

Corporate governance report

This corporate governance report, prepared by the company's Board of Directors, covers corporate governance during the 2019 financial year. The corporate governance report is submitted in accordance with the Swedish Annual Accounts Act and the Swedish Corporate Governance Code. The corporate governance report has been reviewed by KPMG, whose opinion follows immediately after the report.

Corporate governance within ÅF Pöry AB

ÅF Pöry AB is a Swedish public limited company domiciled in Stockholm. The company's Class B shares are listed on Nasdaq Stockholm. Governance, management and control are divided between the shareholders, the Board of Directors, the CEO and senior management in accordance with applicable laws, rules and recommendations and with ÅF Pöry AB's Articles of Association and internal regulations. The General Meeting of Shareholders is the company's highest decision-making body, where the shareholders exercise their voting rights. The Board of Directors and Chairman of the Board are elected by the General Meeting after proposals by the Nomination Committee. The Board of Directors appoints the CEO. The administration by the Board of Directors and President and CEO, as well as the financial statements are examined by the external auditor elected by the Annual General Meeting. To streamline and intensify the work on some matters the Board of Directors has set up an Audit Committee and a Remuneration Committee. ÅF Pöry AB's internal audit is an important support function for the Audit Committee.

ÅF Pöry AB applies the Swedish Corporate Governance Code (available at www.corporategovernanceboard.se) and did not deviate from it in 2019. ÅF Pöry AB complies with Nasdaq Stockholm's Rules for Issuers (available at nasdaq.com/solutions/rules-regulations-stockholm) and generally accepted stock exchange practice. The highest internal instrument of governance is the Articles of Association adopted by the shareholders' meeting. The Board of Directors has adopted rules of procedure and instructions for the work of the Board, its committees and the CEO. In addition, the company has adopted internal governing documents that clarify procedures and the allocation of responsibility and powers within important relevant areas, such as the Code of Conduct, governance, risk management, quality, the working environment, infor-

mation security, data protection, sustainability, anti-corruption, whistle-blowing and regulatory compliance.

Ownership structure

ÅF Pöry AB has issued two classes of shares: Class A shares and Class B shares. Each Class A share is entitled to 10 votes, and each Class B share to 1 vote.

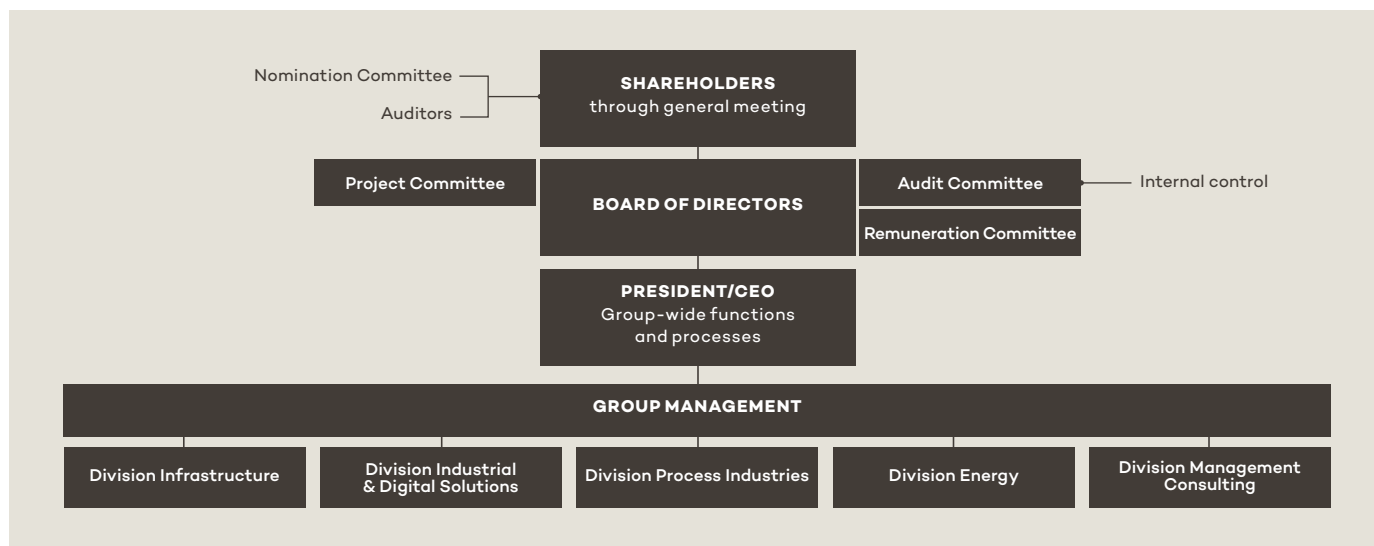
Share distribution at 31 December 2019

Number of shareholders	14,791
Class A shares	4,290,336
Class B shares	107,883,792
Total number of shares	112,174,128
of which own Class B shares	–
Votes	150,787,152

The largest shareholder at the end of 2019 according to Euroclear was the ÅForsk Foundation, with 33.6 percent of the votes. SEB Funds had 7.0 percent and Handelsbanken Funds had 5.8 percent of the votes.

ÅF Pöry AB Annual General Meeting

The General Meeting of Shareholders that is held within six months of the close of the financial year and that adopts the income statement and balance sheet is called the Annual General Meeting. Shareholders registered in the share register on the record date and who have provided advance notice of their participation have the right to participate in the Meeting. Notice to attend is published on the company's website and advertised in the Swedish Official Gazette (Post- och Inrikes Tidningar). The fact that notice to attend has been given is published in Dagens Industri. The 2019 AGM was held at ÅF Pöry AB's head office in Solna, Sweden, on 15 May 2019. In total, 191 shareholders participated, representing 60 percent of the share capital and 70 percent of the votes in the company. In addition to the election of the Board of Directors, the AGM resolved to introduce the 2019 Staff Convertible Programme and authorised the Board of Directors to acquire and transfer own shares and to





resolve to issue new Class B shares. The minutes of the AGM and all documentation can be found on ÅF Pöry AB's website under the corporate governance section.

Nomination Committee

In accordance with the principles for the Nomination Committee passed at ÅF Pöry AB's 2018 AGM, the members of the Nomination Committee are appointed by at least three and at most five of the shareholders with the most votes, together with the Chairman of the Board. The names of the members were published more than six months before the AGM. The Nomination Committee for the 2020 AGM comprises: Magnus Olofsson (Chair), appointed by the ÅForsk Foundation; Johan Strandberg, appointed by SEB Funds; Monica Åsmyr, appointed by Swedbank Robur Funds; Lilian Fossum Biner, appointed by Handelsbanken Funds; Henrik Ehrnrooth, appointed by Corbis S.A.; and Anders Narvinger, Chairman of the Board.

Duties of the Nomination Committee

The duties of the Nomination Committee are to present proposals ahead of the AGM on the number of directors, the composition and remuneration of the Board of Directors, as well as any separate remuneration for Committee work. Moreover, the Nomination Committee shall present a proposal for the chairs of the Board of Directors and AGM, as well as for the auditors and their remuneration. As part of its duties, the Nomination Committee is to fulfil in other respects the tasks incumbent on the Nomination Committee under the Swedish Corporate Governance Code.

Work of the Nomination Committee

In the period up to and including 26 March 2020, the Nomination Committee for the 2020 AGM held four minuted meetings and maintained contact between meetings. To assess the extent to which the current Board of Directors fulfils the requirements to be made of the Board based on the company's situation and future focus, the Nomination Committee has discussed the size of the Board and its composition as regards experience of the industry, skills and diversity, for example. The company applies the Swedish Corporate Governance Code item 4.1 as its diversity policy for the Board of Directors. This means that the Board's composition is to be appropriate with respect to the company's business, stage of development and conditions in general, with diversity and breadth in terms of the skills, experience and background of the members elected by the AGM. Even gender distribution shall be pursued. The Board of Directors is made up of three women and six men. The Nomination Committee believes it is important for future nomination committees to continue emphasising even gender distribution, with the objective of further increasing the percentage of women on the company board in the future.

As a basis for the committee's work for the 2020 AGM, the Chairman of the Board has informed the committee about the work of the Board of Directors during the year and of the work undertaken by the Audit Committee and the Remuneration Committee. An external adviser has evaluated the Board of Directors and its work in 2019 by interviewing individual directors. The Nomination Committee has reviewed the results of this evaluation. The Nomination Committee has also evaluated the levels of fees for the Board of Directors. No remuneration has been paid for the work of the Nomination Committee. All shareholders are entitled to contact the Nomination Committee and propose board members. The committee's proposals, the report on the committee's work prior to the 2020 AGM, and supplementary information on proposed members of the Board of Directors will be published in connection with the meeting notice and will be presented at the 2020 AGM.

Board of Directors

The Board of Directors of ÅF Pöry AB is to consist of a minimum of six and a maximum of ten members with a maximum of five deputies to be appointed by the General Meeting. Nine board members were elected at the 2019 AGM. Apart from this the employees have two

ordinary representatives on the Board of Directors, with two deputies. The President and CEO does not sit on the Board of Directors. The following members were re-elected to the Board of Directors for 2019 as proposed by the Nomination Committee: Jonas Abrahamsson, Gunilla Berg, Henrik Ehrnrooth, Anders Narvinger, Joakim Rubin, Kristina Schauman, Anders Snell and Ulf Södergren. Salla Pöry was elected as a new member of the Board. Maud Olofsson declined re-election. Anders Narvinger was re-elected by the AGM to serve as Chairman of the Board up until the close of the next AGM. For more information on the Board of Directors, please refer to pages 136-137 of the annual report. The Nomination Committee's proposed fees to be paid to the Board of Directors were approved by the AGM.

Responsibilities and obligations of the Board of Directors

The Board of Directors of ÅF Pöry AB is responsible for overall administration of the Group, and for organising it in accordance with the Swedish Companies Act. The work of the Board of Directors revolves mostly around strategic direction, business plans, budgeting, annual accounts and acquisitions, and other decisions which must be dealt with by the Board of Directors under the resolutions procedures. On one occasion per year, the Board of Directors meets with the company's auditors without the presence of management. On one occasion each year, the Board of Directors discusses issues related to succession planning for senior executives in the company. As in previous years, a Remuneration Committee and Audit Committee have been appointed within the Board of Directors. The Board of Directors also decided to establish a special "Project Committee" tasked with reviewing and approving very large and important projects and assignments that the company is considering, from a financial perspective. For the Board of Directors, these committees are preparatory bodies and do not limit the Board of Directors' overall responsibility for the management of the company or the decisions made by the Board.

Diversity policy for the Board of Directors

Rule 4.1 of the Swedish Corporate Governance Code is applied as a diversity policy for the Board of Directors. The aim is for the Board of Directors to have an appropriate and versatile composition regarding experience and background, and that there should be even gender distribution on the Board. The Nomination Committee's proposal means that the Board of Directors is made up of three women and six men, which means that it does not fully live up to the even gender distribution objective. The Nomination Committee believes it is important for future nomination committees to continue emphasising even gender distribution, with the objective of further increasing the percentage of women on the company board in the future.

Independence of the Board of Directors

The composition of the Board of Directors of ÅF Pöry AB meets the requirements of the Swedish Corporate Governance Code concerning independent members. Member of the Board of Directors Anders Snell is dependent in relation to ÅF Pöry AB's shareholders with the most voting rights but is independent of the company and Group management. None of the other Board members are dependent in relation to the company's largest shareholders, the company or Group management.

Work of the Board of Directors

ÅF Pöry AB's Board of Directors annually adopts written rules of procedure that clarify the directors' internal rules of procedure and responsibilities, resolutions procedure within the Board, the Board's schedule of meetings, notice to attend, agenda and minutes of Board meetings and the work of the Board on accounting and audit matters. The Board of Directors holds an inaugural meeting in connection with the AGM. In addition, the Board of Directors is required to meet at least six times per calendar year. Each ordinary meeting of the Board of Directors follows an agenda as established in the rules of procedure for the Board of Directors, which includes a report

by the President and CEO, financial reports and strategic matters.

In 2019 the Board of Directors held thirteen meetings including one inaugural meeting. Four of the meetings were held in connection with the publication of the company's interim reports. The relatively large number of Board meetings were due to the acquisition of Pöyry.

The CEO presents reports at the meetings, and the company's CFO and other members of Group management also participate to present reports on particular issues. The Group's senior legal adviser acts as Secretary to the Board of Directors.

Remuneration Committee

The task of the Remuneration Committee is to prepare the guidelines for the remuneration of senior executives which is then decided by the AGM, and to submit proposals to the Board of Directors for the salary and terms and conditions for the CEO. On behalf of the Board, the committee is also to deal with matters regarding salary and other terms of employment for senior executives who report directly to the President and CEO, and deal with general terms of employment and remuneration matters affecting all employees of the company.

The Remuneration Committee held three minuted meetings during the year. Since the inaugural meeting of 2019, the Committee has consisted of Anders Narvinger (Chair), Joakim Rubin and Henrik Ehrnrooth.

Audit Committee

The Audit Committee is a vital communication link between the Board of Directors and the company's auditors. The Board's Audit Committee is responsible for the auditor selection procedure, which is detailed in the Auditors Ordinance, and for submitting its auditor recommendation to the Nomination Committee at the general meeting of shareholders. The Audit Committee supports the Board of Directors in its work of quality assurance of financial reporting and following up the audit findings of the external auditors. The company's internal audit staff support the committee in its work.

The Audit Committee held six minuted meetings during the year. Since the inaugural meeting of the Board of Directors in 2019, the Committee has consisted of Kristina Schauman (Chair), Gunilla Berg and Anders Snell. KPMG, the company's audit firm, has been represented by chief accountant Joakim Thilstedt.

Project Committee

The Board of Directors also decided at its meeting on 4 September 2019 to establish a special "Project Committee" tasked with reviewing and approving very large and important projects and assignments that the company is considering, from a financial perspective. This Committee has held one minuted meeting during the year since it was formed. The Committee consists of Anders Narvinger (Chair), Gunilla Berg and Henrik Ehrnrooth.

Evaluation of the Board of Directors and CEO

An external advisor conducted an evaluation of the Board of Directors' work in 2019 by interviewing individual members of the Board and the CEO. The evaluation includes climate of cooperation, breadth of knowledge and board work performance. The intention of the evaluation is to gain an understanding of the effectiveness of the board work and the opinions of the Board members on this matter. The Board of Directors also regularly evaluates the work of the President and CEO by following business performance against targets set. Once a year a formal evaluation is made that is discussed with the President and CEO.

Remuneration of the Board of Directors

Remuneration of members of the Board of Directors for board and committee work is proposed by the Nomination Committee and approved by the AGM. The Nomination Committee's proposals are based on comparisons with remuneration at other companies of similar size in the same industry. Information on remuneration to members of the Board of Directors can be found in Note 6. Members of the Board of Directors do not participate in the Group's incentive programmes.

Auditors

The task of the auditors is to examine on behalf of the shareholders the company's bookkeeping and annual accounts and the administration by the Board of Directors and President and CEO. The annual accounts and consolidated accounts are audited. The auditors also review the nine-month interim report for the period up to September each year and attend some Audit Committee meetings. A review is also carried out of the Group's corporate governance report and of compliance with the guidelines approved by the AGM relating to remuneration of senior executives. The 2019 AGM re-elected the

Board composition and attendance at Board and Committee meetings, 2019

Directors	Board meetings	Audit Committee	Remuneration Committee	Project Committee	Independent of major shareholders	Independent of the company and its management
Anders Narvinger	14/14		3/3	1/1	Yes	Yes
Jonas Abrahamsson	14/14				Yes	Yes
Gunilla Berg	14/14	6/6		1/1	Yes	Yes
Henrik Ehrnrooth	11/14		3/3	1/1	Yes	Yes
Maud Olofsson ¹	5/14				Yes	Yes
Salla Pöyry ¹	8/14				Yes	Yes
Joakim Rubin	14/14		3/3		Yes	Yes
Kristina Schauman	13/14	6/6			Yes	Yes
Anders Snell	14/14	6/6			No	Yes
Ulf Södergren	13/14				Yes	Yes
Employee representatives						
Tomas Ekvall	14/14				Yes	No
Stefan Löfqvist ²	13/14				Yes	No
Guojing Chen (deputy) ³	0/14				Yes	No
Jessica Åkerdahl (deputy) ³	1/14				Yes	No

¹ Maud Olofsson left the Board of Directors at the 2019 AGM, while Salla Pöyry joins the Board of Directors at the 2019 AGM.

² Stefan Löfqvist was elected employee representative on 24 April 2019, before which he was a deputy.

³ Guojing Chen and Jessica Åkerdahl were elected as deputies on 24 April 2019.



auditing firm KPMG, represented by Joakim Thilstedt as the auditor in charge, to serve as the company's auditor until the end of the 2020 AGM. The Audit Committee concluded that it will recommend that the Nomination Committee propose the appointment of KPMG as auditor to the 2020 AGM for the period extending up until the 2021 AGM. See Note 5 for more detailed information on audit fees.

President and CEO

The CEO is responsible for ensuring that ongoing administration of the company is managed according to the Board of Directors' guidelines and directions. In consultation with the Chairman of the Board, the CEO produces the information and documentation needed as supporting information for the Board's work, to enable the Board to make well-informed decisions. The CEO supported by the executive management. The CEO and executive management, with the support of various staff functions, are responsible for the Group's fulfilment of its overall strategy and its financial and business controls, as well as the Group's financing, capital structure, risk management and acquisitions.

Group management

At the end of 2019 Group management consisted of CEO Jonas Gustavsson, CFO Juuso Pajunen, and eight others. Group management normally meets once a month to discuss matters such as the Group's financial performance, acquisitions, Group-wide development projects, succession planning and professional development, together with other strategic issues. In 2019, Group management held 12 full-day meetings, as well as a two-day meeting with additional Group managers. Once a month the CEO and the CFO discuss each of the divisions' income statements, balance sheets, key ratios and major projects with the relevant president and controller. Three times a year a whole-day review is held with each division to examine more long-term issues, including HR, strategy and budget. For more information about the members of Group management, please see pages 138–139 of the annual report.

Remuneration of senior executives

Every year the AGM adopts guidelines for the remuneration of senior executives. The guidelines adopted at the 2019 AGM and information on remuneration of senior executives paid in 2019 can be found in Note 6 for the Group.

The Remuneration Committee's evaluation led to the conclusion that the guidelines for remuneration of senior executives adopted by the 2019 AGM have been followed.

The Board of Directors proposed 2020 guidelines for remuneration of ÅF Pöyry AB's CEO and senior executives are described in the Administration Report on pages 55–56.

Board of Directors' description of internal control

The Board of Directors' responsibility for internal control is governed by the Swedish Companies Act and the Swedish Corporate Governance Code that contain requirements for annual external provision of information on how internal control is organised as regards financial reporting. Board members must keep themselves informed and evaluate the internal control system regularly. Internal control in ÅF Pöyry AB has been designed with the aim of efficient and appropriate business operations, reliable financial reporting and compliance with applicable laws and ordinances. The company divides its internal controls over financial reporting into the following components: control environment, risk assessment, control activities, information and communication, and follow-up.

Control environment

The control environment forms the basis of internal control as regards financial reporting. An important part of the control environment is that decision lines, powers and responsibility are clearly defined and communicated between different levels of the organisation and that governing documents in the form of policies, guidelines and manuals are available. A description of internal con-

trol in ÅF Pöyry AB can be found in the process-oriented management system used for business control and support. A description is given here of the organisational structure and the powers and responsibility that are associated with the various business roles. The process-orientation of the management system provides control procedures and tools for the operation in question, thus creating a sound basis for meeting set requirements and expectations of a good control environment. The management system is available for all employees via ÅF Pöyry AB's intranet.

Risk assessment

ÅF Pöyry AB's risk assessment regarding financial reporting aims to identify and evaluate the most significant risks in the Group's companies, business areas, divisions, processes and operations, which in turn may impact financial reporting. The risk assessment results in a reference as to how the risks should be managed and controlled, and in control activities that support the basic requirements of the external financial reporting. Risks are assessed, reported and dealt with by ÅF Pöyry AB centrally, together with the divisions. Further, risks are assessed and dealt with in other contexts, such as risks linked to fixed price projects and acquisitions.

Control activities

To ensure that the business is run efficiently and that the scheduled financial reports consistently provide a fair presentation of the situation, each process has several built-in control activities. These control activities involve all levels of the Group. Responsibility for implementing control activities is distributed in the Group, where clear roles ensure efficiency and reliability. Specific control activities are in place, aimed at discovering or preventing risks of misstatements in the financial reporting in a timely manner. Performance analysis is carried out on a continuous basis for all of the Group's entities, including the foreign entities. Other control activities are carried out in the divisions' central accounting functions and through ÅF Pöyry AB's Group Accounting and Reporting Department. All accounting and reporting activities for the Group's Swedish operations are centralised under an accounting unit based at the Group's head office, using standardised control processes. Control activities include profit analyses and other controls in respect of revenue and receivables, payments, non-current assets, work in progress, wages and salaries, VAT/tax, book-keeping, consolidation and reporting as well as the maintenance of databases.

Information and communication

Information and communication of policies, process descriptions, procedures and tools applicable to financial reporting can be found in the management system that is available to all those concerned via the Group's intranet. Updates are carried out in the event of any changes in internal or external requirements or expectations regarding financial reports. For communication with external parties there is a communication policy that sets out guidelines for how this communication should take place. The purpose of the policy is to ensure correct and complete compliance with all information obligations. The purpose of the internal communication guidelines is that all employees understand the company's values and business. To achieve the objective of informed employees, there is active internal work, in which information is regularly communicated via the Group's intranet and in other ways.

Follow-up

Compliance and efficiency of internal controls are followed up on a continuous basis both by the Board of Directors and management to ensure the quality of the processes. The company's financial situation and strategy in respect of its financial position are considered at every Board meeting. In addition, the Board of Directors receives monthly reports on the financial position and development of the business. The Audit Committee fulfils an important function by ensuring control activities for material risk areas in the processes for the financial reporting. The Audit Committee, management and



the internal audit function regularly follow up reported deficiencies. ÅF Pöry AB's system for financial management and control paves the way for effective financial follow-ups throughout ÅF. Reports are generated monthly for each profit centre and reports on project finances are typically reliable and detailed. Identified errors and measures taken are reported in the line organisation to the immediate superior. ÅF Pöry AB conducts audits in the operations to monitor application of internal control and the management system to live up to the Group's internal ambitions, external requirements and expectations. Priority areas for this audit are the Group's brands, core values and ethics, processes and systems as well as the projects that the Group has undertaken to carry out. Reporting is to the President and CEO and the Board of Directors' Audit Committee.

Sustainability

ÅF Pöry AB focuses on long-term strategic work aimed at ensuring the company becomes a more sustainable company. The ten principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the Global Objectives for Sustainable Development form a foundation for the work. The company's non-financial goals govern the priorities that are set up for the area. This sustainability work is intended to contribute to the company's growth and is, therefore, followed up by both the Board of Directors and by Group management. The statutory sustainability report, whose content is stated on page 118 in the annual report, has been approved for issue by the Board of Directors.

Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders in ÅF Pöry AB, corporate identity number 556120-6474

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2019 on pages 131–134 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 *Auditor's review of the corporate governance report*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted

auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinion

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 26 March 2020
KPMG AB

Joakim Thilstedt
Authorised Public Accountant