

# Corporate governance report

The report, which has been drawn up by the company's Board of Directors, covers the corporate governance of ÅF during financial year 2014. This corporate governance report has been submitted in accordance with the Swedish Annual Accounts Act and the Swedish Corporate Governance Code.

The corporate governance report has been reviewed by Ernst & Young AB, whose opinion follows immediately after the report.

## Corporate governance in ÅF

ÅF AB is a Swedish public limited 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, the CEO and the company's Group management in accordance with applicable laws, rules and recommendations and with ÅF's Articles of Association and internal regulations.

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 Chair of the Board are elected at the Annual General Meeting (AGM). The Board appoints the CEO. The administration of the company by the Board of Directors and the CEO, as well as

the company's financial reporting are reviewed by the external auditor appointed by the AGM.

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.

ÅF applies the Swedish Corporate Governance Code (available at [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)), and has made no deviations from this during 2014. ÅF complies with the NASDAQ OMX Rule Book for Issuers (available at [www.nasdaqomx.com](http://www.nasdaqomx.com)) and generally accepted stock exchange practice.

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 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

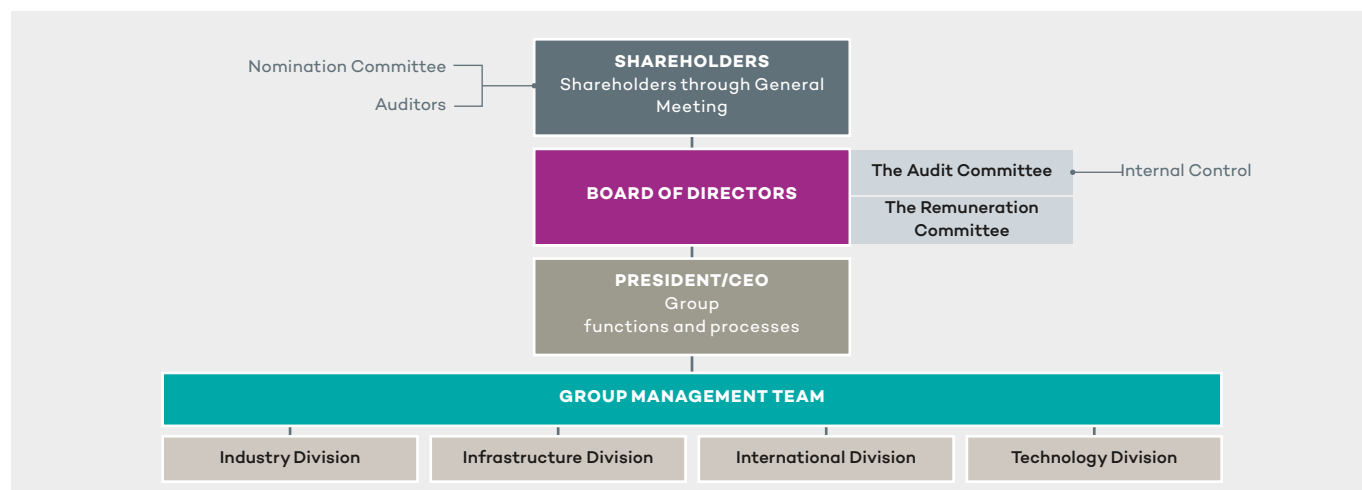
ÅF has issued two classes of share: A shares and B shares. Each A share is entitled to 10 votes, and each B share to

1 vote. On 17 June 2014, a share split was implemented, in which each existing share was divided into two new shares (2:1 split). At the end of 2014, the total number of shareholders was 8,877 and the total number of shares amounted to 78,204,970, of which 3,217,752 were Class A shares and 74,987,218 Class B shares, with the company holding 953,094 of its own Class B shares. The total number of votes was 107,164,738.

The largest shareholders at the end of the year were the ÅForsk Foundation with 37.1 percent of the votes, Swedbank Robur funds with 5.0 percent and Handelsbanken funds with 4.5 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. 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 AGM is published on the company's website and advertised in the Swedish Official Gazette. The fact that the notice convening the AGM has been published is advertised in Dagens Industri. The 2014 AGM was held at ÅF's Group Head Office in Solna, Sweden, on 5 May 2014.



In total, 138 shareholders participated, representing 46 percent of the share capital and 61 percent of the votes. In addition to the election of the Board of Directors, the AGM resolved, among other things, on the introduction of the Performance-related Share Programme (PSP) 2014, and also authorised the Board to acquire and transfer the company's own shares and to make a new issue of Class 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 2014 AGM, the members of the Nomination Committee shall be appointed by at least three and at most five of the shareholders with the largest number of votes in the company. In addition, the Chair of the Board shall be a member of the Nomination Committee. Since material changes in ownership took place in the ownership structure of ÅF after the appointment of the members of the Nomination Committee preparing for the 2015 AGM, an additional member has been appointed to the Nomination Committee preparing for the 2015 AGM in accordance with the policies for the Nomination Committee adopted by the 2014 AGM. The names of the members of the committee shall be announced no later than six months before the AGM.

The Nomination Committee in preparation for the 2015 AGM comprises: Stefan Westlin (Chair), appointed by The ÅForsk Foundation; Annika Andersson appointed by Swedbank Robur; Frank Larsson, appointed by Handelsbanken Asset Management; Anders Narvinger, Chair of the Board; Henrik Schmidt, appointed by Montanaro Asset Management; Johan Strandberg, appointed by SEB Investment Management; and Karl Åberg, appointed by CapMan.

### **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, as well as on auditors and their remuneration. In accordance with its remit, the committee shall also carry out any other duties assigned to it under the Swedish Corporate Governance Code.

### **The work of the Nomination Committee**

In the period up to and including February 2015 the committee has held three 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 Chair 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 considered 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 2015 AGM, and supplementary information on the proposed members of the Board will be published in connection with the notice convening the 2015 AGM, and will be presented at the 2015 AGM.

### **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 2014 AGM, there are eight directors without deputies. The CEO 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 2014: Marika Fredriksson, Anders Narvinger, Björn O. Nilsson, Maud Olofsson, Joakim Rubin, Kristina Schauman and Anders Snell. Staffan Jufors was elected as a new member of the Board. Anders Narvinger was elected by the AGM to serve as Chair of the Board up until the close of the next AGM.

The CEO, Jonas Wiström participates in Board meetings to present reports. The Group's CFO, Stefan Johansson, also participates to present reports, and Viktor Svensson, ÅF's Head of Marketing, participates as Secretary to the Board. For more information on the Board of Directors, please refer to pages 96–97 of the annual report.

The fees paid to the Board of Directors are determined by the AGM after the suggestion of the Nomination Committee. The Chair and members of the Audit Committee and Remuneration Committee are paid an additional fee.

### **Independence**

The composition of the Board of ÅF meets the requirements for independent directors laid down by the Swedish Corporate Governance Code. Members of the Board Björn O. Nilsson and Anders Snell are dependent in relation to the largest shareholder by voting rights in ÅF, but are not dependent of the company or Group management. None of the other members of the Board are dependent in relation to the company's major shareholders, the company or Group management.

### The 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. Thereafter, the Board 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 CEO, a financial report and various strategic matters.

The Board of Directors has elected to appoint a Remuneration Committee and an Audit Committee.

During the year, the Board held eleven meetings in addition to the inaugural meeting, including two 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 decision-process rules, 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.

During 2014, the Board met with the company's auditors without the presence of the management on one occasion.

### Attendance at Board and Committee meetings, 2014

Attendance at Board meetings during the year was very good. All directors attended every Board meeting. The employees have been represented by ordinary employee representative members or deputies. The Audit Committee and the Remuneration Committee meetings recorded full attendance at every meeting.

### Evaluation of the Board of Directors and the CEO

Once a year, the Chair 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 evaluation are discussed individually by the Chair with each director, as well as with the Board as a whole, and communicated to the Nomination Committee.

The Board of Directors evaluates the work of the 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 CEO.

### The 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 for the salary and terms and conditions of the CEO.

The committee also deals with matters relating to the salary and terms and conditions of employment for senior executives who report directly to the CEO, and overall terms of employment and remuneration packages for all of the company's employees. The Remuneration Committee reports to the Board.

Since the inaugural meeting of 2014, the Remuneration Committee has consisted of Anders Narvinger (Chair), Anders Snell and Marika Fredriksson.

The CEO and the HR Manager participate as co-opted members. The committee has held two minuted meetings.

### The 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 inaugural Board meeting in 2014, the Remuneration Committee has consisted of Kristina Schauman (Chair), Anders Narvinger and Joakim Rubin. Ernst & Young AB, the company's auditors, were represented by Hamish Mabon as auditor in charge at three of the four meetings, and, in his absence, by Erik Sandström, Authorised Public Accountant. The CFO and the manager responsible for the Group Accounting and Reporting department attend as co-opted members. The company's internal auditors attended as rapporteur when needed. The committee held four minuted meetings.

### Auditors

The Nomination Committee is tasked with proposing auditors for approval by 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 CEO. A full audit of the annual report and the

consolidated financial statements is carried out. The auditors also carry out an examination of the nine-month interim report for the period up to September each year, and attend the meetings of the Audit Committee. 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.

The 2014 AGM reappointed the accounting firm Ernst & Young AB, represented by Hamish Mabon as the newly appointed auditor in charge, to serve to the end of the AGM in 2015.

### **The 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. ÅF's 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 competence development, together with various other strategic issues. During 2014, ten minuted meetings were held, as well as a two-day meeting with additional Group managers invited.

Once a month the CEO and the CFO discuss each of the divisions' income statements, balance sheets, key figures and major projects with the relevant president and controller. In addition, meetings are held three times a year to discuss longer-term matters, focusing on HR, strategy and budget.

Since October 2014 Group management has consisted of the CEO, divi-

sional Presidents, CFO, General Counsel, Executive Vice President for Corporate Information, head of Business Development and M&A, ÅF's Network Manager, Sustainability Manager, HR Manager and the PA to the CEO, who serves as secretary to Group management. For further information about the members of Group management, please see pages 98–99 of the annual report.

### **The Board's description of internal controls**

The Board's responsibility for internal controls is regulated in the Swedish Companies Act and the Swedish Corporate Governance Code, 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 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 Group's companies, business areas, divisions, processes and operations, all of which can affect financial reporting. Risk assessment forms the basis for risk management and control, as well as control targets that help to ensure that the fundamental requirements of external financial reporting are met. The risks are assessed, reported and managed by ÅF centrally together with the divisions. Risks are also assessed and managed in other contexts; 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 fair presentation 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 within 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 (ÅBS) at the Group's head office, using standardised control processes.

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 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 and other channels 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 CEO and the Board's Audit Committee.

### Sustainable enterprise

ÅF focuses on long-term strategic work aimed at ensuring the company becomes 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 37–45 of the annual report.

Stockholm, 6 March 2015  
The Board of Directors of ÅF AB

## AUDITORS' 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 financial year 2014 on pages 91–95 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, 11 March 2015  
Ernst & Young AB

**Hamish Mabon**  
Authorised Public Accountant

**Erik Sandström**  
Authorised Public Accountant