

Corporate governance

Semcon AB (publ) ("Semcon") is a Swedish company active on a global market. The company's shares are quoted on the NASDAQ OMX Stockholm. Semcon applies the Swedish Code of Corporate Governance and hereby submits the corporate governance report for 2009.

Semcon is governed in accordance with Swedish corporate law. Semcon's Articles of Association regulates the alignment of the business, share capital and how and when the notice to attend the AGM takes place. The entire Articles of Association are available on Semcon's website at: www.semcon.se. 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.

Annual General Meeting

The notice to attend the Annual General Meeting appears in the Articles of Association. The notice to attend must be published in the Swedish Official Gazette and Dagens Industri newspaper.

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 2009

The 2009 Annual General Meeting (AGM) was held on 29 April at Semcon's head office in Göteborg. Representatives of 55 per cent of the share capital were present, of which underlying shares held by the member of the nominations committee represented 54 per cent.

Hans-Erik Andersson was elected to chair the meeting. The meeting approved the Board's proposal for the appropriation of profits. The meeting decided that the Board should consist of six directly elected members. The meeting also approved the nominations committee's proposals for Board members, remuneration to the Board and its chairman. The meeting re-elected Hans-Erik Andersson (Chairman of the Board), Gunvor Engström, Kjell Nilsson, Marianne Brismar, Jorma Halonen and Håkan Larsson. The full minutes of the AGM are available at: www.semcon.com.

Annual General Meeting 2010

The Annual General Meeting for 2010 will be held on 29 April at Semcon's head office in Göteborg. More information is available on Semcon's website at: www.semcon.com.

Share structure and voting rights

Semcon's share class, ordinary shares, have a quotient value of SEK 1 and entitle the owner to one voting right.

Nominations committee

Based on ownership statistics from Euroclear Sweden AB (VPC) 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 job of the nominations committee is to prepare and present proposals to the Board, Chairman of the Board and in certain cases auditors and remuneration to the Board and auditors.

The nominations committee will also submit proposals to the AGM concerning principles for the structure of the nomi-

nations committee and proposals to the chairman at the meeting. The nominations committee's members will be announced no later than six months before the AGM. Information about the nominations committee's members and how proposals can be submitted are available at: www.semcon.com and in the Q3 report.

Nominations committee 2009/2010

The nominations committee's members in 2009/2010 were Christer Ericsson, JCE Group AB (nominations committee's chairman), Erik Sjöström, Skandia Liv, Kerstin Stenberg, Swedbank Roburs fonder and Hans-Erik Andersson (Chairman of the Board). No remuneration was paid to the members. The nominations committee met 4 times and also held individual meetings with directly elected members ahead of the 2010 AGM. 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 AGM and also published in Semcon's website. Questions to the nominations committee can be submitted to: valberedning@semcon.se

Nominations committee ahead of the Annual General Meeting 2010

	Representing	No. of voting rights, % 31 December 2009
Christer Eriksson	JCE-Group	30.5
Erik Sjöström	Skandia Liv	13.1
Kerstin Stenberg	Swedbank Robur fonder	9.4
Hans-Erik Andersson	Semcon AB	0.1
Total		53.1

Further information about corporate governance

The following information is available at www.semcon.se:

- In-depth information about internal control instruments such as Articles of Association and Code of Conduct.
- Information from Semcon's AGMs from 2004 onwards (notice to attend, minutes etc.).

Board

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

Semcon AB's Board consists of six members elected by the AGM, of which two are female, and three members with their deputies elected by employees. Of the nine Board members, eight are Swedish Citizens and one is Finnish. The Board's structure meets the requirements for being independent set by the Swedish Code for Corporate Governance and in association with the NASDAQ OMX Stockholm.

Work of the Board

The Board held eight ordinary meetings and one extraordinary meeting in 2009. 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 meetings is given in the table below. Other salaried employees in the company take part in Board meetings as co-opted members, speakers and secretary.

Board meetings 2009

No. 1/2009: Financial statement and Annual Report 2009, financial report, remuneration issues, CEO evaluation, debriefing of audit (auditors present)

No. 2/2009: Dealing with issues concerning the JCE Group's mandatory offer for Semcon*

No. 3/2009: Review of decision proposals and notice to attend ahead of the AGM

No. 4/2009: Q1 report January–March 2009, financial report

No. 5/2009: Statutory meeting

No. 6/2009: Strategy meeting, financing issues

No. 7/2009: Interim financial statement January–June, financial report

No. 8/2009: Q3 report January–September, financial report, insurance issues and risk management, debriefing of audit (auditors present)

No. 9/2009: Business plans for the business areas and setting budgets for 2010, board evaluation

At the statutory Board meeting the Board set procedures, instructions for the CEO, subsidiary instructions, financial reporting instructions, certification procedures and financial policy.

Audit committee

Semcon has decided the entire Board will carry out the audit committee's tasks. This audit committee structure meets the code's independence and expertise criteria. 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. Peter Gustafsson and Hans Warén, the responsible authorized public accountants at Deloitte, have reported their views over the past year about the Group's internal control, reporting, financial accounting routines and balance sheet examination.

Group management

At year-end 2009 Group management consisted of the CEO and managers of the business areas and Group staff. See pages 82–83. 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,

Semcon's Board 2009

		Elected	Present	Dependent/ independent	Audit committee	Remunerations committee
Hans-Erik Andersson	Chairman	2007	9/9	No	Yes	Yes
Kjell Nilsson	President and CEO	2007	8/9*	Yes**	No	No
Gunvor Engström	Member	2007	8/9	No	Yes	Yes
Håkan Larsson	Member	2008	8/9*	Yes***	Yes	Yes
Marianne Brismar	Member	2008	9/9	No	Yes	Yes
Jorma Halonen	Member	2008	8/9	No	Yes	Yes
Roland Kristiansson	Employee representative		8/9			
Stefan Novakovic	Employee representative		8/9			
Christer Eriksson	Employee representative		9/9			
Stefan Hedberg	Deputy member		1/9			

* Kjell Nilsson and Håkan Larsson were not present when the JCE Group's bid for Semcon was dealt with.

** Kjell Nilsson is dependent to the company and the company's major owners.

*** Håkan Larsson is dependent to the company's major owners.

The presentation of Board members appears on pages 80–81 of the Annual Report.

the Group management are present along with other 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 are organized into three business areas. Semcon's organization is characterized by far-reaching decentralization, where every unit is highly independent with lots of authorization. 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 quarterly review meetings with some of the Group management.

The Group has certification and decision-making that clearly regulates authorization 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, insurances, expenses and guarantees.

The organization for an assignment/project varies according to the assignment/project's size, location and complexity. Each assignment/project is run by an assignment manager/project manager. Semcon and its Swedish subsidiaries are certified and apply quality and environmental management systems according to ISO 9001:2000 and 14001:2004, which are constantly reviewed by external auditors.

Remuneration issues

Remuneration committee

Semcon has decided that the entire Board will carry out the remuneration committee's tasks. Members of company management will not participate in this work.

Remuneration to the Board

Remuneration to the Board is decided by the AGM following proposals from the nominations committee. The AGM decided that remuneration to the Board in 2009/2010 should be the same as the previous financial year, i.e. remuneration to the Board of SEK 400,000 for the Chairman and SEK 200,000 for other Board members not employed by the company. Remuneration to the CEO is decided by the Board. The same remuneration was paid to the CEO in 2009 as in 2008. No flexible remuneration was paid in 2009.

Remuneration to senior executives

All senior executives in the senior 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 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. The same fixed remuneration to the CEO and other senior executives applied to

2009 as for 2008 with no flexible remuneration paid. Senior executives' remuneration and bonuses are reported in Note 8 on page 58.

Auditors

Deloitte AB was elected as the company's auditor for a four-year period at the AGM in 2007. The company's auditors are the authorized public accountants Peter Gustafsson and Hans Warén.

Peter Gustafsson was born in 1956. In addition to audit work for Semcon Peter Gustafsson carries out audit work for companies like SAS Scandinavian Airlines Sverige AB, Saab Automobile AB, Ledstjernan AB, Akademiska Hus AB, Specialfastigheter Sverige AB, Göteborgs Hamn AB and Göteborgs Kommunala Förvaltnings AB. Hans Warén was born in 1964. His other assignments include Saab AB Group, Ekman & Co AB, Göteborg Energi AB, Liseberg AB,

Parker Hannifin AB, SPX Johnson Pump Marine AB and the Bodycote Group. The auditors' interaction with the Board is described above. In addition to auditing, Deloitte AB will also provide 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 Deloitte AB. Semcon's remuneration to auditors and purchase of services in addition to auditing, appear in Note 7 on page 57.

This report is not part of the formal annual report documents and has not been subject to scrutiny by the company's auditors.

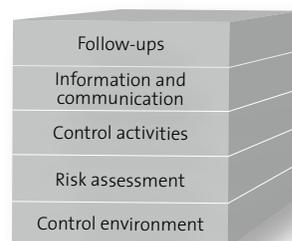
Board's report on internal control

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 internal control for financial reporting is organized.

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 Organizations 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



Framework for internal control