

THE ÅF CORPORATE GOVERNANCE MODEL

A word from the Chairman

As Chairman of the Board of ÅF, one of my main duties is to work with the other members of the board to ensure effective governance and control of the company's activities. This requires well-defined decision-making processes, a clear division of responsibility and effective control mechanisms. Equally important is that the board functions well and that the board and executive management work well together as a team.

The rules for listed Swedish companies are an obvious starting point for our work, and these have been supplemented with internal regulations developed and adapted in line with the particular circumstances that apply to ÅF.

The work of the board focuses on strategic matters. This involves working with senior management to produce guidelines for the company's development, and ensuring that the organisation follows these guidelines and works towards the company's business goals. The board also acts as a sounding board for the President/CEO in this process.

We have devoted special attention to matters relating to the company's social responsibility. Transparency has been another key issue, not least to enable shareholders to understand and follow the company's devel-



opment. All of this is intended to create long-term value for ÅF's shareholders.

The report that follows gives a more detailed account of corporate governance at ÅF.

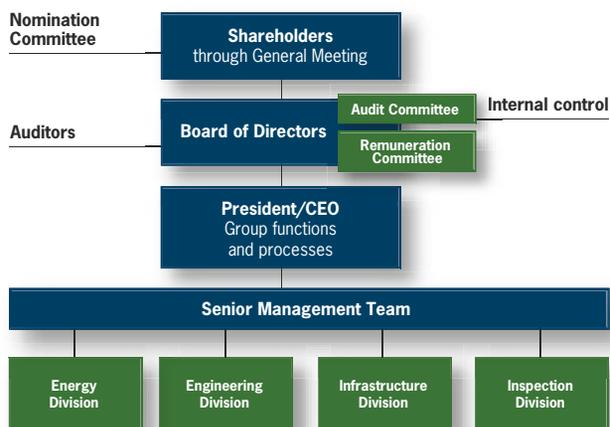
Ulf Dinkelspiel
Chairman

Corporate governance

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. ÅF is governed in accordance with the company's Articles of Association, the Swedish Companies Act, the Swedish Annual Accounts Act, the listing rules for the Nasdaq OMX Stockholm, the Swedish Code of Corporate Governance, and other relevant documents. ÅF did not depart from the Swedish Code of Corporate Governance in 2009. This corporate governance report has not been reviewed by the company's auditors.

Governance, management and control are divided between the shareholders at the AGM, the Board of Directors and the President/CEO in accordance with Swedish company law, the Swedish Code of Corporate Governance and the company's Articles of Association.

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



Shareholders

Please refer to pages 52–55 and ÅF's website for information on shareholders and the ÅF share.

ÅF's Annual General Meeting for 2009

The AGM for 2009 was held at the ÅF Group's head office in Solna, Sweden, on 5 May. It was attended by 123 shareholders, representing 27.5 percent of the share capital and 48.9 percent of the total number of votes.

Resolutions

The AGM resolved, among other things:

- to pay a dividend of SEK 6.50 per share for 2008 in accordance with the proposal of the Board of Directors (unchanged dividend).
- to pay fees totalling SEK 1,450,000 to the board, with the Chairman to receive SEK 400,000 and members of the board not employed by the Group to receive SEK 175,000 each. Auditors' fees are payable against invoices.
- to elect a board of eight directors: Ulf Dinkelspiel, Patrik Enblad, Tor Ericson, Eva-Lotta Kraft, Jon Risfelt, Helena Skåntorp and Lena Treschow Torell were re-elected, while Anders Snell was elected as a new member. Ulf Dinkelspiel was appointed Chairman.
- to adopt the Performance Share Programme for 2009 in accordance with the proposal of the Board of Directors.

The minutes of the AGM are available in both Swedish and English on the ÅF website

The principal external regulatory framework that shapes the governance of ÅF:

- The Swedish Companies Act
- Accounting legislation, including IFRS, the Swedish Bookkeeping Act and the Swedish Annual Accounts Act
- Listing Rules/agreement with Nasdaq OMX Stockholm AB
- Swedish Code of Corporate Governance

Examples of internal documents that shape the governance of ÅF:

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

Nomination Committee

In accordance with a resolution passed at the AGM on 5 May 2009, the Nomination Committee shall, up until the time of the 2010 AGM, consist of the Chairman of the Board together with representatives for at least three and at most five of the shareholders with the largest number of votes in the company. The names of the members of the committee shall be announced no later than six months before the 2010 AGM. The composition of the Nomination Committee for the 2010 AGM was announced on 22 October 2009.

The Nomination Committee consists of Björn O Nilsson, Chair, representing Ångpanneföreningen's Foundation for Research & Development, Ulf Dinkelspiel, Chairman of the Board of ÅF, Åsa Nisell of Swedbank Robur, and Peter Rudman of Nordea Fonder

The 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, where appropriate, 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.

The work of the Nomination Committee

Since the 2009 AGM 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, for example, to experience in the industry and specialist expertise. As a basis for its work, the committee has also familiarised itself with the results of the evaluation of the board and its work.

No remuneration has been paid for work on the committee.

All shareholders are entitled to approach the committee with suggestions for board members. Such suggestions are to be addressed to the committee's Chairman.

The committee's proposals, the report on the committee's work prior to the 2010 AGM, and supplementary information on the proposed members of the board will be published in connection with the notice convening the 2010 AGM, and will be presented at the meeting.

Board of Directors

The Board of Directors of ÅF shall consist of a minimum of six and a maximum of ten members, with a maximum of five deputies appointed by the AGM. The 2009 AGM appointed eight directors with no deputies. The President/CEO of ÅF is not a member of the board. The company's employees are, however, represented on the board.

Since the 2009 AGM the board has consisted of eight directors without deputies. Anders Snell was appointed as a new member in 2009. Magnus Grill declined re-election. Ulf Dinkelspiel, Patrik Enblad, Eva-Lotta Kraft, Jon Risfelt, Helena Skåntorp, Lena Treschow Torell and Tor Ericson were re-elected. Ulf Dinkelspiel was elected by the AGM to serve as Chairman of the Board up until the next AGM. The board elected Lena Treschow Torell as its Deputy Chair. The President/CEO of ÅF, Jonas Wiström, is not a member, but participates in board meetings to present reports. The Group's CFO, Jonas Ågrup, 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 128–129.

Independence of members of the board

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

Work of the Board of Directors

Each year the board produces a written formal work plan which sets out the responsibilities of the board, and which governs the allocation of duties among board members, the rules for decision-making, dates and times of board meetings, notification, agenda and minutes for board meetings, and the board's work with accounting and auditing matters.

The ÅF board holds an inaugural meeting immediately after the AGM, after which it is required to meet at least four times per calendar year. Every ordinary board meeting follows the agenda set out in the board's formal work plan, which includes a report from the President/CEO, financial reports and various strategic matters.

The board has opted to appoint a Remuneration Committee and an Audit Committee.

Work during the year

During 2009, in addition to the inaugural meeting, the board held six meetings, of which one was a telephone meeting for which the relevant documentation was sent out in advance. Four of the meetings were held in connection with the publication of the company's interim reports. In connection with the board meeting and strategy seminar in August, board members visited ÅF's subsidiary in Russia.

The work of the board revolves mostly around strategic issues, business plans, accounts, major investments and acquisitions, in addition to other decisions which, under the company's rules for decision-making, are dealt with by the board. Reports on the 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 August, and included a thorough review of each division. At every ordinary board meeting, there is a more in-depth presentation of one of ÅF's lines of business or divisions.

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

Attendance at board/committee meetings in 2009

	Board	Remuneration Committee	Audit Committee
Number of meetings	7	3	4
Ulf Dinkelspiel	7	3	3
Patrik Enblad	7		
Tor Ericson	7		
Eva-Lotta Kraft	7		3
Jon Risfelt	7	3	
Helena Skåntorp	6		4
Anders Snell*	4		
Lena Treschow Torell	6	3	
Employee representatives:			
Fredrik Sundin*	4		
Patrik Tillack	7		
Bo G Andersson, deputy**	1 (inaug.)		
Anders Toll, deputy**	1 (inaug.)		

* Joined the board on 5 May 2009

** Deputies for the employee representatives do not normally attend board meetings

Evaluation of the Board of Directors and President/CEO

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

The Board of Directors evaluates the work of the President/CEO on an ongoing basis, by monitoring the progress of the business against the targets that have been set.

A formal evaluation is carried out once a year, and the results are discussed with the President/CEO.

Remuneration Committee

The Remuneration Committee is tasked with considering and making recommendations on salary, other terms of employment and incentive programmes for the President/CEO and other senior executives in the company. The committee reports to the board. Prior to the 2010 AGM the committee has met on three occasions. The committee consists of Ulf Dinkelspiel (Chair), Jon Risfelt and Lena Treschow Torell. The President/CEO attends as a co-opted member, as does the CFO and ÅF's Director for Human Resources. Remuneration has been paid for work on the committee.

Audit Committee

The Audit Committee is a vital communications link between the board and the company's auditors, supporting the work of the board by safeguarding the quality of financial reports and following up the results of the reviews and audits carried out by the external auditors. The company's internal audit staff support the committee in its work. Since the 2009 AGM the committee has consisted of Helena Skåntorp (Chair), Ulf Dinkelspiel and Eva-Lotta Kraft. All members are independent of the shareholders and the company's management. The committee held four minuted meetings in 2009. The company's auditor has attended all meetings of the committee. The President/CEO attends as a co-opted member, as does the CFO and the manager responsible for the ÅF Group's financial reporting.

Auditors

The Nomination Committee is tasked with proposing to the AGM auditors who will serve for a term of 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 President/CEO. The 2007 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 2011.

Ernst & Young carries out the audit of ÅF AB and major units within the ÅF group. The auditors conduct a review of the reporting period ending on 30 September and a full audit of the annual accounts. At the same time, an audit of internal routines and control systems is carried out.

CEO, senior 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 2009 ÅF's senior management group consisted of the CEO, the divisional Presidents, the CFO, the Director for Human Resources, the General Counsel and the Executive Vice President for Corporate Information. The secretary to the senior management group is the PA to the President. For further information about the members of the senior management group, please see pages 130–131.

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. Eleven minuted meetings were held during 2009.

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

The board's description of internal controls

The board's responsibility for internal controls is regulated in the Swedish Companies Act and the Swedish Code of Corporate Govern-

ance, 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 there are guidance documents in the form of policies, guidelines and manuals. The term "control environment" describes the organisation, decision paths, authority and responsibility for financial reporting.

A description of ÅF's internal control system is included in the company's process-orientated business management system (ONE) 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 ONE management system guides users to the relevant routines and appropriate tools for the particular task in question, thus providing a sound basis for compliance with requirements and expectations. The management system is available to all employees via the ÅF intranet.

Risk assessment

ÅF's risk assessment in respect of financial reporting aims to identify and evaluate the key risks affecting the internal control over 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 provide 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, from the board and management to other employees. Control activities aim to prevent, detect and rectify any errors and non-conformance. Risks are accepted, reduced or eliminated. ÅF's financial reports depend on the implementation of a number of control activities in all areas that affect financial reporting. At ÅF these activities comprise two elements: an organisation with clearly defined roles that facilitate an effective and, from an internal control perspective, appropriate division of responsibility; and specific activities that aim to identify or prevent the risk of reporting errors. In 2009 all accounting and reporting activities for ÅF's Swedish operations were centralised under ÅF Business Services (ÅBS) in Solna, where the processes were standardised and made more robust. Control activities at ÅBS include profit analyses and other controls in respect of revenue and receivables, payments, non-current assets, work in progress, wages and salaries, VAT/tax, book-keeping, consolidation and reporting as well as the maintenance of databases.

Information & communication

Information about and the communication of policies, process descriptions, routines and tools applicable to financial reports are contained in the management system that is available to the relevant personnel via the ÅF intranet. Updates are carried out in the event of any changes in internal or external requirements or expectations with regard to financial reports. The ÅF Group uses a process where divisional management confirms compliance with group policies each year.

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.

Social responsibility and sustainability

Corporate Social Responsibility (CSR) means that the company involves itself in and takes responsibility for the development of society. The company's strategy for and handling of CSR issues come under corporate governance. At ÅF the concept of CSR includes a number of issues such as the environment, human rights and working conditions.

A plan for ÅF's sustainability activities forms the basis for the company's work in this area, which focuses chiefly on two different perspectives: what ÅF can offer its clients, and what impact ÅF's own business activities have on the environment.

For more information about ÅF's sustainability work, please see pages 21–25.