

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, which has been drawn up by the company's Board of Directors and reviewed by the company's auditors, covers the corporate governance of ÅF during financial year 2013.

ÅF did not deviate from the Code in 2013. ÅF complies with the NASDAQ OMX rules for issuers and generally accepted Stock market 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 shareholders' meeting is the company's highest decision-making body and is the forum in which the shareholders exercise their voting rights. The Board of Directors and the Chairman of the Board are elected at the annual general meeting. The Board appoints the President/CEO.

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 Annual General Meeting.

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 Function.

The most important internal instrument of governance is the articles of association adopted by the shareholders' meeting. In addition, there are the Board's Rules of Procedure and the Board's instructions for the President/CEO.

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.

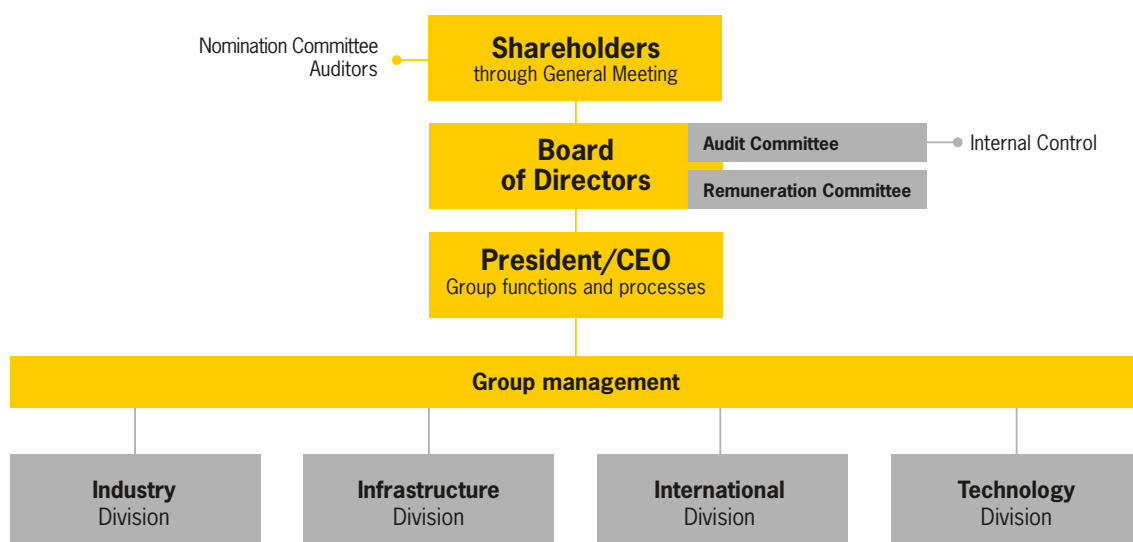
Ownership structure

ÅF has issued two classes of share: A shares and B shares. Each A share is entitled to 10 votes, and each B share to 1 vote. At the end of 2013, the total number of shareholders was 6,500, and the total number of shares was 39,486,135, of which 1,608,876 were A shares and 37,877,259 were B shares. The total number of votes was 53,582,369.

The largest shareholder was Ångpanneföreningen's Foundation for Research & Development with 36.8 percent of the votes. Swedbank Robur Fonder had 5.0 percent and CapMan 3.5 percent of the votes.

ÅF's Annual General Meeting

The shareholders' meeting held within six months of the end of the financial year, and which approves the income statement and balance sheet, is called the Annual General Meeting (AGM). Shareholders who are registered in the share



register on the record day, and who have given sufficient notice of participation, have the right to participate in the shareholders' meeting. The notice convening the meeting is published on the company's website and advertised in the Swedish Official Gazette. The fact that the notice convening the meeting has been published is advertised in Dagens Industri.

The AGM for 2013 was held at ÅF's Group Head Office in Solna, Sweden, on 26 April. A total of 180 shareholders participated, representing 64 percent of the share capital and 74 percent of the votes. In addition to the election of the Board of Directors, the meeting resolved on the introduction of the Staff Convertibles Programme 2013 and the Performance-related Share Programme (PSP) 2013, and also authorised the Board to acquire and transfer the company's own shares and to make a new issue of B shares. 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.

Nomination Committee

In accordance with a resolution passed at the AGM on 26 April 2013, the Nomination Committee shall, up until the time of the 2014 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. In addition, the Chairman of the Board shall be a member of the Nomination Committee. The names of the members of the committee shall be announced no later than six months before the 2014 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.

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 2014 the committee has held five 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 2014 AGM, and supplementary information on the proposed members of the Board will be published in connection with the notice convening the 2014 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. From and including the 2013 AGM, there are nine directors without deputies. The President/CEO of ÅF is not a member of the Board. In addition, the employees have two ordinary representatives on the Board, with two deputies.

The following members were re-elected to the Board of Directors for 2013: Ulf Dinkelspiel, Anders Narvinger, Björn O. Nilsson, Joakim Rubin, Kristina Schauman, Anders Snell and Lena Treschow Torell. Marika Fredriksson and Maud Olofsson were elected to the Board. 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. 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 100–101 of the annual report.

Independence of members of the Board

The composition of the Board of ÅF meets the requirements for independent directors laid down by the Swedish Code of Corporate Governance. Directors Björn O. Nilsson and Anders Snell are considered to hold positions of dependence with regard to ÅF's major shareholders.

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, a financial report and various strategic matters. The Board of Directors has decided to appoint a Remuneration Committee and an Audit Committee.

Work during the year

During the year, 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.

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

Participation in Board and Committee meetings 2013

	Board	Audit Committee	Remuneration Committee
Total no. of meetings, incl. the statutory meeting	14	4	5
Ulf Dinkelspiel (Chairman)	14	4	5
Lena Treschow Torell (Deputy Chair)	11		5
Marika Fredriksson ²⁾	8		
Johan Glenmo ¹⁾	5		
Eva-Lotta Kraft ¹⁾	5	1	
Anders Narvinger	13		5
Björn O. Nilsson	13		
Dan Olofsson ¹⁾	5		
Maud Olofsson ²⁾	7		
Joakim Rubin	14	3 ²⁾	
Kristina Schauman	14	4	
Anders Snell	14		2 ²⁾
Fredrik Sundin, Employee rep.	14		
Anders Toll, Employee rep.	14		

¹⁾ Until 26 April. ²⁾ Starting 26 April.

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 coop-

eration, 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. The committee consists of Ulf Dinkelspiel (Chair), Anders Narvinger, Anders Snell 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. The Audit Committee supports 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 2013 AGM, the committee has consisted of Kristina Schauman (Chair), Ulf Dinkelspiel and Joakim Rubin. All members are independent of the owners and the company's management. The committee held four minuted meetings in 2013. 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 auditors attend and report to the Board as required. 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 financial statements and the administration of the Board of Directors and the President/CEO. The 2013 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 2014. Ernst & Young carries out the audit of ÅF AB and major units within

the ÅF Group. A full audit of the annual financial statements is carried out. At the same time, 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 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. These 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 1 August 2013 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 102–103 of the annual report.

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. During 2013, nine minuted meetings were held, as well as a two-day meeting to which additional Group managers were invited.

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. In addition, meetings are held three times a year to discuss longer-term matters, focusing on HR, strategy and budget.

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 and 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 for an appropriate control environment. 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 considered, 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.

Responsibility for implementing control activities at ÅF is allocated appropriately in the organisation, with clear roles ensuring effectiveness and reliability. Specific internal control activities are in place, with the aim of identifying or preventing the risk of reporting errors. For all ÅF units, including those outside Sweden, result analysis takes place continuously. Other control activities are carried out through

the finance functions of the various divisions and ÅF AB's Group Accounting and Reporting department. All accounting and reporting activities for ÅF's Swedish operations are centralised under ÅF Business Services (ABS) at the Group's head office, using standardised control processes.

Control activities at ABS include profit analyses and other controls in respect of revenue and receivables, payments, noncurrent 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 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. The ten principles of the UN Global Compact and the OECD's guidelines are fundamental to this work. The company's sustainability objectives govern the priorities set in this 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. For further details about the work that ÅF is engaged in with regard to sustainability, please see pages 36–43.

Auditor's report on the Corporate Governance Statement

To the annual meeting of the shareholders of ÅF AB corporate ID No. 556120-6474 It is the Board of Directors who is responsible for the corporate governance statement for the year 2013 on pages 95–99 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 financial statements.

Stockholm Sweden – 10 March 2014

Ernst & Young AB

Lars Träff

Authorised Public Accountant