

# CORPORATE GOVERNANCE

Semcon's corporate governance is based on regulations laid down in the Companies' Act, Articles of Association and the Stockholm Stock Exchange's listing agreement. Semcon is listed on the Nordic List of the Stockholm Stock Exchange in the Small Cap segment and the information technology sector. Semcon is not covered by the Swedish code of corporate governance.

## THE ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is the highest decision-making body within the Semcon Group and the forum in which shareholders can exercise a direct influence. Information at the AGM is regulated by the Companies' Act and the Article of Association. All shareholders have the same voting and proposal rights at the Meeting. Notification of the Meeting shall take place at the earliest six weeks before the Meeting and at the latest four weeks.

The 2006 AGM was held on 26 April 2006 at Semcon's head office in Göteborg. The Meeting was attended by 40 (36) shareholders representing 23.6% (18.6) of the shares and votes. The Meeting re-elected Annemarie Gardshol, Pia Gideon, Carl-Åke Jansson, Christian W Jansson, Hans Johansson and Dan Persson and elected Christer Dahlström as a new Board member.

The Meeting granted immunity for the previous financial year to the Board and CEO. The Meeting decided not to pay a dividend for 2005.

The Meeting authorised the Board up to the next AGM on one or more occasions take a decision to issue 900,000 new shares to be used in the event of a company acquisition. The Meeting was authorised to make decisions about acquisitions and transfer of own shares.

## EXTRA GENERAL MEETING

An Extra General Meeting was held on 27 September 2006 at Semcon's head office in Göteborg. The Meeting was attended by 8 shareholders, representing 18.2% of the total shares and votes.

The Meeting decided to approve a convertible-based incentive scheme for the CEO and a maximum of 8 key individual in the Semcon Group. A decision was reached in accordance with the articles of association with a nine tenths majority.

## NOMINATIONS COMMITTEE

At the AGM it was decided that the Chairman of the Board shall convene a nominations committee comprising the Chairman and one representative each of the largest shareholders as of the end of September. Consequently, the following nominations committee was formed: Erik Sjöström of Skandia Liv, KG Lindvall of Handelsbankens Fonder and Christian W Jansson, Semcon AB's Chairman. Christer Ericsson of JCE Group has also joined the committee.

The job of the nominations committee is to prepare and present proposals for shareholders in the company concerning the choice of Board members and, in certain instances, accountants and remuneration to the Board and accountants. Shareholders should be able to submit proposals to the nominations committee for further evaluation within the framework for these activities.

## THE BOARD

The work of the Board is regulated by the Companies' Act, the Articles of Association and the procedures adopted annually by the Board. The Board focuses on the company's financial position and strategic issues. The Board is formally established at a meeting held immediately after the AGM. The Chairman is appointed at this meeting and several documents are adopted to guide activities, including procedures for the Board, CEO and subsidiaries and instructions for financial reporting.

On 31 December 2006 Semcon's Board comprised eight members, of which two are employee representatives chosen via the trade unions. More detailed information is presented on page 66. Since the 2006 AGM the former CEO, Hans Johansson, has left the Board. In February 2007, employee representative Wael Mrad left the Board.

All of the Board members elected by the AGM and serving on the Board at the end of 2006 may be considered as independent in relation to Semcon. With the exception of Christian W Jansson all members may also be considered to be independent of Semcon's largest owners.

Since the last AGM and up to the time of writing, the Board has held five ordinary meetings and 16 extraordinary meetings. The following matters were addressed at the ordinary meetings:

April	First meeting
August	Q2 report
October	Q3 report
November	Adoption of budget
February	Financial Statement

Göran Ekström, authorised public accountant, was present at Board meetings to state his views on the internal control and procedures for financial reporting and accounting.

During the year Semcon conducted an evaluation of the work of the Board.

## SENIOR MANAGEMENT AND ORGANISATION

Semcon has a flat, non-bureaucratic organisation, where decisions are made close to the customer and employees. Semcon has a business area-based organisation with an industry-oriented structure. The Semcon Group comprises the parent company, Semcon AB (publ) and its subsidiaries, which are presented in Note 9 on page 50. All the subsidiaries report once a month to the respective area managers and in certain cases to the CEO.

The CEO leads the day-to-day business in accordance with applicable regulations. The CEO is responsible for providing the Board with the information and the necessary material it needs to make decisions, and submits reports at meetings. The CEO

keeps the Board regularly updated on the Group's financial position and performance. On the delegation of the Board, the CEO is also responsible for external reporting by the company.

The senior executive team has eight members and held 16 formal meetings and numerous informal meetings in 2006.

### **POLICIES**

Semcon's business is governed by its values and by a number of written policies. These aim to ensure operational efficiency and correct behaviour both internally and externally. Semcon's policies govern the following areas: finance, contracts, environment, human resources, insider trading, insurance, information, investor relations, intellectual property and IT.

### **AUDITORS**

Semcon's auditors are elected by the AGM for a period of four years. The current period is 2003-2006, so the next election will take place at the 2007 AGM. The company's auditors are the authorised public accountants Göran Ekström and Björn Grundvall of Ernst & Young AB. Both men have been Semcon's auditors since 1997.

In addition to auditing, Ernst & Young AB provides advice on accounting issues to Semcon. All services provided in addition to the statutory auditing service are checked specially to ensure that there is no conflict of interest or disqualification issue.

No senior executive at Semcon has held any position at Ernst & Young AB during the past five years, and vice versa. Details of remuneration to the auditors appear in Note 3 on page 44.

### **REMUNERATION**

Remuneration to the Board is decided by the AGM following proposals by the nominations committee. The chairman received SEK 300,000 in remuneration and ordinary Board members not employed by the company received SEK 150,000 each. Remuneration to the CEO is decided by the Board. Semcon has no special auditing committee or remuneration committee and these issues are handled by all members of the Board. Remuneration to the Board and CEO in 2006 is presented in full in Note 4 on pages 45-46. Remuneration to the senior executive team is determined by the CEO.