwegian



10.3 SJ

