

# Corporate governance report

## Corporate governance report

This corporate governance report has been drawn up in accordance with Swedish corporate law and Semcon's Articles of Association. The Articles of Association regulates the alignment of the business, share capital and how and when the notice to attend the Annual General Meeting takes place. The entire Articles of Association are available on Semcon's website [semcon.com](http://semcon.com). Semcon also complies with other applicable Swedish and foreign laws and regulations.

## Application

Semcon applies the Swedish code of Corporate Governance and has no deviations to report. The current code is available at: [www.bolagsstyrning.se](http://www.bolagsstyrning.se).

## Annual General Meeting

The Annual General Meeting is Semcon's highest decision-making body. The notice to attend must be published in The Official Swedish Gazette (PoIT), be press released and published at [semcon.com](http://semcon.com). That the notice to attend has been published must be advertised in Dagens Industri.

At Annual General Meetings, shareholders get the opportunity to place their voting rights and, in accordance with Swedish corporate law and Semcon's Articles of Association, to take decisions concerning the composition of the Board and other central issues. Shareholders or proxies can vote for the number of shares he/she owns or represents at the meeting. Annual General Meeting decisions made at the Annual General Meeting are usually made with a simple majority. A qualified majority is however sometimes required for some decisions.

## Annual General Meeting 2015

The Annual General Meeting was held on Tuesday 28 April 2015 at Semcon's head office in Gothenburg. Representatives of 54 per cent of the share capital were present, of which underlying shares held by the members of the Nominations Committee represented 38 per cent. Kjell Nilsson was elected to chair the meeting. The Board, Group management and a representative for Deloitte were present at the Annual General Meeting.

### *The Annual General Meeting decided on the following:*

- for a dividend of SEK 2.50 per share (2.50) be paid
- to approve the Nominations Committee's proposal of Board members, remuneration to the Board and its chairman
- that the Board shall consist of five directly elected members
- to re-elect Kjell Nilsson as Chairman of the Board and re-elect Marianne Brismar, Gunvor Engström and Håkan Larsson as Board members and elect Tore Bertilsson as new

Board member

- to re-elect Deloitte AB as the registered auditing firm until the next Annual General Meeting
- to introduce a performance-based share savings scheme for senior executives and key employees
- authorise the Board to decide on the acquisition of no more than 100,000 shares to achieve the company's undertakings according to the performance-based share savings scheme

### *The Annual General Meeting also gave the Board, as in previous years, authorisation to:*

- carry out a new share issue of a maximum 1,811,253 ordinary shares in the company
  - acquire ordinary shares and transfer ordinary shares.
- Acquisitions may be made at any time for so many ordinary shares that the company holds a maximum of ten per cent of all shares after acquisition.

Full minutes and information from the Annual General Meeting 2015 are available at: [semcon.com](http://semcon.com).

## Annual General Meeting 2016

The Annual General Meeting will be held on Thursday 28 April 2016 at Semcon's head office in Gothenburg. More information is available at Semcon's website at: [semcon.com](http://semcon.com).

## Share structure and voting rights

Semcon has one share class, ordinary shares, with a quotient value of SEK 1 and entitle the owner to one voting right. There were 18,112,534 (18,112,534) ordinary shares at year-end.

## Shareholders

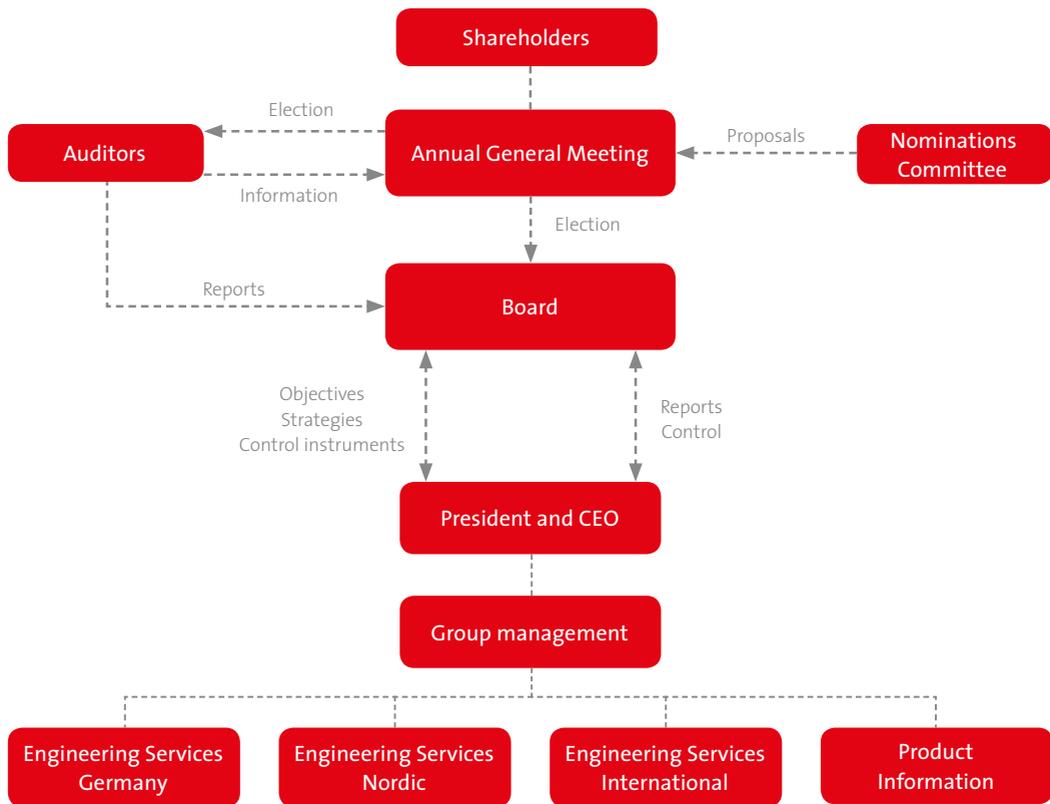
On 31 December 2015, the JCE Group owned 22.2 per cent (22.2) of Semcon's shares, Swedbank Robur Fonder 8.4 per cent (8.4), Nordea Investments Funds 6.3 per cent (6.3),

### Nominations Committee ahead of the Annual General Meeting 2016

	Representing	Voting rights, %*
Olof Cato	JCE Group	22.2
Evert Carlsson	Swedbank Robur Fonder	8.4
Katja Bergqvist	Handelsbanken Fonder	2.8
Kjell Nilsson	Semcon AB	0.2
Total		33.6

\* No. of voting rights 29 February 2016

The summary below illustrates how responsibility for management and control of Semcon AB is divided between shareholders at the Annual General Meeting, the Board and the CEO according to external regulations and internal policies.



Ålandsbanken 5.2 per cent (-) and Fjärde AP-fonden 3.6 per cent (3.6). Foreign ownership amounted to 28 per cent (27) and the number of shareholders amounted to 4,671 (3,657).

#### Nominations Committee

According to a decision made by the Annual General Meeting, based on ownership statistics from Euroclear Sweden AB on 31 August for each respective year, the Chairman of the Board must convene the three largest shareholders in the company, who together shall appoint members of the Nominations Committee. If any of them decline then the right to nominate transfers to the next shareholder in terms of size, who doesn't already have the right to nominate members to the Nominations Committee. The member nominated by the largest shareholder will be the Nominations Committee's chairman.

*The Nominations Committee is to present proposals to the Annual General Meeting concerning:*

- Chairman of the Annual General Meeting
- Chairman of the Board and other Board members, remuneration to the Board and in certain cases auditors and remuneration to the Board and auditors
- The decision concerning principles for the structure of the Nominations Committee.

The Nominations Committee's members will be announced no later than six months before the Annual General Meeting. Information about the Nominations Committee's members and how proposals to the Annual General Meeting can be submitted are available in press releases at: [semcon.com](http://semcon.com) and in the Q3 report.

#### Nominations committee 2015/2016

The Nominations Committee's members in 2015/2016 consisted of Olof Cato, JCE Group Aktiebolag (Nominations Committee's chairman) Evert Carlsson, Swedbank Robur Fonder, Katja Bergqvist, Handelsbanken Fonder, and Kjell Nilsson (Semcon's Chairman of the Board). No remuneration was paid to the members. The Nominations Committee met twice in Autumn 2015 and twice in January and February 2016. The basis of the Nominations Committee's work has mainly been the company's strategies and priorities and an evaluation of the Board and its size and structure. The Nominations Committee's proposal for election of chairman of the meeting, Board members, Chairman of the Board and auditors is given in the notice to attend the Annual General Meeting, plus proposed remuneration for Annual General Meeting elected Board members and accountants. In addition, proposals are submitted for appointing a Nominations Committee, which is

published on Semcon's website. Questions to the Nominations Committee can be submitted to: valberedning@semcon.se

### **The Board**

The Board is ultimately responsible for the organisation and management of Semcon's business activities. The work of the Board is regulated by the Companies' Act, the Articles of Association and the procedures adopted annually by the Board.

#### **Board structure**

The Annual General Meeting elects Board members and their deputies in Semcon AB. The Board must consist of no fewer than three members and no more than eight members with no more than two deputies. Semcon AB's Board consists of five members elected by the Annual General Meeting without deputies and three representatives elected by the employees, of which in total three female. Of the eight Board members, all are Swedish Citizens. The Board's structure meets the requirements for being independent set by the Swedish Code for Corporate Governance and in association with the Nasdaq Stockholm. See table on page 87.

#### **Work of the Board**

The Board held eight ordinary meetings in 2015. The Board has adopted a number of steering documents and policies. The Board oversees the CEO's work by continuously monitoring the business throughout the year, and is responsible that the organisation, management and guidelines for administering the company's affairs are suitably put together and that there is suitable internal control. The Board is furthermore responsible for developing and following-up the company's strategies through plans and objectives, decisions regarding the acquisition and divestment of businesses and major investments. The Board sets out guidelines for the company's performance in society in order to ensure its long-term value-adding capability. The Board also determines six-monthly and annual accounts. The work of the Board follows an agenda with fixed points for Board members. The Chairman leads and delegates Board work and ensures that urgent matters in addition to the fixed points on the agenda are dealt with. Attendance at the Board meeting is given in the table on page 87. Other salaried employees in the company take part in Board meetings as co-opted members, speakers and secretary.

#### **Board meetings 2015**

- No. 1:** Final accounts and Year-end report 2014, internal control, financial report, remuneration issues, CEO evaluation, debriefing of audit (auditors present).
- No. 2:** Review of annual report, decision proposals and notice to attend ahead of Annual General Meeting.
- No. 3:** Interim report, January – March, financial report.
- No. 4:** Statutory meeting, decisions regarding performance-based share savings scheme.

**No. 5:** Interim report, January – June, financial report.

**No. 6:** Follow-up and setting of strategies.

**No. 7:** Interim report, January – September, financial report, debriefing of audit (auditors present).

**No. 8:** Business plans for the business areas and setting budgets for 2016 for the Group, respective business areas and CEO evaluation.

All meetings took place at the company's head office in Gothenburg.

#### **Statutory meeting**

The Board decided on a written agenda at the statutory Board meeting, close to the Annual General Meeting. At the statutory Board meeting, the Board set its agenda, instructions for the CEO, subsidiary instructions, financial reporting instructions, certification procedures and financial policy.

#### **Board evaluation**

Board members have evaluated the Board's work, which has been summarised and handed to the Nominations Committee. The areas evaluated cover such things as the composition of the Board, its level of expertise, organisation, day-to-day work and working climate. In addition the Nominations Committee held personal interviews with the annually elected Board members.

#### **Audit committee**

Semcon has decided the entire Board will carry out the audit committee's tasks. The entire Board aims at keeping in close contact with the company's auditors so that it can satisfactorily follow significant issues concerning the company's accounts, reporting routines, management of company assets and internal control. These kinds of issues are therefore dealt with by the Board as a whole. To make sure that the Board's need for information is reached, the company's auditors report to the Board at least twice a year. Hans Warén, the responsible authorised public accountant at Deloitte, has reported their views over the past year about the Group's internal control and routines for reporting, financial accounting routines, reviewing the interim report for January–September and final accounts examination.

#### **Remuneration issues**

##### **Remuneration committee**

Semcon has decided that the entire Board will carry out the remuneration committee's tasks.

##### **Remuneration to the Board**

Remuneration to the Board is decided by the Annual General Meeting following proposals from the Nominations Committee. The Annual General Meeting decided that remuneration to the Board in 2015/2016 should be SEK

550,000 for the Chairman and SEK 265,000 for other Board members not employed by the company.

#### **Remuneration to the CEO and senior executives**

The Annual General Meeting decides on remuneration principles and other employment guidelines concerning the CEO and senior executives that report to him. Remuneration to the CEO is decided by the Board.

The CEO's remuneration and benefits are reported in Note 8, page 65. Senior executives' remuneration is proposed by the CEO and decided by the Board. All senior executives in the Group management team are entitled to a fixed salary and a flexible salary of no more than six months' salary based on how well they meet their respective targets. The fixed salary is adjusted to conditions on the market and set every calendar year. Remuneration guidelines include the individuals, who during the time the guidelines applied, were part of the senior management team. The Board has the right to deviate from the guidelines if there is just cause to do so in special circumstances. Senior executives' remuneration and bonuses are reported in Note 8 on page 65.

#### **Auditors**

Deloitte AB was re-elected as the company's auditor by the Annual General Meeting in 2015 until the Annual General Meeting in 2016. The company's main responsible auditor is Hans Warén (born 1964). His other audit assignments include Castellum, Ekman, Gunnebo, Lindab and SJ.

The auditors' interaction with the Board is described above. In addition to auditing, Deloitte AB also provides advice on accounting issues to Semcon. All services provided in addition to the statutory auditing service are checked specially to ensure there is no conflict of interest or disqualification issue. No senior executive at Semcon has held any position at Deloitte AB. Semcon's remuneration to auditors and purchase of services in addition to auditing, appear in Note 7 on page 65.

#### **Group management**

Group management consists of the CEO, CFO, general counsel, Corporate communications and marketing director and

business area presidents, see page 92. Group management holds regular meetings led by the CEO. The meetings follow an agenda and are minuted. In addition to these meetings, a number of meetings are held where all, or parts of, the Group management are present along with to the employees from the Group.

Group management works towards close contact with every business area in order to support and provide help and the tools to make the business more effective, marketing, business development and internal exchange of knowledge.

#### **Business areas**

Semcon's business activities were organised into four business areas in 2015. Semcon's organisation is characterised by far-reaching decentralisation, where every unit is highly independent with lots of authorisation. Group management's control of the business areas takes place, in addition to continual contacts, mainly through monthly internal debriefings by business area managers and controllers and by internal business board meetings with members of the Group management.

#### **Certification and decision-making**

The Group has certification and decision-making that clearly regulates authorisation at every level in the company, from individual employees to Semcon's management. The areas regulated include contract levels, handling quotes/tenders, investment, rental and leasing contracts and expenses. The organisation for an assignment/project varies according to the assignment/project's size, location and complexity. Semcon is certified and apply quality and environmental management systems according to ISO 9001:2008 and ISO 14001:2004, which are constantly reviewed by external auditors.

#### **Further information about corporate governance**

The following information is available at [semcon.com](http://semcon.com):

- More in-depth information about internal control instruments, such as Corporate Governance and Code of Conduct.
- Information from Semcon's Annual General Meeting from 2005 (notices to attend meetings, minutes etc.)

■ Semcon's Board		Elected	Present	Dependent	Audit committee	Remunerations committee
Kjell Nilsson	Chairman	2007	8/8	Yes*	Yes	Yes
Gunvor Engström	Member	2007	8/8	No	Yes	Yes
Håkan Larsson	Member	2008	7/8	No	Yes	Yes
Marianne Brismar	Member	2008	8/8	No	Yes	Yes
Tore Bertilsson	Member	2015	5/5	Yes**	Yes	Yes
Christer Eriksson	Employee representative	2007	8/8		Yes	Yes
Mats Sällberg	Employee representative	2014	8/8		Yes	Yes
Monique Pehrsson	Employee representative	2014	4/8		Yes	Yes

\* Kjell Nilsson is dependent to the company as he was the company's CEO.

\*\*Tore Bertilsson is non-dependent to the major shareholders.

A presentation of Board members is available on pages 90-91.

## Internal control for financial reporting

The Swedish Companies Act regulates the Board and CEO's responsibility concerning internal control. The Board's responsibility is also regulated by the Swedish Code of Corporate Governance, which also includes demands for annual external information flow concerning how the financial reporting is organised.

### Internal control

Semcon has defined internal control as a process designed to provide reasonable assurance that Semcon's objectives are achieved in terms of an appropriate, effective business, reliable reporting and how to follow applicable rules and regulations. The internal control is influenced by the Board, CEO, Group management and other employees and is based on a control environment that creates the basis for the other four components in the process – risk assessment, control activities, information, communication and follow-ups. The process bases itself on the framework for internal control issued by the Committee of the Sponsoring Organisations of the Treadway Commission (COSO). The control environment includes the values and ethics that the Board, CEO and Group management communicate and use and that are documented in Semcon's Code of Conduct and the Group's organisational structure, management, decision-making, authorisation, responsibility and expertise of the employees. Semcon's vision, mission, objectives and strategies are the basis of day-to-day work. Semcon is characterised by a decentralised organisation driven from target-steered management with clear objectives.

### Internal control for financial reporting

Internal control concerning financial reporting aims to give reasonable assurance concerning reliability of the external financial reporting in the form of quarterly reports, financial statements and annual reports, and that the external financial reports are drawn up in accordance with laws, applicable accounting standards and other demands made on listed companies. The following description has been drawn up in accordance with the Swedish Code of Corporate Governance and the current application instructions and make up the Board's report for internal control concerning the financial reporting.

### Control environment

The Board has overall responsibility for the internal control of financial reporting. The Board has set out written standing orders that clarify the Board's responsibilities and that regulate the work of the Board. The Board will ensure that set principles for financial reporting and internal control are observed and that applicable relationships with the company's auditors are maintained. The Board has drawn up instructions for the CEO and for financial reporting. The Group's Internal Control is a support function for the internal control of financial reporting in the Group's companies and business areas. Internal control instruments for financial reporting are made up of the Group's finance policy, information policy, investment rules, authorisation rules and the Group's accounting and reporting rules.

Semcon's ethical values are documented in the Group's Code of Conduct and staff policies complement other rules and instructions for employees. A lot of hard work has been carried out in recent years on the Group's management systems and for clearer routines and regulations for submitting tenders/bids, conditions of contract and drawing up agreements. To make sure these routines are adhered to a number of training initiatives were completed over the year. A further two projects have been carried out in 2015 to fully harmonise the Semcon Group's project processes and financial processes at all subsidiaries.

### Risk assessment

Semcon's risk assessment covering financial reporting, i.e. identification and evaluation of the most significant risks in the Group's companies, business areas and processes regarding financial reporting, consist of a foundation for how they are managed. They are managed by the risks being accepted, reduced or eliminated. Annual evaluation activities are carried out by the internal control function and worked out according to a risk-based model. A number of criteria are considered to assess the degree of risk of inaccuracies occurring in financial reporting. Complex accounting policies might, for example, mean that the financial reporting risks being inaccurate for the items covered by such policies. Valuing certain assets or liabilities using various assessment criteria might also constitute



a risk. The same applies to complex and/or changes to business conditions.

### **Control activities**

The significant risks identified for financial reporting are managed through various control activities and processes in the Group's companies and business areas and aim to safeguard that the basic demands on external financial reporting are met. The control activities build on the Group's minimum requirements for internal control for financial reporting and consist of comprehensive, detailed controls that can be preventative and exploratory in nature. The respective business areas are responsible for the Group's control instruments being implemented and observed and that any possible deviation is reported.

### **Information and communication**

Information and communication about internal control instruments for financial reporting is published on Semcon's intranet, which is accessible to every employee. External communication consists, for example, of external financial reporting such as quarterly reports and the annual report. There is a communication handbook to support the information procedures in the Group. This clearly states who is allowed to communicate what type of information and that the information must be correct, coordinated, consistent, fast and able to be monitored, both internally and externally.

### **Follow-ups**

Follow-ups for ensuring effective internal control for financial reporting are carried out by the Board, CEO, Group management, the Internal Control function and by the Group's companies and business areas. Follow-ups are carried out informally and formally and comprise follow-ups of monthly financial reports against budgets and objectives such as quarterly reports, which in certain cases are complemented with independent examinations by external auditors. Semcon has introduced a Group-wide reporting system for working on the internal control of financial reporting, which includes self-evaluation of all the Group's companies and business areas. This provides a picture of how the Group's subsidiaries and business areas live up to the minimum requirements of internal control for financial reporting for significant risks identified and also provides information concerning the status of the work. Every company and business area is responsible for drawing up action plans for divergence that is then followed-up by the respective internal Business Board in each business area. In view of the results of the tests, the company has so far found no reason to introduce a special internal audit function.

Gothenburg, 23 March 2016  
The Board

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## **Auditor's report on the corporate governance report**

To the Annual General Meeting of Semcon AB, co.reg.no. 556539-9549.

It is the Board of Directors who is responsible for the corporate governance report for 2015, included in the printed version of this document on pages 84-89 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance report 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 report 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 report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Gothenburg, 24 March 2016  
Deloitte AB

Hans Warén  
*Authorised Public Accountant*