

Corporate governance report

This corporate governance report has been submitted in accordance with the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance. The report covers the corporate governance of ÅF during financial year 2012.

ÅF did not deviate from the Code in 2012. There have been no breaches of NASDAQ OMX Stockholm's Rules for issuers or of generally accepted stock exchange practice.

The corporate governance report has been reviewed by Ernst & Young.

Corporate governance at ÅF

ÅF AB is a Swedish public company with its registered office in Stockholm. The company's class B shares are listed on the Nasdaq OMX Stockholm exchange. Governance, management and control are divided between the shareholders, the Board of Directors and the President/CEO in accordance with the applicable laws, rules and recommendations and with ÅF's articles of association and internal regulatory framework.

The articles of association adopted by the AGM are the most important instrument for the company's internal governance, followed by the board's formal work plan and the board's instructions for the President/CEO. ÅF has also introduced and developed other processes and control systems to ensure effective and profitable growth.

For the purpose of streamlining and strengthening its work in certain areas, the board has appointed an Audit Committee and

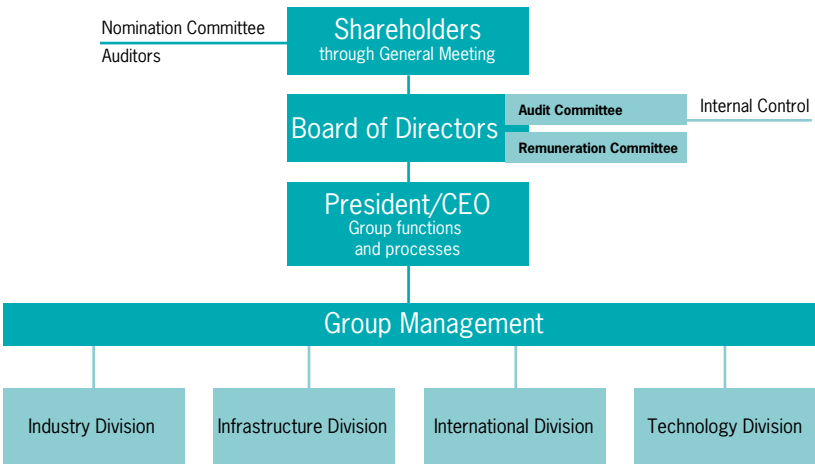
a Remuneration Committee. One important support function for the Audit Committee is ÅF's Internal Audit and Sustainability Function.

The administration of the company by the Board of Directors and the President/CEO, as well as the company's financial reporting are reviewed by the external auditor appointed by the AGM.

Internal policies and instructions constitute essential management documents for the whole company, clarifying responsibility and authority within specific areas, such as information security, regulatory compliance and risk management.

ÅF's Annual General Meeting for 2012

The AGM for 2012 was held at the ÅF Group's head office in Solna, Sweden, on 7 May. It was attended by 161 shareholders, representing 54 percent of the share capital and 69 percent of the total number of votes. The minutes of the meeting together with all the documentation issued prior to the AGM are available on the ÅF website, under the section for Corporate Governance.



The 10 largest owners on 31 December 2012

Owner	A shares	B shares	Holding %	Votes %
Ångpanneföreningen's Foundation for Research & Development	1,602,876	3,832,576	13.6	36.4
Danir AB	0	5,985,915	14.9	11.0
Swedbank Robur investment funds	0	2,731,024	6.8	5.0
CapMan Oyj	0	1,923,133	4.8	3.5
Nordea investment funds	0	1,802,161	4.5	3.3
AFA Försäkring	0	1,347,593	3.4	2.5
SHB investment funds	0	1,078,156	2.7	2.0
Odin investment funds	0	981,307	2.5	1.8
SHB investment funds (Finland)	0	952,000	2.4	1.7
SEB investment funds	0	859,775	2.1	1.6

Extraordinary General Meeting

On 19 November an extraordinary general meeting of shareholders took place as a consequence of the need to make a non-cash issue to Danir AB in connection with the acquisition of the Epsilon Group, a change to the company's articles of association, and the inclusion of a further two members on the Board of Directors. The minutes and other documentation relating to the extraordinary general meeting can be found on the ÅF website under the section devoted to Corporate Governance.

Nomination Committee

In accordance with a resolution passed at the AGM on 7 May 2012, the Nomination Committee shall, up until the time of the 2013 AGM, consist of the Chairman of the Board together with representatives for at least three and at most five of the shareholders with the largest number of votes in the company. The names of the members of the committee shall be announced no later than six months before the 2013 AGM.

The Nomination Committee comprises: Staffan Westlin (Chair), representing Ångpanneföreningen's Foundation for Research & Development; Annika Andersson appointed by Swedbank Robur; Ulf Dinkelspiel, in his capacity as Chairman of the Board of ÅF; Jan Särilvik appointed by Nordea Fonder; Karl Åberg, appointed by CapMan Public Market Funds; and also, in connection with the acquisition of Epsilon, Göran Larsson, Chairman of the Board of Danir AB.

Duties of the Nomination Committee

The Nomination Committee submits proposals, prior to the AGM, on the number of board members, the composition and remuneration of the board, and any fees payable for committee work. The committee shall also submit proposals on who is to chair the Board of Directors and the AGM and on auditors and their fees. In accordance with its remit, the committee shall also carry out those duties assigned to it under the Swedish Code of Corporate Governance.

Work of the Nomination Committee

In the period up to and including February 2013 the committee has held 5 minuted meetings and maintained contact between meetings. To assess how well the present Board of Directors meets the demands that will be placed on the board in consequence of the company's position and future focus, the committee has discussed the size and composition of the board in relation to, for example, experience in the industry and specialist expertise. As a basis for the committee's work, the Chairman of the Board has informed the committee about the work of the board during the year and of the work undertaken by the Audit Committee and the Remuneration Committee. The Nomination Committee has also familiarised itself with the results of the evaluation of the board and its work, and interviewed individual members of the board.

No remuneration has been paid for work on the committee.

All shareholders are entitled to approach the committee with suggestions for board members. The committee's proposals, the report on the committee's work prior to the 2013 AGM, and supplementary information on the proposed members of the board will be published in connection with the notice convening the 2013 AGM, and will be presented at the meeting.

Board of Directors

The Board of Directors of ÅF shall consist of a minimum of six and a maximum of ten members, with a maximum of five deputies appointed by the AGM. The 2012 AGM appointed eight directors with no deputies. An extraordinary general meeting held on 19 November 2012 appointed a further two board members. The President/CEO of ÅF is not a member of the board. The company's employees are, however, represented on the board.

Kristina Schauman and Joakim Rubin were elected as new directors of the company by the 2012 AGM. Patrik Enblad and Helen Skåntorp stood down from re-election. Ulf Dinkelspiel, Anders Narvinger, Eva-Lotta Kraft, Björn O. Nilsson, Anders Snell and Lena Treschow Torell were re-elected. Ulf Dinkelspiel was elected by the AGM to serve as Chairman of the Board up until the next AGM. The board elected Lena Treschow Torell as its Deputy Chair. At an extraordinary general meeting held on 19 November Johan Glennmo and Dan Olofsson were appointed as new members of the board. The President/CEO of ÅF, Jonas Wiström, does not sit on the board, but participates in board meetings to present reports. The Group's CFO, Stefan Johansson, also participates to present reports. Viktor Svensson, Executive Vice President Corporate Information, serves as secretary to the board. For more information on the Board of Directors, please refer to pages 112–113.

Independence of members of the board

The composition of the board of ÅF meets the requirements for independent directors laid down by the rules of the Nasdaq OMX Stockholm and the Swedish Code of Corporate Governance. Directors Björn O. Nilsson, Anders Snell, Johan Glennmo and Dan Olofsson are considered to hold positions of dependence with regard to some of ÅF's major shareholders. Johan Glennmo and Dan Olofsson are also considered to hold positions of dependence in view of the additional consideration that may be paid to Danir as a consequence of ÅF's acquisition of Epsilon.

Work of the Board of Directors

Each year the board produces a written formal work plan which sets out the responsibilities of the board, and which governs the allocation of duties among board members, the rules for decision-making, dates and times of board meetings, notification, agenda and minutes for board meetings, and the board's work with accounting and auditing matters. The ÅF board holds an inaugural meeting immediately after the AGM, after which it is required to meet at least four times per calendar year. Every ordinary board meeting follows the agenda set out in the board's formal work plan, which includes a report from the President/CEO, financial reports and various strategic matters. The board has opted to appoint a Remuneration Committee and an Audit Committee.

Work during the year

During 2012 the board held 14 meetings in addition to the inaugural meeting, including two per capsulam and three telephone meetings for which the relevant documentation was sent out in advance. Four of the meetings were held in connection with the publication of the company's interim reports. In connection with the board meeting in September, a visit was made to ÅF's office in Helsinki.

The work of the board revolves mostly around strategic issues, business plans, budgeting, accounts and acquisitions, in addition to other decisions which, under the company's rules for decision-making, are dealt with by the board. Reports on the

Attendance at Board/Committee meetings 2012

		Board	Remuneration Committee	Audit Committee
Total number of meetings		14	3	4
Ulf Dinkelspiel, Chairman of the Board		14	3 (Chair)	2
Patrik Enblad, Director	Resigned at 2012 AGM	3		
Johan Glennmo, Director	w.e.f. 29 November 2012	1		
Eva-Lotta Kraft, Director		14		4
Anders Narvinger, Director		14	3	
Björn O. Nilsson, Director		13		
Dan Olofsson, Director	w.e.f. 29 November 2012	1		
Joakim Rubin, Director	w.e.f. 2012 AGM	11		
Kristina Schauman, Director	w.e.f. 2012 AGM	11		3 (Chair)
Helena Skåntorp, Director	Resigned at 2012 AGM	3		1 (Chair)
Anders Snell, Director		14		
Lena Treschow Torell, Deputy Chair		13	3	
Fredrik Sundin, Employee representative		12		
Anders Toll, Employee representative	Deputy until 2012 AGM	11		
Anders Forslund, Employee rep. (deputy)		2		
Magnus Forslund, Employee rep. (deputy)	Resigned at 2012 AGM	0		
Patrik Tillack, Employee rep. (deputy)	Employee rep. until 2012 AGM	4		

Employee representatives' deputies attend only when the employee representative is absent and in conjunction with the inaugural meeting of the board.

progress of the company's operational activities and finances are a standing item on the agenda. A strategy seminar was held at the meeting in September, and included a thorough review of each division. Most of the ordinary board meetings include an in-depth presentation of one of ÅF's business areas or departments.

On one occasion each year the board discusses issues related to succession planning for senior executives in the company.

Evaluation of the Board of Directors and President/CEO

Once a year, the Chairman of the Board initiates an evaluation of the work of the board by issuing each director with a detailed questionnaire, which is answered anonymously. The questionnaire covers areas such as the climate of cooperation, the breadth of expertise available and the manner in which the work of the board has been carried out. The object of the evaluation is to obtain an understanding of the directors' opinions on how the work of the board has been carried out, and what measures may be taken to improve the efficiency of this work. The results of the questionnaire are discussed by the board and communicated to the Nomination Committee.

The Board of Directors evaluates the work of the President/CEO on an ongoing basis, by monitoring the progress of the business against the targets that have been set. A formal evaluation is carried out once a year, and the results are discussed with the President/CEO.

Remuneration Committee

The Remuneration Committee is tasked with considering and making recommendations on salaries, other terms of employment and incentive programmes for the President/CEO and Group management. The committee also deals with matters relating to overall conditions of employment and remuneration packages for all of the company's employees. The committee reports to the board. Prior to the 2013 AGM the committee has met on 3 occasions. The committee consists of Ulf Dinkelspiel (Chair), Anders Narvinger and Lena Treschow Torell. The President/CEO and ÅF's Director of Human Resources attend as co-opted members. Remuneration has been paid to the company's directors for their work on the committee.

Audit Committee

The Audit Committee is a vital communications link between the board and the company's auditors, supporting the work of the board by safeguarding the quality of financial reports and following up the results of the reviews and audits carried out by the external auditors. The company's internal audit staff support the committee in its work. Since the 2012 AGM the committee has consisted of Kristina Schauman (Chair), Ulf Dinkelspiel and Eva-

Lotta Kraft. All members are independent of the owners and the company's management. The committee held four minuted meetings in 2012. The company's auditor has attended all of the meetings of the committee. The CFO and the manager responsible for the Group Accounting and Reporting department attend as co-opted members. The company's internal auditor attends two meetings each year. Remuneration has been paid to the directors for their work on the committee.

Auditors

The Nomination Committee is tasked with proposing auditors to the AGM. The auditors work for and on behalf of the shareholders to audit the company's accounting records, the annual accounts and the administration of the Board of Directors and the President/CEO. The 2012 AGM appointed the accounting firm Ernst & Young AB, represented by Lars Träff as auditor in charge, as the company's auditors to serve to the end of the AGM in 2013. Ernst & Young carries out the audit of ÅF AB and major units within the ÅF Group. A full audit of the annual accounts is carried out, and there is also an examination of the nine-month interim report for the period up to September each year. An examination is also carried out of the Group's corporate governance report and of the compliance with the guidelines approved by the AGM relating to remuneration to senior executives.

CEO and Group management

The Board of Directors has delegated operational responsibility for the administration of the company and the Group to the company's CEO. The CEO leads operations within the framework laid down by the board. The board has adopted instructions for the division of responsibility between the board and the CEO, which are updated and approved each year.

The CEO has appointed a Group management team with day-to-day responsibility for various aspects of the Group's operation. From August 2012 this Group management team has consisted of the CEO, divisional Presidents, CFO, General Counsel, Executive Vice President for Corporate Information, head of Business Development and M&A, and the PA to the President, who serves as secretary to the Group management team. For further information about the members of the Group management team, please see pages 114–115.

ÅF's Group management team normally meets once a month, to discuss matters such as the Group's financial performance, acquisitions, group-wide development projects, succession planning and competence development, together with various other strategic issues. Eleven minuted meetings were held during 2012.

Once a month the CEO and the CFO discuss each of the divisions' income statements, balance sheets and key figures with the relevant divisional management team and conduct a status review of any major projects.

The board's description of internal controls

The board's responsibility for internal controls is regulated in the Swedish Companies Act and the Swedish Code of Corporate Governance, which set out requirements for annual external disclosures on how internal controls over financial reporting are organised.

Board members must keep themselves informed about the state of affairs in the company and evaluate the internal control system on a regular basis. Internal controls at ÅF are designed to ensure that the company's operations are efficient and fit for purpose, that financial reporting is reliable, and that applicable laws and regulations are complied with. ÅF divides its internal controls over financial reporting into the following components: Control environment, Risk assessment, Control activities, Information & Communication, and Follow-up.

Control environment

The control environment constitutes the basis for internal controls over financial reporting. One important aspect of the control environment is that decision paths, authority and responsibility are clearly defined and communicated between different levels of the organisation, and that guidance documents are available in the form of policies, guidelines and manuals.

A description of ÅF's internal control system is included in the company's process-orientated business management system used for managing and supporting day-to-day business operations. This sets out the organisational structure, together with the authority and responsibility vested in the various roles in the business. The process orientation of the management system guides users to the relevant routines and appropriate tools for the particular task in question, thus providing a sound basis for compliance with requirements and expectations. The management system is available to all employees via the ÅF intranet.

Risk assessment

ÅF's risk assessment in respect of financial reporting aims to identify and evaluate the key risks affecting financial reporting in the ÅF Group's companies, business areas, divisions and processes. Risk assessment results in control targets that help to ensure that the fundamental requirements of external financial reporting are met, and provides a basis for managing risk through a variety of control structures. The risks are consid-

ered, assessed and reported by ÅF centrally together with the divisions. Risks are also considered in specific constellations; for example, risks associated with fixed-price projects and acquisitions.

Control activities

In order to ensure that the business is run efficiently and that the scheduled financial reports consistently provide a true and fair view of the situation, each process has a number of built-in control activities. These involve all levels of the organisation.

Risks are accepted, reduced or eliminated. At ÅF these control activities comprise two elements: an organisation with clearly defined roles that facilitate an effective and, from an internal control perspective, appropriate division of responsibility; and specific activities that aim to identify or prevent the risk of reporting errors. For all ÅF units, including those outside Sweden, result analysis and other control activities take place continuously through the finance functions of the various divisions and the Group Accounting and Reporting department. All accounting and reporting activities for ÅF's Swedish operations are centralised under ÅF Business Services (ÅBS) at the Group's head office, where the processes have been standardised and are continuously being made more robust.

Control activities at ÅBS 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 & Communication

Information about and the communication of policies, process descriptions, routines and tools applicable to financial reports are contained in the management system that is available to the relevant personnel via the ÅF intranet. Updates are carried out in the event of any changes in internal or external requirements or expectations with regard to financial reports.

Communication with internal and external parties is governed by a communication and IR policy, which sets out guidelines for the form this should take. The policy aims to ensure that all disclosure obligations are met properly and in full. Internal communication aims to ensure that every employee understands ÅF's values and business activities. Information is actively communicated on an ongoing basis through the Group's intranet in order to keep employees informed.

Follow-up

Compliance and the efficacy of internal controls are followed up on an ongoing basis by both the board and management to guarantee the quality of the processes. The company's financial situation and strategy in respect of its financial position are considered at every board meeting. The board also receives detailed monthly reports on the company's financial position and the development of the business. The Audit Committee fulfils an important function by guaranteeing control activities for key risk areas in the financial reporting process. The Audit Committee, management and the internal audit function regularly follow up any reported non-conformances.

ÅF's system for financial management and control paves the way for effective financial follow-ups throughout ÅF. Monthly reports are submitted for each profit centre, and the reports on the financial performance of assignments reflect the highest standards of reliability and detail. Any errors that are identified and any measures that are taken are reported to the next level up in the line organisation. ÅF's internal audit function carries out independent audits to monitor whether the internal control and management systems live up to ÅF's internal ambitions and external requirements and expectations. Priority areas for ÅF's internal audits are the ÅF brand, ÅF's values and ethics, processes and systems, as well as the assignments that ÅF has undertaken to perform. Reports are submitted to the President/CEO and the board's Audit Committee.

Sustainable business development

The sustainability goals set up by ÅF constitute the basis for ÅF's long-term strategic work to become a more sustainable business. This sustainability work is to contribute to the company's growth and is therefore followed up by both the Board of Directors and by Group management. For further details about the work that ÅF is engaged in with regard to sustainability, please see pages 42–47.

Auditor's report on the Corporate Governance Statement

To the annual meeting of the shareholders of ÅF AB, corporate identity number 556120-6474

It is the board of directors who is responsible for the corporate governance statement for the year 2012 on pages 106–111 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory 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.

In our opinion, the corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, Sweden – 19 March 2013
Ernst & Young AB

Lars Träff
Authorised Public Accountant