

# Corporate governance

## Corporate governance

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: [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 notice to attend the Annual General Meeting (AGM) appears in the Articles of Association. The notice to attend must be published in the Swedish Official Gazette and Dagens Industri newspaper. At AGMs, 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 2011

The 2011 AGM was held on 27 April at Semcon's head office in Göteborg. Representatives of 47 per cent of the share capital were present, of which underlying shares held by the members of the nominations committee represented 43 per cent. Hans Erik Andersson was elected to chair the meeting. The AGM decided that the Board shall consist of 6 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 Hand-Erik Andersson (Chairman of the Board), Gunvor Engström, Kjell Nilsson, Marianne Brismar and Håkan Larsson and elected Joakim Olsson as a new Board member.

The AGM also gave the Board, as in previous years:

- authorization to carry out a new share issue in the company
- authorization to acquire ordinary shares and to transfer ordinary shares

The full minutes of the AGM are available at: [semcon.com](http://semcon.com)

## AGM 2012

The AGM for 2012 will be held on 26 April at Semcon's head office in Göteborg. More information is available on Semcon's website at: [semcon.com](http://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. There were 18,112,534 (18,112,534) ordinary shares at year-end.

## Shareholders

On 31 December 2011, the JCE Group owned 30.5 per cent (30.5) of Semcon's shares, Skandia Liv 8.2 per cent (8.2), Swedbank Robur fonder 8.2 per cent (8.2), Avanza Pension 4.7 per cent (4.7) and FIM Bank 3.1 per cent (3.1). Foreign ownership amounted to 11.9 per cent (11.9) and the number of shareholders amounted to 4,547 (4,547).

## Nominations committee

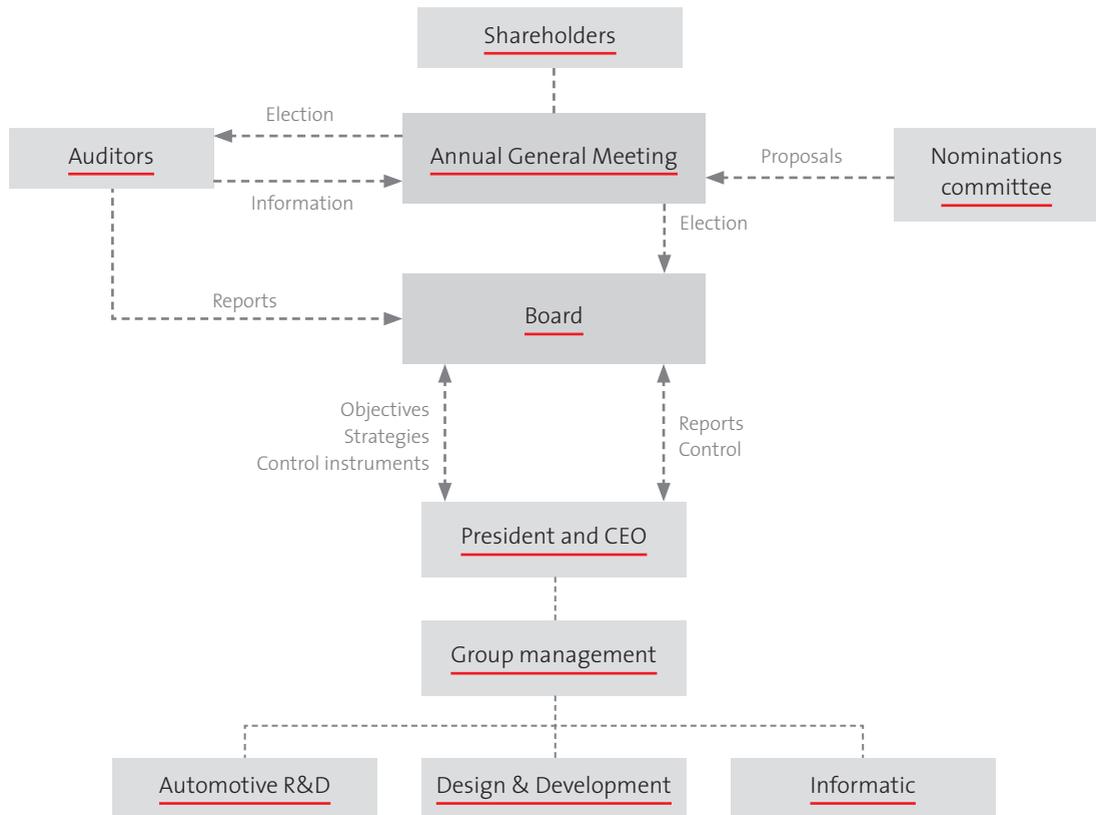
Based on ownership statistics from Euroclear Sweden AB on 31 August for each respective year, the Chairman of the Board must convene the three largest shareholders in the company, who together shall appoint members of the nominations committee. If any of them decline then the right to nominate transfers 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 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 concern-

## Nominations committee ahead of the AGM 2012

	Representing	Voting rights, %*
Hampus Ericsson	JCE Group	30.5
Jimmy Bengtsson	Skandia Liv	8.2
Kerstin Stenberg	Swedbank Robur fonder	8.2
Hans-Erik Andersson	Semcon AB	0.1
Total		47.0

\* No. of voting rights 29/2/2012

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



ning principles for the structure of the nominations 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](http://www.semcon.com) and in the Q3 report

#### Nominations committee 2011/2012

The nominations committee's members in 2011/2012 were Hampus Ericsson, JCE Group AB (nominations committee's chairman), Jimmy Bengtsson, 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 four times and also held individual meetings with directly elected members ahead of the 2012 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 on Semcon's website. Questions to the nominations committee can be submitted to: [valberedning@semcon.se](mailto:valberedning@semcon.se)

#### 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

The Annual General Meeting elects Board members and their deputies to 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 six members elected by the AGM without deputies, of which two are female, and three members with

their deputies elected by employees. Of the nine 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 OMX Stockholm.

#### *Work of the Board*

The Board held seven ordinary meetings in 2011. 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 organization, 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 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 2011*

**No. 1:** Final accounts and financial statement 2010, financial report, remuneration issues, CEO evaluation, debriefing of audit (auditors present).

**No. 2:** Review of annual report and decision proposals and notice to attend ahead of the AGM.

**No. 3:** Q1 report, January–March, financial report.

**No. 4:** Statutory meeting.

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

**No. 6:** Follow-up and setting of strategies, election of deputy CEO.

**No. 7:** Q3 report, January–September, financial report, debriefing of audit (auditors present).

**No. 8:** Business plans for the business areas and setting budgets for 2012, Board evaluation.

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

The Board decided on a written agenda at the statutory Board meeting, close to the AGM. At the statutory Board meeting, the Board set its agenda, 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. 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 the responsible authorized public accountant at Deloitte, have 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 balance sheet examination.

#### **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 2011/2012 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 and senior executives*

The AGM 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 on pages 67. No flexible remuneration was paid in 2010. 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 pages 67.

#### **Auditors**

Deloitte AB was elected as the company's auditor by the AGM in 2011 until 2012. The company's main auditor is Peter

Gustafsson. Peter Gustafsson was born in 1956. In addition to audit work for Semcon Peter Gustafsson carries out audit work for companies like Ekman & Co AB, LKAB, Ledstiernan AB, Specialfastigheter Sverige AB, Göteborgs Hamn AB and Göteborgs Kommunala Förvaltnings AB.

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 66.

### Group management

At year-end 2011 Group management consisted of the CEO and managers of the business areas and Group staff. See page 93. 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 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 internal meetings with members 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. Semcon and its Swedish subsidiaries are certified and apply quality and environmental management systems according to ISO 9001:2008 and ISO 14001:2004, which are constantly reviewed by external auditors.

### More 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 AGMs from 2005 (notices to attend meetings, minutes etc.).

## Semcon's Board 2011

		Elected	Present	Dependent	Audit committee	Remunerations committee
Hans-Erik Andersson	Chairman	2007	8/8	No	Yes	Yes
Kjell Nilsson	President and CEO	2007	8/8	Yes*	No	No
Gunvor Engström	Member	2007	8/8	No	Yes	Yes
Håkan Larsson	Member	2008	8/8	No	Yes	Yes
Marianne Brismar	Member	2008	8/8	No	Yes	Yes
Jorma Halonen **	Member	2008	3/3	No	Yes	Yes
Joakim Olsson **	Member	2011	5/5	No	Yes	Yes
Roland Kristiansson	Employee representative	2004	6/8		Yes	Yes
Christer Eriksson	Employee representative	2007	8/8		Yes	Yes
Stefan Novakovic ***	Employee representative	2007	6/6		Yes	Yes
Ronny Lundberg***	Employee representative	2011	2/2		Yes	Yes
Kenneth Straschko	Deputy employee repr.	2011	1/1			

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

\*\*Jorma Halonen was replaced by Joakim Olsson at the AGM 2011.

\*\*\*Ronny Lundberg has replaced Stefan Novakovic as employee representative.

The presentation of Board members appears 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 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 Conduct and the Group's organizational structure, management, decision-making, authorization, responsibility and expertise of the employees. Semcon's vision, business concept, objectives and strategies are the basis of day-to-day work. Semcon is characterized by a decentralized organization driven from target-steered management with clear objectives.

### Internal control concerning 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. Responsibility for ensuring effective control environments is delegated to the CEO. 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, authorization 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. Implementing business, management and CRM systems, as well as clearer routines and regulations for submitting tenders/bids, conditions of contract and drawing up agreements on all geographic markets, are going according to plan. To make sure these routines are

adhered to a number of training initiatives were completed over the year.

### 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, with demands on controls and control levels within the frameworks set by the Board, CEO and Group management. Risk assessment has taken place during the year in the respective business area's management groups and with Group staff function managers and controllers.



*Framework for internal control*

**Control activities**

The significant risks identified for financial reporting are managed through various control activities and processes in the Group's companies, business areas and that 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. In 2010 all Group companies and business areas completed an Internal Control questionnaire in order to evaluate the internal controls.

**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. The results of the internal control of financial reporting procedures are reported by the Group's function for Internal Control to the Board and Group management.

**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 that provides a picture of how the Group's subsidiaries live up to the minimum requirements of internal control for financial reporting for significant risks identified and also provides information concerning the status of subsidiaries' work. Every company and business area is responsible for drawing up action plans for divergence that is then followed-up by the respective internal Board in each business area. In addition, the Group's Internal Control function has tested the self-evaluations and reported divergences in the audit reports to the affected parties. In view of the results of the tests, the company has so far found no reason to introduce a special internal audit function.

The Board  
Göteborg 15 March 2012

**AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT**

To the Annual General Meeting of the shareholders of Semcon AB, corporate identity number 556539-9549.

It is the Board of Directors who is responsible for the corporate governance report for the year 2011 included in the printed version of this document on pages 92–97 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.

Göteborg 15 March 2012  
Deloitte AB  
Peter Gustafsson  
*Authorized Public Accountant*