

CORPORATE GOVERNANCE REPORT

ÅF AB is a Swedish public company with its registered office in Stockholm. The company's class B shares are listed on the Stockholm Stock Exchange. ÅF is governed in accordance with Swedish company law, the company's articles of association, the listing agreement for the company's shares traded on the OMX Nordic Exchange in Stockholm and the Swedish Code of Corporate Governance. ÅF also complies with other applicable Swedish and foreign laws and regulations that govern its operations. The application in practice of the Swedish Code of Corporate Governance at ÅF began during 2005.

This corporate governance report does not form part of the formal annual report documents, and has not been reviewed by the Company's auditors.

Shareholders and voting rights

Since January 1986, ÅF's class B shares have been listed on the Stockholm Stock Exchange. Total market capitalisation at the close of the year amounted to SEK 2,022 million. Shares in ÅF are issued in two classes: A and B. Each class A share carries an entitlement to ten votes, and each class B share carries an entitlement to one vote. All shares carry the same right to participate in the company's assets and profits, and entitle shareholders to the same dividend. For the distribution of the number of shares and votes, and for the ownership structure, you are referred to pages 52–54.

On request, shares of class A can be converted into shares of class B. Such a conversion request must be made in writing to the Board of Directors in January or February. After the conversion is approved, it is

to be reported to the Swedish Companies Registration Office. Conversion takes effect on registration.

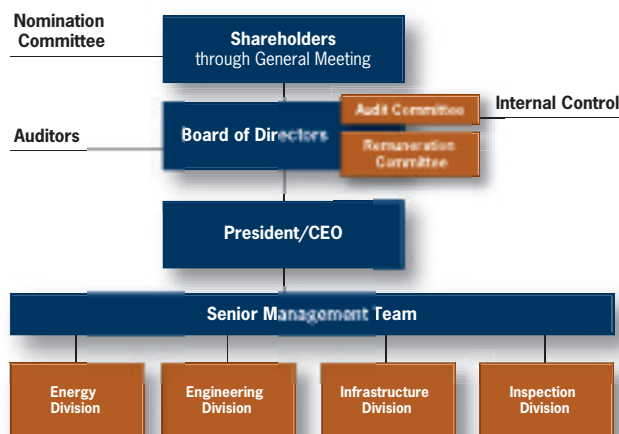
Dividend policy

ÅF's dividend policy lays down that share dividends are to be equivalent to roughly 50 percent of the consolidated profit after tax, excluding capital gains. Due attention should, however, be given to, among other factors, the company's financial position and capital requirements for future expansion.

Shareholders' Meetings and Annual General Meeting

An Annual General Meeting of ÅF shareholders is held in Stockholm or Solna during the first half of each calendar year. The date and venue for the AGM are announced no later than in conjunction with the third quarterly report. Information about the right of shareholders to raise matters for consideration at the meeting, as well as information regarding the dates by which such a request must be received by the company to ensure that the matter will be included in the notice convening the AGM, are also communicated to shareholders no later than in conjunction with the publication of the third quarterly report.

The procedure for convening the shareholders' meeting is set out in the articles of association. Notification of the meeting is to be given through advertisements in the Swedish Official Gazette (*Post-och Inrikes Tidningar*), and in the business newspaper, *Dagens Industri*. Notification of an ordinary shareholders' meeting (AGM) and notification of other shareholders' meetings, at which any changes to the



The principal external regulatory frameworks which affect the governance of ÅF:

- The Swedish Companies Act
- Accounting legislation, including the Swedish Bookkeeping Act and the Swedish Annual Accounts Act
- Listing requirements/agreement with the Stockholm Stock Exchange
- Swedish Code of Corporate Governance

Examples of internal documents which affect the governance of ÅF:

- Articles of Association
- Instructions, rules of procedure
- Policies and guidelines
- Process descriptions for each business area

articles of association are to be discussed, must be given no earlier than six weeks and no later than four weeks before the meeting. Notifications of other shareholders' meetings are to be issued no earlier than six weeks and no later than two weeks before the meeting.

At the AGM information is provided on the company's performance over the past year, and resolutions are passed on a number of issues of central importance, such as amendments to the articles of association, the election of auditors, the discharge of the Board of Directors from liability, the remuneration of the Board of Directors and the auditors, the determination of the number of directors, the election of the Board of Directors for the period until the close of the next AGM and the approval of a dividend. The board, the senior management group and the auditors are normally present to answer questions.

To be entitled to participate in shareholders' meetings and vote for the shares they hold, shareholders must be entered in the share register and must duly notify the company of their intention to participate before the specified deadline. Shareholders who are unable to be present in person may participate through a proxy.

ÅF's Annual General Meeting 2008

The AGM for 2008 was held at what was then the ÅF Group's head office in Stockholm on 23 April. It was attended by 89 shareholders, representing 45 percent of the share capital and 61 percent of the total number of votes. The minutes of the AGM meeting have since been published on the company's website in Swedish and English, together with all the documentation that was issued according to requirements prior to the AGM.

Annual General Meeting 2009

The 2009 Annual General Meeting will be held at ÅF's new headquarters (address: Frösundaleden 2, Solna, Stockholm) at 17.00 (5 p.m.) on 5 May.

Nomination Committee

The Annual General Meeting determines how the Nomination Committee is to be appointed. The 2008 AGM resolved that, for the period until a new Nomination Committee is appointed under a mandate from the next AGM, the Nomination Committee shall consist of the Chairman of the Board together with one representative from each of the company's three largest shareholders as at the end of the third quarter. The Nomination Committee shall appoint a Chair from the largest shareholder in terms of votes. In the event that any member of the Nomination Committee should leave before the work of the committee

is completed, if it is considered necessary to appoint a successor, this successor shall then be appointed by the same shareholder who appointed the departing member or, if the shareholder in question is no longer one of the three largest shareholders, by another as yet unrepresented shareholder from among the three largest shareholders. No fees are paid to members of the Nomination Committee.

The composition of the Nomination Committee for the 2009 AGM was announced on 1 November 2008. The Nomination Committee consists of Anders Snell, Chair, representing Ångpanneföreningen's Foundation for Research & Development, Ulf Dinkelspiel, Chairman of the Board of ÅF, Åsa Nisell, Swedbank Robur, and Peter Rudman, Nordea Fonder.

The duties of the Nomination Committee

Under the authority of a resolution passed at ÅF's 2008 AGM, the Nomination Committee is to draw up and present proposals for submission to the 2009 AGM on the Chairman for the Annual General Meeting, the Board of Directors and the Chairman of the Board of Directors, the directors' fees (divided among the Chairman and directors, and as remuneration for committee work) and auditors' fees. The Nomination Committee will also propose rules for the work of the Nomination Committee in preparation for the 2010 AGM.

The Nomination Committee's work prior to the 2009 AGM

Since the 2008 AGM the Nomination 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 Nomination Committee has discussed the size and composition of the board in relation, for example, to experience in the industry and specialist expertise. As a basis for its work, the Nomination Committee has also familiarised itself with assessments of the board and its work.

The Nomination Committee's proposals, the report of the Nomination Committee's work prior to the 2009 AGM, along with supplementary information on the proposed members of the board will be published in connection with the notice convening the 2009 AGM, and will be presented to the shareholders' meeting.

The Board of Directors and Chairman of the Board

The Board of Directors is elected by the shareholders at the Annual General Meeting with a term of office until the close of the next Annual

General Meeting. The board manages the company on behalf of the shareholders by setting targets and adopting strategies, evaluating the operational management and ensuring that systems are in place to follow up and check the performance of the company with regard to the targets that have been adopted.

The board is also responsible for ensuring that correct information is given to the company's stakeholders, that laws and regulations are complied with and that ethical guidelines and internal policies are established. The board's approach to ensuring the quality of financial reporting is detailed in the section on Internal Controls in respect of the financial reports below.

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. These directors and their deputies are elected by the general meeting of shareholders. The 2008 AGM elected eight directors with no deputies. The President/CEO is not a member of the board. The company's employees are, however, represented on the board.

The Chairman of the Board leads the work of the board and is responsible for ensuring that this work is well organised and efficiently conducted, and that the board discharges its duties properly. The Chairman maintains regular contact with the President/CEO to monitor the Group's operations and progress in strategic issues. The Chairman of the Board also represents the company in matters relating to ownership.

The ÅF Board of Directors for 2008

Since the 2008 AGM the board has consisted of eight directors without deputies. The 2008 AGM re-elected Ulf Dinkelspiel, Patrik Enblad, Magnus Grill, Eva-Lotta Kraft, Jon Risfelt, Helena Skåntorp and Lena Treschow Torell, and Tor Ericson was elected to serve a first term as a director of the company. Ulf Dinkelspiel was elected by the AGM to serve as Chairman of the Board up until the next AGM. The board subsequently elected Lena Treschow Torell as its Deputy Chair. A more detailed presentation of the board follows on pages 132–133.

Independence of members of the Board

The composition of the board of ÅF meets the requirements for independent directors laid down by the Stockholm Stock Exchange and the Swedish Code of Corporate Governance. Magnus Grill (Director) holds a position of dependence with regard to the largest shareholder, Ångpanneföreningen's Foundation for Research & Development. Tor Ericson (Director) holds a position of dependence with regard to ÅFOND (the ÅF Group Trust) and the company itself.

Work of the Board of Directors

In addition to the inaugural board meeting, which is held in connection with the AGM, the ÅF Board is required to meet at least four times per year. During 2008, in addition to the inaugural meeting, the board held nine meetings, of which one was *per capsulam* and two were telephone meetings, with supporting material 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 and strategy seminar in August, board members visited the company's office in Baden, Switzerland.

The work of the board revolves mostly around strategic issues, business plans, annual accounts, major investments and acquisitions, in addition to other decisions which, under the provisions of the company's rules for decision-making, are to be dealt with by the board. Reports on the progress of the company's operational activities and finances are a standing item on the agenda. At the meeting in August, a strategic seminar was held, which included a special review of each division. At every ordinary board meeting, there is a more in-depth presentation of one of the various lines of business.

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

Other key management personnel in ÅF have participated in board meetings to present reports. The Executive Vice President, Corporate Information, has served as secretary to the board.

Attendance at board/committee meetings in 2008

	Board	Remuneration Committee	Audit Committee
Number of meetings	10	3	4
Ulf Dinkelspiel	10	3	4
Patrik Enblad	10		
Tor Ericson*	6		
Magnus Grill	9	3	
Eva-Lotta Kraft	10		4
Jon Risfelt	10		
Helena Skåntorp	8		4
Lena Treschow Torell	8	3	
Employee representatives:			
Eva Lindén	10		
Patrik Tillack*	6		
Oskar Strid, deputy**	1 (inaug.)		
Daniel Westman, deputy**	1 (inaug.)		

* Joined the Board on 23 April 2008

** Deputy employee representatives do not normally attend board meetings

Formal work plan

The work of the board is governed, in addition to laws and recommendations, by the board's formal work plan, which includes instructions for the division of responsibility between the board and the President/CEO. It is updated annually, and adopted by a formal resolution of the Board of Directors. The formal work plan lays down the tasks of the board, the division of responsibility within the board, the number of meetings, the dates and times of meetings and the main theme for each board meeting, as well as providing instructions for the agenda and the nature of the information required in order to consider a variety of issues, etc.

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 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 by the board and shared with 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 annually, and the results are discussed with the President/CEO.

Directors' fees

The AGM on 23 April 2008 approved remunerations totalling SEK 1,450,000 for the work of the board in 2008. The Chairman received SEK 400,000 and members of the board not employed by the Group received SEK 175,000 each.

In addition, it was resolved that, for the work carried out by the Audit Committee, a fee of SEK 75,000 should be paid to the Chair and a fee of SEK 35,000 to each committee member who is not employed by the Group. For the work carried out by the Remuneration Committee it was resolved that a fee of SEK 50,000 be paid to the Chair and a fee of SEK 35,000 to each committee member who is not employed by the Group. The total remuneration payable to the board is thus SEK 1,715,000, of which SEK 1,450,000 is for the ordinary work of the board and SEK 265,000 for committee work. Employee representatives receive no directors' fees.

It was also resolved that the auditors' fee will be payable against invoices.

Remuneration Committee

At their inaugural board meeting the directors of the company appoint a Remuneration Committee which is tasked with considering matters relating to remuneration, retirement benefits and bonus programmes for the President/CEO and other senior executives in the company, and with presenting its proposals with regard to these to the board for ratification. Prior to the 2009 AGM the Remuneration Committee has met on three occasions. The Remuneration Committee consists of Ulf Dinkelspiel (Chair), Magnus Grill and Lena Treschow Torell. The President/CEO attends as a co-opted member, as does the Group CFO and the HR director.

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 ensuring the quality of the financial reports and following up the results of the reviews and audits carried out by the external auditors. The Internal Control staff support the Audit Committee in its work. The Audit Committee is appointed at the inaugural meeting of the board for one year at a time, and its work is regulated by the formal work plan that is adopted each year.

In the period since the 2008 AGM the Audit Committee has consisted of three directors of the company; Helena Skåntorp (Chair), Ulf Dinkelspiel and Eva-Lotta Kraft. All members are independent of the shareholders and the company management. In 2008 the committee held four minuted meetings. In addition, the committee's Chair has taken part in the auditors' report of the final accounts. The company's auditors participated in all Audit Committee meetings during the year. The President/CEO attends as a co-opted member, as does the Group CFO and the manager responsible for ÅF's corporate finance.

The Audit Committee's work of ensuring the quality of ÅF's financial reporting on a continuous basis involves analysing the auditors' report on the final accounts and routine reviews.

Audit and Auditors

Auditors are appointed by the AGM every four years. 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 managing director. The 2008 AGM elected the accounting firm Ernst & Young, represented by Lars Träff as auditor in charge, as the company's auditors to serve to the end of the AGM in 2011.

Ernst & Young carries out the audit of ÅF AB and major units. A “hard close” audit is performed for the period January–September and for the annual accounts. At the same time, an audit of internal routines and control systems is carried out. The audit of the annual accounts and the annual report takes place in January–February. During 2008 the auditors reported to the entire ÅF board on one occasion and, in addition, to the Audit Committee and to the President/CEO on four occasions.

Over and above the audit assignments, ÅF has used Ernst & Young for consultations relating to tax matters, for various accounting issues and for investigations in conjunction with major projects such as acquisitions. The remuneration paid to the auditors is shown in Note 7.

CEO, company management and specialist staffs

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 senior management group with day-to-day responsibility for various aspects of the Group's operation. During 2008 ÅF's senior management group consisted of the CEO, the divisional President/CEOs, the Executive Vice President for Corporate Information and the CFO. For information about the members of the senior management group, see pages 134–135.

ÅF's senior management group normally meets once a month, to discuss matters such as the Group's financial performance, acquisitions, group-wide development projects, succession planning and the availability of management resources and specialist expertise, together with various other strategic issues. The senior management group is assisted by the Information, Finance, HR, IT and Legal departments.

Divisions

ÅF's business activities are organised into four divisions, each led by a Divisional President.

ÅF's organisation reflects a far-reaching strategy of decentralisation, in which each unit enjoys a considerable degree of autonomy and authority. Control of the divisions by the senior management group is exercised not only through regular contacts, but also and more closely through monthly internal reports presented by the Divisional Presidents and finance managers.

The Group has an authorisation plan and written rules for decision-making procedures that clearly define the authority exercised at every level in the company, from individual consultant to senior management. The areas covered include issuing quotations and making tenders, investments, rental and leasing agreements, overhead expenses and guarantees.

Approximately 62,000 assignments were carried out in 2008. The organisation for a project varies according to the size, location and complexity of the assignment. Each assignment is run by a contract manager. ÅF and its Swedish subsidiaries are certified under quality and environmental management systems in accordance with ISO 9001: 2000 (Quality) and ISO 14001: 2004 (Environment) for which audits are carried out on a regular basis by external auditors.

Fixed-price assignments with an invoice value that exceeds 200,000 euros are monitored at Group management level.

Sustainable development and social responsibility

Sustainable development is founded on financial, social and environmental change. ÅF recognises its responsibility for the impact that the company has on society in these areas: for example, the effect that ÅF's business operations have on the natural environment and the influence it exerts on its employees, clients, suppliers and other stakeholders. As a consulting company ÅF is well-placed to influence the development of its clients' businesses, and in this respect ÅF bears a heavy responsibility for making sure that development is both successful and sustainable. ÅF's ambition is always to ensure long-term success and sustainable development for its clients and for ÅF itself. For further details of ÅF's work in the fields of sustainable development and corporate social responsibility, please refer to pages 23–26.

Internal controls of financial reporting

Under the provisions of the Swedish Companies Act and the Swedish Code of Corporate Governance, the ÅF Board is responsible for ensuring that ÅF implements an effective system of internal controls. Board members must keep themselves informed about the state of affairs in the company and evaluate the internal controls on a regular basis.

Internal controls at ÅF are so designed to ensure that the company's operation is efficient and fit for purpose and that financial reporting is reliable and complies with applicable laws and regulations.

A description of ÅF's internal control system is included in the process-orientated management system used for business control and business support. This system is firmly rooted in ÅF's mission, vision,

goals and values, and it also describes the organisational structure, together with the authority and responsibility vested in the various roles in the operation. Additional components include HR policies and a focus on employee expertise. The process orientation of the management system guides users to the relevant routines and appropriate tools for the particular task in question, thus providing very good conditions to ensure compliance with requirements and the achievement of the objectives that have been set. The management system is available via the ÅF intranet to all those for whom it is intended.

ÅF divides its internal controls into the following components: Control environment, Risk assessment, Control measures, Information & communication, and Follow-up.

Control environment

“Control environment” describes the organisation, decision paths, authority and responsibility for financial reporting. Requirements and expectations are laid down in the policies, process descriptions, routines and tools contained in the individual process (Finance) in the management system.

Risk assessment

Through its operations, ÅF is exposed to a variety of business and financial risks. It is extremely important that these risks are dealt with effectively, that risk management routines are followed and that risk management tools are used. For a description of the financial risks to which ÅF is exposed and how these are managed, you are referred to the section on Sensitivity Analysis on pages 56–60. Risk assessment is also a high-priority aspect of the business processes to minimise risks in the technical, environmental and financial areas, and also to exploit opportunities to maximum advantage. Risk assessment is carried out annually on the processes included in the management system, and it forms part of the basis for the evaluation of the management system to ensure that these processes cover important areas affecting financial reports.

Control measures

ÅF's financial reports depend on the implementation of a number of control measures in all areas that affect financial reporting. ÅF controllers are responsible at Group, Division and Business area level for carrying out internal controls on their respective level. They monitor operations by following up and analysing budgets, forecasts, trends and results. The evaluation of assignments, as well as the assessment of

risks and calculations associated with the assignments, also forms part of internal control measures. Reports are submitted regularly to the appropriate management level.

Information & communication

Information about and the communication of policies, process descriptions, routines and tools applicable to financial reports are contained in the management system which is available via the ÅF intranet to all those for whom it is intended. Updates are carried out in the event of any changes in internal or external requirements or expectations on financial reports.

Follow-up

ÅF's system for financial management and control paves the way for effective financial follow-up procedures throughout ÅF. Reports are submitted monthly for each profit centre, and the reports on the financial performance of assignments reflect the highest standards of reliability and detail. This system also supports the follow-up of internal controls in respect of financial reports. Identified errors and any measures that are taken are reported to the next level up in the line organisation. ÅF's internal auditing carries out independent audits to monitor whether the internal control and management systems live up to ÅF's internal ambitions at the same time as they comply with external requirements and expectations. Prioritised 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. Reports are submitted to the President/CEO and the board's Audit Committee.

Information to the capital market

ÅF keeps the market continually updated on the Group's financial position and performance through interim and annual reports in both Swedish and English. In addition, press releases are issued relating to news and events that may be considered to have an effect on ÅF's share price. Presentations are made to shareholders, financial analysts and investors in Sweden and abroad. ÅF also hosts an annual Capital Market Day in Stockholm in September. The information described above is also published on the Group's website, www.afconsult.com.