

CORPORATE GOVERNANCE REPORT

SWECO AB IN GENERAL

Sweco AB is a public limited liability company headquartered in Stockholm, Sweden. Sweco's corporate governance is based on the Swedish Companies Act, Sweco AB's Articles of Association, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Code of Corporate Governance, other applicable laws and regulations and its own policies, procedures and guidelines. Sweco's Board of Directors (the "Board") and management live up to the requirements of the shareholders, other stakeholders and Nasdaq Stockholm regarding sound and effective corporate governance. In accordance with the Swedish Companies Act and the company's Articles of Association, Sweco's governance, management and control are divided between the shareholders at the Shareholders' Meeting, the Board and the President & CEO. This Corporate Governance Report has been prepared in compliance with the Swedish Code of Corporate Governance and the Swedish Annual Accounts Act and has been examined by the statutory auditors.

BUSINESS MODEL AND PROJECT MANAGEMENT

Sweco's business is to create value through the delivery of professional consulting services. In Sweco's decentralised organisation, teams of consultants form the basic building blocks of the organisation. Since every consultant is responsible for generating business, the company's operations must be permeated by a strong entrepreneurial attitude and approach. Sweco's core values of curiosity, commitment and responsibility reflect the corporate culture and serve to promote good conduct and uniform decision-making.

Sweco's activities are carried out as projects. The project teams vary depending on project size, location and complexity. Each project is headed by a responsible project manager whose day-to-day work is facilitated by Sweco's group-wide business system. All operating countries are certified in accordance with ISO 9001 and most are also certified in accordance with ISO 14001 and OHSAS 18001. These management standards promote effective project management and a consistent approach to the project process. They also help Sweco comply with legislation, improve projects' environmental aspects, identify potential risks and measure and improve customer satisfaction. The Group's business system and its usage are audited every year by an independent quality assurance organisation. The system is also monitored internally on a continuous basis.

The responsibility of the Sweco consultant is to deliver sustainable and customer-adapted solutions that have a high knowledge content, are of the appropriate quality and benefit the customer's business. The Group's business system includes guidelines, policies and procedures focused on project results and is accessible to the consultants at all times. Sweco works continuously with improvement measures to develop working methods, promote sustainability and support employees. Strategic skills development programmes are used to meet the consultants' need for ongoing education and training. Knowledge and experience gained by the consultants in their projects is preserved and developed for future use.

CSR AND COMPLIANCE

Sweco's work with CSR (Corporate Social Responsibility), defined as Sweco's responsibility to society and Sweco's contribution to society, is based on the results it achieves in its projects. Sweco's vision is to become Europe's most respected knowledge company in the fields of consulting engineering, environmental technology and architecture. Sweco's long-term profitability and growth are driven by solutions that promote the sustainable development of society from an ecological, social and economic perspective. As consultants, Sweco's employees are often deeply involved in customer projects, frequently in an early stage, which gives them an opportunity to exert an influence but also carries an obligation to take responsibility for aspects within their control. Besides this, Sweco also influences CSR performance directly through its own initiatives. Sweco's employees are obligated to comply with Sweco's CSR policy and compliance programme. See page 17 for additional information on Sweco's compliance programme.

Sweco complies with the laws, regulations and other requirements

applicable to operations in countries where the Group is active. Sweco also follows the Code of Ethics prepared by the International Federation of Consulting Engineers (FIDIC) and works according to the principles of the UN's Global Compact and the UN Declaration of Human Rights.

Sweco has high standards for conduct and business ethics, with objective and independent employees who act professionally in the best interest of the customer. Sweco has zero tolerance for fraud and collusion, corruption, bribes or unpermitted competition-restricting practises. No one at Sweco may, directly or indirectly, request or accept a promise of improper payment or other types of improper gifts, nor may anyone at Sweco, directly or indirectly, offer, provide or promise payment or other types of compensation that may be regarded as improper to individuals, organisations, companies or persons closely associated thereto. No one at Sweco nor anyone representing Sweco in a particular matter may provide cash or other assets to other parties. Employees may not engage in activities in which there is a risk of conflict with Sweco's interests. No employee may exploit his or her position for personal gain. An employee who suspects business ethics improprieties is obligated to report this, in the first instance, to his or her manager, manager's manager, HR or group Legal staff or in cases where anonymity is called for, via Sweco's whistleblower function (Sweco Ethics Line).

Sweco views diversity as essential in creating an innovative and inspiring working environment and actively promotes equal rights and opportunities in the workplace regardless of gender, ethnic origin, nationality, religious belief, disability, sexual orientation or age.

The company's and employees' basic outlook on the company's responsibilities in society has been established in its CSR policy. The CSR policy covers the areas of business ethics, quality assurance, employee development, human rights, equality and diversity and occupational health and safety. Where applicable, Group-wide and local guidelines have specified responsibility in each area in greater detail. Examples of this include ethics guidelines concerning anti-corruption, gifts and business entertainment.

All managers are responsible for ensuring that they and their employees comply with the CSR policy and guidelines. All employees are obligated to familiarise themselves and comply with the provisions of the policy and guidelines and to encourage external partners to apply these principles. The President & CEO holds ultimate responsibility for ensuring that the policy is monitored, including through internal and external audits.

The Nomination Committee has complied with Section 4.1 in the Swedish Corporate Governance Code as a policy for diversity of the members in the Board. Diversity is however an important element in the nomination process. The Nomination Committee has continuously strived for an equal representation with regard to gender and diversity as to competencies, experience and background, which is reflected in the current composition of the Board.

ORGANISATION

SHAREHOLDER GOVERNANCE THROUGH SHAREHOLDERS' MEETINGS

The Shareholders' Meeting is Sweco's highest decision-making body, where all shareholders are jointly entitled to make decisions on Sweco AB's affairs. Shareholders who are recorded in the share register on the record day and who provided notification of their participation by the specified date are entitled to participate in the Annual General Meeting (AGM) and vote for all of their shares. AGM or Extraordinary General Meeting (EGM) resolutions are generally made by simple majority. In certain issues, however, the provisions of the Swedish Companies Act stipulate a certain level of attendance to achieve a quorum or a specific majority of votes.

The AGM must be held in Stockholm within six months following the close of the financial year. Resolutions made by the AGM include adoption of Sweco AB and Group income statements and balance sheets, approval of dividends, discharge from liability for the members of the Board and President & CEO, determination of fees for the Board of Directors and statutory auditors, election of Board members, Chairman of the Board and statutory auditor, decisions regarding the Nominating Committee

and other matters as required by the Swedish Companies Act. At Sweco AB's AGM each shareholder has the opportunity to ask questions about the company and its performance during the past year. The Board, Executive Team and statutory auditors are present to answer these questions.

2017 Annual General Meeting

The 2017 AGM was held on 27 April in Stockholm and was attended by 259 shareholders, representing 77.7 per cent of the votes and 67.3 per cent of the share capital. Johan Nordström was elected chairman of the AGM. In his address to the AGM, President & CEO Tomas Carlsson commented on Sweco's performance in 2016, Sweco's development in recent years and the outlook for 2017. The statutory auditor reported on audit-related work conducted during 2016. The submitted income statements and balance sheets were adopted and the Board and President & CEO were discharged from liability for the financial year 2016. The AGM approved an ordinary dividend of SEK 4.30 per share.

The AGM also approved the election of the Board members, the Chairman of the Board and the statutory auditors and fees for the Board members, members of the Audit Committee and of the Remuneration Committee and the statutory auditors in accordance with the Nominating Committee's proposal. The AGM also adopted the Board's proposed guidelines for remuneration to senior executives and instructions for the Nominating Committee.

Based on the Board's proposal, the AGM resolved to implement the 2017 Share Bonus Scheme. The scheme, which covers employees in Sweden and does not entail any change to the 2016 scheme, stipulates that bonuses are paid in shares rather than cash. The resolution included decisions to implement the 2017 Share Bonus Scheme per se, as well as decisions related thereto – i.e., to conduct a directed share issue of Class C shares; to authorise the Board to repurchase newly issued Class C shares and Class B treasury shares; and to authorise the Board to transfer Class B treasury shares to security obligations under the 2017 Share Bonus Scheme and cover social security contributions.

The Share Bonus Scheme comprises a maximum of 2,000,000 Sweco Class B shares (no more than 1,500,000 for delivery to participants and no more than 500,000 to cover social security contributions). Of the 2,000,000 Class B shares, a maximum of 500,000 will be newly issued. The remaining shares will be acquired on the stock exchange or, alternatively, the company will use the treasury shares it currently holds. The share issue consists of 500,000 Class C shares at an issue price of SEK 1 per share, corresponding to the shares' quota value. Deviating from shareholders' preferential rights, a bank or financial institution (that has made previous arrangements to do so) is entitled to subscribe for the directed share issue. The issue price is based on the share's quota value. The AGM resolved to authorise the Board, during the period preceding the 2018 AGM, to repurchase the newly issued Class C shares at SEK 1 per share for a total of SEK 500,000; to acquire no more than 2,000,000 Class B treasury shares to security obligations under the 2017 Share Bonus Scheme; to transfer no more than 1,500,000 Class B treasury shares to employees under the 2017 Share Bonus Scheme; and to transfer no more than 500,000 Class B shares to cover social security contributions. The number of shares to be received by each employee corresponds to the employee's earned bonus for financial year 2017 divided by a base share price (corresponding to the average volume-weighted price paid for the Sweco Class B share during the period 20–31 March 2017) less the amount of the AGM-approved dividend per share for 2016. The base share price is restated in accordance with usual terms and conditions if events occur that affect the value of the share, including but not limited to any decision on share splits, bonus issues, redemptions and the like during the scheme's duration. Bonus per employee is based on the participating business units' operating profit per employee. Shares will be allocated to employees free-of-charge during the first six months of 2018, premised upon continued employment.

The AGM resolved to renew the Board's authority to decide on the transfer of Class B shares on Nasdaq Stockholm to ensure payment of social security contributions under the 2016 Share Bonus Scheme.

Transfers may also take place outside of Nasdaq Stockholm to a bank or financial institution, deviating from existing shareholders' preferential rights. Such transfers may be made at a price corresponding to market value, with market-based deviations as deemed appropriate by the Board. The Board's authority may be exercised on one or more occasions during the period preceding the 2018 AGM.

The AGM approved a long-term share savings scheme (the 2017 Share Savings Scheme) for Sweco Group senior executives. The scheme comprises a maximum of 176,400 Sweco Class B shares (no more than 140,000 for delivery to participants and no more than 36,400 to cover social security contributions). The AGM authorised the Board, during the period preceding the 2018 AGM, to decide on the purchase of a maximum of 140,000 Class B treasury shares on the stock exchange to ensure delivery of Matching and Performance Shares to scheme participants and on the purchase and transfer of no more than 36,400 Class B treasury shares on the stock exchange to cover the cost of social security contributions. The AGM also approved the free-of-charge transfer of no more than 140,000 Class B treasury shares to participants in the 2017 Share Savings Scheme during the period they are entitled to receive Matching and Performance Shares.

Finally, the AGM authorised the Board to decide on the transfer of Class B treasury shares on the stock exchange under the 2014 Share Savings Scheme. This authority, which may be exercised on one or more occasions during the period preceding the 2018 AGM, applies to the number of Class B shares required to cover social fees under the 2014 Share Savings Scheme, not to exceed 14,189 shares.

The Board decided at the statutory Board meeting to exercise its authority as granted by the AGM.

NOMINATING COMMITTEE

The Nominating Committee is the AGM's body for preparing resolutions related to appointments, and is tasked with preparing material to assist the AGM with these matters. Apart from proposing the composition of the Board, the Nominating Committee submits recommendations on AGM chairman, Board members, Chairman of the Board, Board fees (broken down per Chairman, other Board members and committee membership) and election and remuneration of auditors.

During 2017 the Nominating Committee focused primarily on:

- monitoring and evaluation of the Board and its performance,
- discussion and analysis of the Board's competency requirements based on Sweco's operations, and
- proposals for Board composition and compensation issues ahead of the upcoming AGM.

The 2017 AGM resolved on instructions for the Nominating Committee ahead of the 2018 AGM. Among other things, these instructions specify that the Chairman of the Board shall convene a Nominating Committee comprised of three or four representatives -one representative from each of Sweco AB's three largest shareholders and the Chairman of the Board if he/she is not a member in his/her capacity of shareholder representative. The names of the Committee members, together with the names of the shareholders they represent, were published on Sweco's website on 16 October 2017 and were based on the known number of votes held immediately prior to publication.

The Nominating Committee held five meetings in 2017. Ahead of the 2018 AGM the Nominating Committee consists of Eric Douglas representing Investment AB Latour, Birgitta Resvik representing the J. Gust. Richert Memorial Foundation and Chairman of the Board Johan Nordström representing the Nordström family. The Nominating Committee is chaired by Johan Nordström.

BOARD OF DIRECTORS

The Board is responsible for the company's organisation and management of the company's affairs. The Board continuously monitors the financial situation of the company and the Group and ensures that the

company is organised in such a way that its accounting, cash management and other financial circumstances can be adequately controlled. The Board also ensures that its performance is evaluated on an annual basis through a systematic and structured process.

The Board's rules of procedures, including instructions for the division of responsibilities between the Board and the President & CEO, are updated and adopted annually. The rules of procedure regulate the Board's obligations, the division of responsibilities within the Board, the number of Board meetings, the annual agenda and main topic of each meeting, instructions for preparing the agenda and background documentation for decisions, etc.

The Chairman of the Board supervises the work of the Board and is responsible for ensuring that the Board carries out its responsibilities in an organised and efficient manner. The Chairman continuously monitors the Group's development through ongoing contact with the President & CEO. The Chairman of the Board represents the company in matters related to ownership structure. In accordance with Sweco's Articles of Association, the Board of Directors is comprised of at least three and not more than nine members. These members are elected by the AGM to serve for the period through the conclusion of the next AGM.

Composition of the Board

The Board consists of eight ordinary members elected by the AGM and three employee representatives, with three union-appointed deputies. The AGM-elected Board members serve for a one-year period through the conclusion of next year's AGM. With the exception of the President & CEO (Tomas Carlsson), none of the AGM-elected Board members have an operational role in the company. Six of the AGM-elected Board members are of Swedish nationality, one of German and one of Swedish and American. There are four female and four male AGM-elected Board members. With the exception of the President & CEO Tomas Carlsson, all AGM-elected Board members are independent in relation to Sweco. With the exception of Johan Nordström, Tomas Carlsson, Johan Hjertonsson and Anders G. Carlberg, the AGM-elected Board members are independent in relation to the major shareholders.

The 2017 AGM re-elected Johan Nordström as Chairman of the Board. The other ordinary Board members re-elected by the 2017 AGM are Anders G. Carlberg, Tomas Carlsson, Gunnel Duveblad, Eva Lindqvist, Christine Wolff and Johan Hjertonsson. Elaine Grunewald was elected as new Board member. The employee representatives are Maria Ekh, Anna Leonsson and Görgen Edenhagen, with Tom Ahasverussen, Amanda Carlberg and Peter Rothstein as deputies.

See pages 100–101 for further information on members of the Board.

Work of the Board

Apart from the statutory Board meeting held immediately following the AGM, the Board meets at least six times per year. In 2017 the Board held eight meetings, four of which were held in conjunction with publication of interim reports. The meeting held in conjunction with publication of the Q2 report was held via telephone, with all documentation distributed in advance. In conjunction with the September meeting in London, the Board visited buildings in London Borough of Camden, continuing with a visit to King's Cross Development visitors' centre, where the different projects Sweco has been part of was presented.

In addition to reporting on the development of Sweco's operations and finances, the Board meetings in 2017 devoted considerable attention to organic and acquisition-driven growth, the company's strategic focus, management and HR issues, CSR, risk management, internal control issues and other matters for which decision responsibility is assigned to the Board by the rules of procedure. Executive Team members other than the President & CEO participate in Board meetings to present reports when necessary. The Board Secretary is the company's General Counsel. The company's statutory auditor takes part in at least one Board meeting per year.

Attendance at Board, Audit Committee and Remuneration Committee meetings in 2017 is presented in the following table.

	Board meetings	Audit Committee	Remuneration Committee
Number of meetings	8	6	5
Johan Nordström	8	–	5
Anders G. Carlberg	7	6	–
Tomas Carlsson	8	–	–
Gunnel Duveblad	8	6	–
Johan Hjertonsson	7	–	5
Eva Lindqvist ¹	8	1	3
Carola Teir-Lehtinen ²	1	–	2
Christine Wolff ³	7	5	–
Elaine Grunewald ⁴	5	–	–
Thomas Holm ⁵	3	–	–
Maria Ekh	8	–	–
Anna Leonsson	8	–	–
Görgen Edenhagen ⁶	7	–	–
Sverker Hanson ⁷	–	–	–
Tom Ahasverussen ⁸	4	–	–
Amanda Carlberg ⁹	–	–	–
Peter Rothstein ¹⁰	–	–	–

1) Replaced Carola Teir-Lehtinen as member of the Remuneration Committee after 2017 AGM.

2) Resigned as Board member at 2017 AGM.

3) Replaced Eva Lindqvist as member of the Audit Committee after 2017 AGM.

4) Joined the Board at 2017 AGM.

5) Resigned as ordinary employee representative in May 2017.

6) Replaced Thomas Holm as ordinary employee representative in May 2017.

7) Resigned as deputy employee representative in May 2017.

8) Replaced Görgen Edenhagen as deputy employee representative with right of attendance.

9) Joined as deputy employee representative in May 2017.

10) Joined as deputy employee representative in May 2017.

Board composition and fees¹

	Position	Year of birth	Nationality	Elected in	Independent	Board and committee fees, SEK ²
Johan Nordström	Chairman of the Board, chairman of the Remuneration Committee	1966	Swedish	2012	no	840,000
Anders G. Carlberg	Board member, member of the Audit Committee	1943	Swedish	2009	no	455,000
Tomas Carlsson	Board member, President & CEO	1965	Swedish	2013	no	–
Gunnel Duveblad	Board member, chairman of the Audit Committee	1955	Swedish	2008	yes	515,000
Johan Hjertonsson	Board member, member of the Remuneration Committee	1968	Swedish	2015	no	425,000
Eva Lindqvist	Board member, member of the Remuneration Committee	1958	Swedish	2013	yes	425,000
Christine Wolff	Board Member, member of the Audit Committee	1960	German	2016	yes	455,000
Elaine Grunewald	Board member	1967	American / Swedish	2017	yes	375,000
Maria Ekh	Employee representative	1974	Swedish	2016	–	–
Anna Leonsson	Employee representative	1971	Swedish	2005	–	–
Görgen Edenhagen	Employee representative	1964	Swedish	2011	–	–
Tom Ahasverussen	Deputy employee representative with right of attendance	1984	Danish	2016	–	–
Amanda Carlberg	Deputy employee representative	1965	Swedish	2017	–	–
Peter Rothstein	Deputy employee representative	1959	Swedish	2017	–	–

1) For the period from the 2017 AGM through the 2018 AGM.

2) Fees for work on the Board and the Audit and Remuneration Committees pursuant to the resolution of the 2017 AGM. Fees refer to remuneration paid during the period from the 2017 AGM through the 2018 AGM. For fees expensed during 2017, see Note 6 on page 65.

Evaluation of Board performance and its members

An annual self-assessment evaluation is conducted of the Board and its members to ensure that the Board meets the requisite performance criteria. Such an evaluation was also conducted in 2017. The results of the evaluation are discussed by the Board and reported to the Nominating Committee. The performance of the President & CEO and Executive Team is also regularly evaluated and is discussed during at least one Board meeting during which discussion the relevant person is not present.

BOARD COMMITTEES

Remuneration Committee

The statutory meeting of the Board appoints the Remuneration Committee. The members of the Committee are Johan Nordström (chairman), Johan Hjertonsson and Eva Lindqvist. The tasks of the Remuneration Committee include drafting proposals for principles of remuneration, terms of employment, pension benefits and bonus systems for the President & CEO and other senior executives, and presentation of these proposals to the Board for decision. The Remuneration Committee meets at least twice per year and held five meetings in 2017.

Audit Committee

The statutory meeting of the Board also appoints the Audit Committee. Audit Committee members are Gunnel Duveblad (chairman), Anders G. Carlberg and Christine Wolff. The tasks of the Audit Committee include supporting the work of the Board to ensure the quality of the company's financial reporting, oversight of the internal audit function and reporting, meeting regularly with the company's statutory auditor, assisting the Board in preparing a report on internal control and risk management, monitoring compliance status and incidents reported, monitoring significant disputes and damage claims, establishing guidelines on the non-auditing services the company may procure from its statutory auditor, and evaluating the statutory auditor's performance. The Audit Committee meets at least four times per year. In 2017 the Audit Committee held six meetings. The statutory auditor attended all committee meetings.

REMUNERATION FOR THE BOARD AND SENIOR EXECUTIVES

Remuneration for the Board

Board remuneration is determined by the AGM. Board fees for 2017/18 were set at SEK 3,490,000, of which SEK 750,000 is payable to the Chairman of the Board and SEK 375,000 to each of the six AGM-elected Board members not employed in the company. No Board fees are paid to the President & CEO or the employee representatives and deputies. Board fees are paid in two instalments during each period.

The chairman of the Remuneration Committee is paid an additional fee of SEK 90,000 and the other members of the Remuneration Committee each receive an additional fee of SEK 50,000. The chairman of the Audit

Committee is paid an additional fee of SEK 140,000 and the other members of the Audit Committee each receive an additional fee of SEK 80,000.

Remuneration for senior executives

Principles for salary and other remuneration to senior executives pursuant to the 2017 AGM resolution are shown in Note 6 on pages 64–65.

STATUTORY AUDIT

The statutory auditor is appointed annually by the AGM. The task of the statutory auditor is to examine, on behalf of the shareholders, the company's accounting records and annual report and the administration of the company by the Board and the President & CEO.

The auditing firm PricewaterhouseCoopers AB (PwC) was re-elected by the 2017 AGM to serve as the company's statutory auditor through the conclusion of the 2018 AGM. Authorised Public Accountant Michael Bengtsson was by the auditing firm appointed chief statutory auditor for financial year 2017. For the financial year 2017, fees for audit services totalled SEK 10 million (10) and fees for non-audit services totalled SEK 1 million (1). The non-audit services in 2017 primarily relate to internal IT risk and compliance projects. The amount of fees paid to all accounting firms is shown in Note 4 on page 64.

PRESIDENT & CEO AND EXECUTIVE TEAM IN 2016

The Board has delegated to the President & CEO responsibility for day-to-day operations of the company and the Group. The President & CEO supervises operations within the framework determined by the Board. The Board has also established instructions governing the division of responsibilities between the Board and the President & CEO, which are updated and adopted annually.

Sweco's Executive Team is comprised of the President & CEO, the CFO, the seven Business Area Presidents, the General Counsel, the HR Director and the Communications Director.

For more information on the Executive Team, see pages 102–103.

BUSINESS AREAS

Sweco Group's business activities are organised in seven business areas: Sweco Sweden, Sweco Norway, Sweco Finland, Sweco Denmark, Sweco Netherlands, Sweco Western Europe and Sweco Central Europe. Each business area is headed by a Business Area President ("BA President") and a Business Area Finance Director ("BA FD").

At least four business area management meetings are held per year. Sweco's President & CEO and CFO monitor the business areas by participating in business area management meetings with the relevant BA President and BA FD, as well as through ongoing contact. The President & CEO is also chairman of the business areas' boards of directors and the CFO is a member of the business area boards. All business areas are

subject to the Sweco Group rules for division of responsibilities between business area board of directors and BA President. Each business area consists of one or more business divisions that are organised by area of expertise. Each division may be organised by region, department or group, depending on the number of employees.

CONSULTANTS AND LEADERSHIP

Sweco has a customer-driven organisation distinguished by far-reaching decentralisation, with a high degree of autonomy for each unit. Under the Group's business model, business momentum is generated by the entire organisation and all employees take part in working with customers. With Sweco's policies and guidelines as a framework, managers at every level in the Group have explicit responsibility and authority to make autonomous decisions and develop their respective operations in line with customer needs.

Sweco's size and international breadth place rigorous demands on leadership. Employee dedication and development are critical for Sweco's growth. All employee development is focused on performance, customer understanding and knowledge sharing. This work is supported by the annual Sweco Talk performance review. Sweco's continued success relies on strong leaders at all levels and in all of the Group's operating and administrative areas. Sweco invests in management development to ensure strong leadership. Our skilled and committed managers help our customers achieve success and conduct good business and enable our employees to develop. Effective management succession is supported through Talent Review, a process and programme for continuous identification and development of good leaders.

INTERNAL CONTROL, RISK MANAGEMENT AND MONITORING

Control environment

Internal control (over financial reporting and in general) is based on the overall control environment established by the Board and the Executive Team, including the culture and values communicated and practiced by the Board and Executive Team. Key components are the organisational structure, management philosophy and style, and responsibilities and powers that are clearly defined and communicated for all levels in the organisation.

The Board has formulated explicit decision-making procedures, rules of procedure and instructions for its own work and that of the Remuneration Committee, Audit Committee and President & CEO in order to facilitate effective management of operational risks. Every year, the Board updates and adopts the rules of procedure, instructions to the President & CEO, decision-making procedure and authorisation manual, and a finance policy and reviews the Group's other policy documents. Rules of procedure for the local boards and instructions to the local presidents are in place in every Group company and are based on the same principles as those that apply for Sweco AB's Board. Sweco also has a number of policies and guidelines for financial information, corporate communication, IT security, CSR, crisis management, HR, and quality and environment. These policies are the foundation for good internal control.

Sweco has a decision-making procedure and authorisation manual that clearly regulates the allocation of powers at every level, from the individual consultant to the Sweco AB Board. The areas covered include tenders, investments, rental and lease agreements, expenditures and guarantees.

Through the Audit Committee, the Board adopts and monitors policies and procedures on financial reporting and reporting to the Board to ensure that internal control activities focused on these issues are functioning properly. Internal controls are reviewed by Group Internal Audit, as well as the statutory auditor. The outcomes are reported to the Audit Committee.

Risk management

The goal of Sweco's risk management is to secure the Group's long-term earnings growth and guarantee that Sweco's operations in the various business units are able to achieve their objectives.

The company's Board and senior management are ultimately respon-

sible for risk management. Sweco's risk management covers all business areas, companies/divisions and processes in the Group. Each manager is responsible for risk management activities in his/her respective area.

Sweco's goals, which are expressed in the company's business plan and strategy, provide a foundation for the company's risk management. Risk management is based on a Group-wide risk analysis. This inventory of risks is aimed at identifying the most significant risks that the Group is exposed to, the probability that these will occur and the potential impact on Sweco's goals. At the same time, the effectiveness of existing controls and risk mitigation measures is assessed. The results of the overall risk analysis have been gathered in a risk map that reflects Sweco's risk exposure.

A report on risk management and internal control within the Group was discussed by the Board, the Audit Committee and the Executive Team. Risk management is a standing item on the agenda for each business area management meeting.

Monitoring

Each business area has a Finance Director responsible for ensuring compliance with policies, guidelines and routines for financial reporting. Finance Directors are also responsible for ensuring the accuracy and completeness of the reported financial information. To further enhance internal control of financial reporting, a self-assessment questionnaire on internal control is produced each year and circulated to all Finance Directors in the Group. The purpose of the questionnaire is to ensure the effectiveness of all significant internal controls related to the company's financial reporting. The submitted answers are analysed and any shortcomings are identified and corrected.

The Group's business system includes a number of functions for financial management, control and monitoring. There are project reporting systems where project managers can continuously monitor their projects and track monthly earnings and key ratios. This can also be monitored at the group, region, division and business area levels. Operationally relevant key ratios can also be followed up weekly on all of these levels. A group-wide consolidation is carried out every month to measure actual results against budgets and internal forecasts.

Communication about financial reporting also takes place in connection with business area management meetings, which are held regularly. A corporate communication guideline defines the responsibilities and rules for communication with external parties.

Internal audit

Sweco has a simple and uniform operational structure throughout the Group. Controllers at the Group and business area levels regularly monitor compliance with Sweco's established operating and internal control systems.

Sweco has a dedicated internal audit function, consisting of a head of internal audit and a team of qualified business auditors. Business auditors are experienced financial professionals that rotate into Group Internal Audit as part of their management development.

Internal audit work is governed by the annual audit plan, which reflects risk assessment relative to the realisation of business objectives (risk-based approach). The audit plan is approved by the Audit Committee, with detailed audit assignments defined on a quarterly basis.

Audits were conducted in multiple business areas in 2017, focusing on:

- (Financial) project management
- Revenue recognition
- Compliance with business ethics programme

A summary of audit findings is reported to the Audit Committee on a quarterly basis.

Read more about Sweco's risks and risk management on pages 98–99.

INFORMATION TO THE CAPITAL MARKET

Sweco strives to provide shareholders, financial analysts, investors, the media and other interested parties with simultaneous, timely, clear and

consistent information about the Group's operations, financial position and development. Sweco has a corporate communication guideline that is part of the internal control environment and ensures that Sweco meets the requirements imposed on listed companies.

Sweco regularly provides the market with financial information in the form of:

- Interim and annual reports, published in Swedish and English
- Press releases in Swedish and English on news and events
- Teleconferences and presentations for shareholders, financial analysts, investors and the media in connection with the publication of interim and annual reports
- Capital Market Days
- Regular meetings with the media, investors and analysts in Sweden and around the world throughout the year.

When interim reports, annual reports and press releases are published in printed form, the material is simultaneously published on the corporate website (www.swecogroup.com), which also contains a large volume of other information that is updated on a regular basis.

THE SWECO SHARE

Sweco AB's shares have been traded on Nasdaq Stockholm since 21 September 1998. Sweco AB's total market capitalisation at 31 December 2017 was SEK 22.0 billion. Share capital totalled SEK 121.6 million, divided between 10,533,731 Class A shares, 110,550,088 Class B shares and 500,000 Class C shares, representing 21,638,739.8 votes in the company. The Class A and Class B shares are listed; the Class C shares are not. The Class C shares were issued as per resolution of the 2017 AGM and in order to enable the company to deliver shares (i.e., following conversion of the Class C shares to Class B shares) to employees under the 2017 Share Bonus Scheme. In May 2017, all of the 900,000 Class C shares issued in connection with the 2016 Share Bonus Scheme were redeemed. No

shares were converted into Class B Shares. Class A shares carry one vote and Class B and C shares each carry 1/10 of one vote. Class A and Class B shares carry entitlement to dividends; Class C shares do not. Sweco's Articles of Association grant shareholders the right to convert Class A shares to Class B shares. No Class A shares were converted to Class B shares during financial year 2017 pursuant to the conversion clause in the Articles of Association. As of 31 December 2017, Sweco held a total of 2,459,223 treasury shares: 1,959,223 Class B shares and 500,000 Class C shares. Sweco's treasury shares do not carry voting rights.

Sweco AB had 17,022 shareholders at year-end 2017. The largest shareholders are the Nordström family (with 13.7 per cent of the share capital and 32.4 per cent of the votes), Investment AB Latour (with 26.8 per cent of the share capital and 20.8 per cent of the votes) and the J. Gust. Richert Memorial Foundation (with 1.7 per cent of the share capital and 9.2 per cent of the votes). Foreign investors held 24.7 per cent of the share capital and 14.0 per cent of the votes. Together, the ten largest shareholders control the equivalent of 62.4 per cent of the share capital and 74.6 per cent of the votes. The company is not aware of any agreements between shareholders that could lead to limitations in the right to transfer shares in the company.

Sweco's dividend policy specifies that at least half of profit after tax shall be distributed to the shareholders, while also requiring that the company maintain a capital structure that provides scope to develop and make investments in the company's core business.

DEVIATIONS FROM THE CODE

The Chairman of the Board also chairs the Nominating Committee. The principal shareholders represented on the Nominating Committee in accordance with the committee's instructions deem it desirable that the committee be chaired by the representative for the largest shareholder in terms of voting power.