

# Corporate governance report

This corporate governance report, prepared by the company's Board of Directors, covers corporate governance during the 2018 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

ÅF Pöry AB ("ÅF") 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'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 President and 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's internal audit is an important support function for the Audit Committee. ÅF applies the Swedish Corporate Governance Code (available at [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)) and did not deviate from it in 2018. ÅF complies with Nasdaq

Stockholm's Rules for Issuers (available at [business.nasdaq.com/list/Rules-and-Regulations](http://business.nasdaq.com/list/Rules-and-Regulations)) and generally accepted stock exchange practice. The highest internal instrument of governance is the Articles of Association adopted by the shareholders' meeting. In addition, there are the rules of procedure for the Board of Directors and its committees and the Board of Directors' instruction to the President and CEO. Internal policies and instructions that clarify responsibilities and powers in special areas, such as information security, regulatory compliance and risk management, constitute essential governing documents for the entire company.

## Ownership structure

ÅF 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.

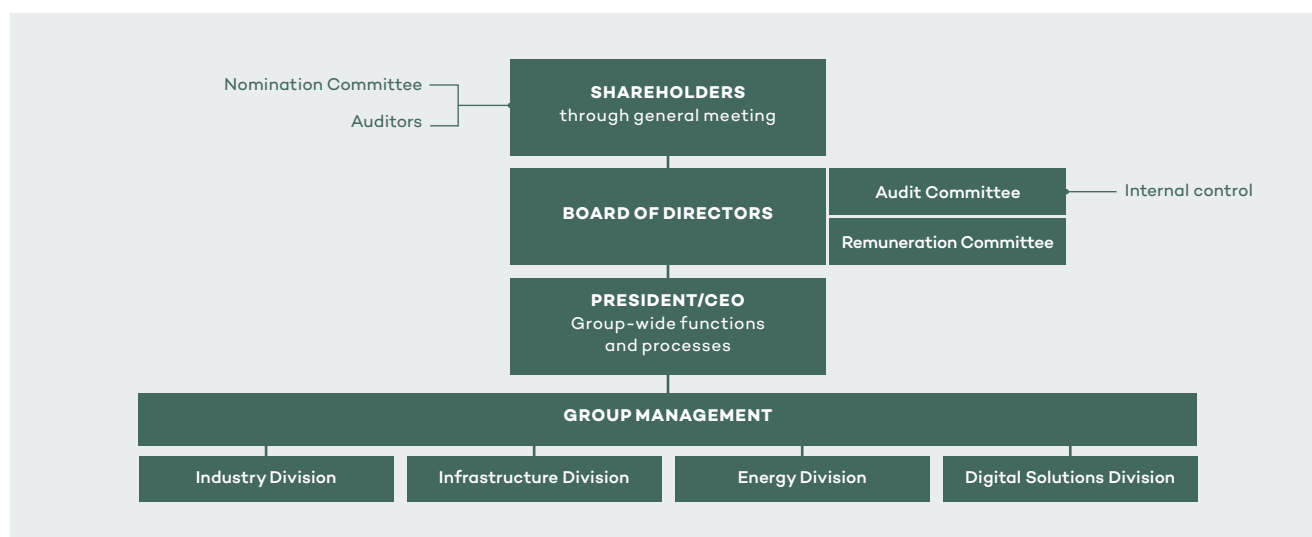
### SHARE DISTRIBUTION AT 31 DECEMBER 2018

Number of shareholders	11,528
Class A shares	3,217,752
Class B shares	74,158,951
Total number of shares	77,376,703
of which own Class B shares	–
Votes	106,336,471

The largest shareholder at the end of 2018 was the ÅForsk Foundation, with 37.5 percent of the votes. SEB Investment Management had 7 percent and Handelsbanken Fonder had 6.4 percent of the votes.

## ÅF's 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 2018 AGM was held at ÅF's head office in Solna, Sweden, on 25 April 2018. In total, 181 shareholders participated, representing 62 percent of the share capital and 72 percent of the votes. In addition to the election of the Board of Directors, the AGM resolved to introduce the 2018 Staff Convertible Programme and authorised the Board of Directors to acquire and transfer own shares and to issue new Class B shares. The minutes of the AGM and all documentation can be found on ÅF's website under the corporate governance section.

### Nomination Committee

In accordance with a resolution passed at the 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. In addition, the Nomination Committee must include the Chairman of the Board of Directors. The names of the members were published six months before the AGM. The Nomination Committee for the 2018 AGM comprises: Magnus Olofsson (Chair), appointed by the ÅForsk Foundation; Anders Narvinger, ÅF's Chairman of the Board, Johan Strandberg, appointed by SEB Investment Management, Monica Åsmyr, appointed by Swedbank Robur Funds; Lilian Fossum Biner, appointed by Handelsbanken Asset Management and Niclas Ringby, appointed by EQT Public Value Investments.

### 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 is to present proposals for the chairs of the Board of Directors and AGM, as well as for 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 27 March 2019, the Nomination Committee held five 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. Rule 4.1 of the Swedish Corporate Governance Code is applied as a diversity policy for the Board of Directors. The aim is that the

Board of Directors will possess appropriate combined expertise and experience as well as a balanced gender distribution. The Nomination Committee's proposal means that the number of women on the Board of Directors is somewhat below the level that the Swedish Corporate Governance Board set as its target until the 2020 general meeting season. As a basis for the Nomination Committee's work for the 2019 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. The Nomination Committee has evaluated the Board of Directors and its work in 2018 by interviewing individual directors. 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 2019 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 2019 AGM.

### Board of Directors

The Board of Directors of ÅF 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. Eight board members were elected at the 2018 AGM. At an extraordinary general meeting held on 16 January it was resolved to increase the number of members elected by the General Meeting to nine, through the election of Henrik Ehrnrooth contingent on the completion of ÅF's bid for Pöyry PLC. 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 2018 as proposed by the Nomination Committee: Gunilla Berg, Anders Narvinger, Maud Olofsson, Joakim Rubin, Kristina Schauman and Anders Snell. The following new members were elected: Jonas Abrahamsson and Ulf Södergren. Anders Narvinger was elected by the AGM to serve as Chairman of the Board up until the close of the next AGM. The CEO, Jonas Gustavsson, participates in meetings of the Board of Directors to present reports. The Group's CFO, Stefan Johansson, also participates to present reports, and Jacob Landén, ÅF's senior legal adviser, acts as Secretary to the Board of Directors. For more information on the Board of Directors, please refer to pages 116-117 of the annual report. The Nomination Committee's proposed fees to be paid to the Board of Directors were approved by the AGM.

### 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 consists of three women and six men, which does not fully live up to the equal gender distribution goal.

### Independence of the Board of Directors

The composition of the Board of Directors of ÅF 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'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

The Board of Directors annually adopts written rules of procedure that clarify the responsibility of the Board and regulate the directors' internal rules of procedure, 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. ÅF's Board of Directors holds an inaugural meeting in connection with the AGM. In addition, the Board of Directors is required to meet at least four 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. The Board of Directors has decided to appoint a Remuneration Committee and an Audit Committee. During the year the Board of Directors held 20 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 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.

### 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 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 reports to the Board of Directors. Since the inaugural meeting of 2018, the Remuneration Committee has

consisted of Anders Narvinger (Chair), Joakim Rubin and Maud Olofsson. The CEO and the HR Manager participate as co-opted members. The committee held three minuted meetings during the year.

### 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. Since the inaugural meeting of the Board of Directors in 2018, the Remuneration 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. The CFO and the manager of the Group Accounting and Reporting Department have attended to present reports. The company's internal auditor has also attended to present reports as required. The committee held six minuted meetings during the year.

### Attendance at Board and Committee meetings, 2018

	Attendance at Board meetings <sup>1</sup>	Attendance at Audit Committee meetings <sup>2</sup>	Attendance at Remuneration Committee meetings <sup>3</sup>
Total number of meetings	20	6	
Anders Narvinger	20		3
Jonas Abrahamsson	10		
Gunilla Berg	19	6	
Staffan Jufors	5		
Björn O. Nilsson	7	1	
Maud Olofsson	18		2
Joakim Rubin	20		3
Kristina Schauman	20	6	
Anders Snell	19	4	1
Ulf Södergren	13		
Employee representatives			
Gunnar Parkefelt	18		
Tomas Ekvall (chair from 25 April)	13		
Stefan Löfqvist (deputy)	1		
Anders Toll (deputy) (chair until 25 April)	7		

<sup>1</sup> Jonas Abrahamsson and Ulf Södergren were elected as new members of the Board of Directors at the AGM in 2018 and replaced Staffan Jufors and Björn O. Nilsson, who declined re-election.

<sup>2</sup> Anders Snell was elected as a new member of the Audit Committee to replace Björn O. Nilsson.

<sup>3</sup> Maud Olofsson was elected as a new member of the Remuneration Committee to replace Anders Snell.

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

The Nomination Committee conducted an evaluation of the Board of Directors and its work in 2018 by interviewing individual members of the Board. 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 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.

### 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 the meetings of the Audit Committee. 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 2018 AGM elected the auditing firm KPMG, represented by Joakim Thilstedt as the auditor in charge, to serve until the end of the 2019 AGM. The Audit Committee concluded that it will recommend that the Nomination Committee propose the appointment of KPMG as auditor to the 2019 AGM for the period extending up until the 2020 AGM.

### CEO and Group management

The Board of Directors has delegated operational responsibility for the company's and the Group's administration to the company's President and CEO. The President and CEO leads the business within the framework established by the Board of Directors. The Board of Directors has adopted instructions for the division of duties between the Board of Directors and the President and CEO, which are updated every year. The CEO has appointed a Group management team with day-to-day responsibility for various operational aspects of the business. 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 2018, 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. At the end of 2018, ÅF's management team consisted of: Jonas Gustavsson, President and CEO; Jonas Larsson, M&A and business development; Mats Pahlsson, EVP and Head of Infrastructure Division; Peter Plug, EVP and Head of Energy Division; Robert Larsson, EVP and Head of Industry Division; Lennart Waldenström, EVP and Head of Digital Solutions Division; Stefan Johansson, CFO; Emma Claesson, EVP and Head of Communications and Brand; and Nyamko Sabuni, EVP

and Head of Sustainability. For further information about the members of Group management, please see pages 118–119 of the annual report.

### 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 has been designed with the aim of efficient and appropriate business operations, reliable financial reporting and compliance with applicable laws and ordinances. 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 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 control in ÅF 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's intranet.

### Risk assessment

ÅF'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 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 organisation. Responsibility

for implementing control activities in ÅF is distributed in the organisation, 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 ÅF'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 ÅF's Swedish operations are centralised under ÅF Business Services (ÅBS) based 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 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 ÅF'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 internal and external parties there is a communication and IR 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 internal communication is that all employees understand ÅF'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'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's internal audit conducts independent audits in the operations to monitor application of internal control and the management system to live up to ÅF's internal ambitions, external requirements and expectations. Priority areas for ÅF's internal audit are ÅF's brands, core values and ethics, processes and systems as well as the projects that ÅF has undertaken to carry out. Reporting is to the President and CEO and the Board of Directors' Audit Committee.

### Sustainability

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, 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 97 in ÅF Pöyry AB's annual report, has been approved for issue by the Board of Directors.

Stockholm, 6 February 2019

The Board of Directors of ÅF Pöyry AB

## Auditor's report on the corporate governance statement

To the general meeting of the shareholders in ÅF Pöyry 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 2018 on pages 111–115 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 *The auditor's examination of the corporate governance statement*. 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.

### Opinions

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 27 March 2019

KPMG AB

**Joakim Thilstedt**

Authorized Public Accountant