

# 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.

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 customers 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.

## SUSTAINABILITY AND COMPLIANCE

Sweco's work with sustainability, defined as Sweco's responsibility and contribution to society, is based on the results it achieves in its customer projects. 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 where there is great opportunity to exert an influence. This places high demands for individual awareness of business ethics and Sweco's procedures.

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 Universal Declaration of Human Rights.

Sweco's CSR policy establishes the basic outlook of Sweco and its employees on the company's social responsibilities, covering business

ethics, quality assurance, employee development, human rights, equality and diversity, and occupational health and safety. Sweco's Code of Conduct gathers together the ethical guidelines designed to enable corporate responsibility on the part of Sweco's employees and partners. Sweco has a Business Partner Programme to enable that existing and prospective partners meet corporate responsibility requirements. Sweco also has group-wide policies on anti-corruption, gifts and business entertainment. Local guidelines specify areas of responsibilities in more detail.

All managers are responsible for ensuring that adequate information and guidelines are available to employees to comply with Sweco policies and guidelines. Each employee is responsible to ensure that they live up to the policies and guidelines, and are obligated to familiarise themselves and comply with the provisions of the policies and guidelines and to encourage external partners to apply these principles. An employee who suspects business ethics improprieties is obligated to report this internally, in the first instance to his or her manager, manager's manager, HR or Group Legal Affairs and, in cases where anonymity is called for, via Sweco's external whistle-blower function (Sweco Ethics Line). The President & CEO holds ultimate responsibility for ensuring that the policies and guidelines are monitored, including e.g. through internal and external audits, internal statistics and line manager reviews.

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. This is set forth in Sweco's CSR policy.

The Nomination Committee has applied Section 4.1 in the Swedish Corporate Governance Code as a policy for diversity of the members in the Board. Diversity is 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.

See pages 43–47 for additional information on Sweco's sustainability work.

## 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.

### 2018 Annual General Meeting

The 2018 AGM was held on 19 April in Stockholm and was attended by 261 shareholders, representing 79.9 per cent of the votes and 69.8 per cent of the share capital. Johan Nordström was elected chairman of the AGM. In his address to the AGM, leaving President & CEO Tomas Carlsson

commented on Sweco's performance in 2017, Sweco's development in recent years and the outlook for 2018. The statutory auditor reported on audit-related work conducted during 2017. The submitted income statements and balance sheets were adopted and the Board and President & CEO were discharged from liability for the financial year 2017. The AGM approved an ordinary dividend of SEK 5.00 per share.

The AGM approved the (re-)election of the Board members, the Chairman of the Board and the statutory auditors and the fees for the Board members, members of the Audit Committee and 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 2018 Share Bonus Scheme on terms and conditions that generally corresponds to those of Share Bonus Scheme 2017 (however, Share Bonus Scheme 2018 does not include any issue of Series C shares), and stipulates that bonuses are paid in shares rather than cash. The resolution included decisions to implement the 2018 Share Bonus Scheme per se and to authorise the Board to transfer Class B treasury shares to secure obligations under the 2018 Share Bonus Scheme and to sell Class B treasury shares to secure payment of 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). The AGM resolved to authorise the Board to transfer no more than 1,500,000 Class B treasury shares to employees under the 2018 Share Bonus Scheme; and to sell 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 2018 divided by a base share price (corresponding to the average volume-weighted price paid for the Sweco Class B share during the period 19–30 March 2018) less the amount of the AGM-approved dividend per share for 2017. 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 2019, premised upon continued employment.

The AGM approved a long-term share savings scheme (the 2018 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 approved the free-of-charge transfer of no more than 140,000 Class B treasury shares to participants in the 2018 Share Savings Scheme during the period they are entitled to receive Matching and Performance Shares.

The AGM authorised the Board to decide on acquisitions and transfers of treasury shares in order to deliver shares under the 2018 Share Bonus Scheme and the 2018 Share Savings Scheme and to cover thereto related costs for social security contributions, as well as to give the Board greater freedom of action in working to optimize Sweco's capital structure, including to enable Sweco to use treasury shares as consideration in, or otherwise finance, potential future company or business acquisitions. The authorization may be used on one or several occasions up until the next Annual General Meeting. The number of acquired Sweco Series B shares may, together with Sweco shares otherwise acquired and held by Sweco, at any given time not exceed ten (10) percent of all issued shares in Sweco. Up to 2,000,000 Series B shares may be required to ensure Sweco's obligations under the 2018 Share Bonus Scheme. In order to implement the 2018 Share Savings Scheme, a maximum of 176,400 Series B shares are required.

Finally, the AGM authorised the Board to decide on the sale of Class B treasury shares on the stock exchange under the 2017 Share Bonus

Scheme and the 2015 Share Savings Scheme. This authority, which may be exercised on one or more occasions during the period preceding the 2019 AGM, applies to the number of Class B shares required to cover social fees under the 2017 Share Bonus Scheme (not to exceed 500,000 shares) and the 2015 Share Savings Scheme (not to exceed 10,335 shares).

The Board decided at the statutory Board meeting to exercise its authority as granted by the AGM (as regard to the repurchase of shares: up to 12,000,000 Class B treasury shares).

#### **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 2018 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 2018 AGM resolved on instructions for the Nominating Committee ahead of the 2019 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 10 October 2018 and were based on the known number of votes held immediately prior to publication.

The Nominating Committee held five meetings in 2018. Ahead of the 2019 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 (Åsa Bergman), none of the AGM-elected Board members have an operational role in the company. After the AGM, Tomas Carlsson left his position as ordinary Board member and CEO & President. Six of the AGM-elected Board members are of Swedish nationality, one of German and one of Swedish and American. There are five female and three male AGM-elected Board members. With the exception of the President & CEO Åsa Bergman, all AGM-elected Board members are independent in relation to Sweco. With the exception of Gunnel Duveblad, Johan Hjertonsson and Johan Nordström, the AGM-elected Board members are independent in relation to the major shareholders.

The 2018 AGM re-elected Johan Nordström as Chairman of the Board. The other ordinary Board members re-elected by the 2018 AGM are, Gunnel Duveblad, Elaine Grunewald, Johan Hjertonsson, Eva Lindqvist and Christine Wolff. Åsa Bergman and Alf Göransson were elected as new ordinary Board members. Åsa Bergman was appointed as President & CEO by the Board. was elected as new ordinary Board Member. The employee representatives are Görgen Edenhagen, Maria Ekh and Anna Leonsson, with Tom Ahasverussen, Amanda Carlberg and Peter Rothstein as deputies.

See pages 104–105 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 2018 the Board held ten 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 Bergen, Norway, the Board visited Bybanen, a railway project and, different projects Sweco has been part of in Bergen city centre.

In addition to reporting on the development of Sweco's operations and finances, the Board meetings in 2018 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. Additional Board meetings in the beginning of 2018 were held in connection with the recruitment of a new President & CEO. 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 2018 is presented in the following table.

	Board meetings	Audit Committee	Remuneration Committee
<b>Number of meetings</b>	10	5	5
Johan Nordström	10	–	5
Åsa Bergman <sup>1</sup>	6	–	–
Anders G. Carlberg <sup>2</sup>	4	1	–
Tomas Carlsson <sup>3</sup>	3	–	–
Gunnel Duveblad	10	5	–
Elaine Grunewald <sup>4</sup>	10	3	–
Alf Göransson <sup>5</sup>	6	–	–
Johan Hjertonsson	9	–	4
Eva Lindqvist	10	–	5
Christine Wolff	9	5	–
Görgen Edenhagen	9	–	–
Maria Ekh	9	–	–
Anna Leonsson	10	–	–
Tom Ahasverussen	8	–	–
Amanda Carlberg	2	–	–
Peter Rothstein	1	–	–

1) Appointed as President & CEO and Board member at 2018 AGM.

2) Resigned as Board member at 2018 AGM.

3) Resigned as President & CEO and Board member at 2018 AGM.

4) Replaced Anders G. Carlberg as member of the Audit Committee after 2018 AGM.

5) Joined the Board at 2018 AGM.

## Board composition and fees<sup>1</sup>

	Position	Year of birth	Nationality	Elected in	Independent larger shareholders	Board and committee fees, SEK <sup>2</sup>
Johan Nordström	Chairman of the Board, chairman of the Remuneration Committee	1966	Swedish	2012	no	900,000
Åsa Bergman	Board member, President & CEO	1967	Swedish	2018	yes	–
Gunnel Duveblad	Board member, chairman of the Audit Committee	1955	Swedish	2008	no	550,000
Elaine Grunewald	Board member, member of the Audit Committee	1967	American / Swedish	2017	yes	490,000
Alf Göransson	Board Member	1957	Swedish	2018	yes	400,000
Johan Hjertonsson	Board member, member of the Remuneration Committee	1968	Swedish	2015	no	460,000
Eva Lindqvist	Board member, member of the Remuneration Committee	1958	Swedish	2013	yes	460,000
Christine Wolff	Board Member, member of the Audit Committee	1960	German	2016	yes	490,000
Görgen Edenhagen	Employee representative	1964	Swedish	2011	–	–
Maria Ekh	Employee representative	1974	Swedish	2016	–	–
Anna Leonsson	Employee representative	1971	Swedish	2005	–	–
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 2018 AGM through the 2019 AGM.

2) Fees for work on the Board and the Audit and Remuneration Committees pursuant to the resolution of the 2018 AGM. Fees refer to remuneration paid during the period from the 2018 AGM through the 2019 AGM. For fees expensed during 2018, see Note 6 on page 67.

## 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 2018. 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 2018.

### Audit Committee

The statutory meeting of the Board appoints the Audit Committee. Audit Committee members are Gunnel Duveblad (chairman), Elaine Grunewald 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 2018 the Audit Committee held five 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 2018/19 were set at SEK 3,750,000, of which SEK 800,000 is payable to the Chairman of the Board and SEK 400,000 to each of the six AGM-elected Board members not employed in the Group. 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 100,000 and the other members of the Remuneration Com-

mittee each receive an additional fee of SEK 60,000. The chairman of the Audit Committee is paid an additional fee of SEK 150,000 and the other members of the Audit Committee each receive an additional fee of SEK 90,000.

### Remuneration for senior executives

Principles for salary and other remuneration to senior executives pursuant to the 2018 AGM resolution are shown in Note 6 on pages 66–67.

## 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 2018 AGM to serve as the company's statutory auditor through the conclusion of the 2019 AGM. Authorised Public Accountant Michael Bengtsson was by the auditing firm appointed chief statutory auditor for financial year 2018. For the financial year 2018, fees for audit services totalled SEK 11 million (10) and fees for non-audit services totalled SEK 2 million (1). The non-audit services in 2018 primarily relate to internal IT risk projects. The amount of fees paid to all accounting firms is shown in Note 4 on page 66.

## PRESIDENT & CEO AND EXECUTIVE TEAM

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.

During 2018, Sweco's Executive Team was 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 106–107.

## BUSINESS AREAS

As of January 2019, the Sweco Group's business activities are organised in eight business areas: Sweco Sweden, Sweco Norway, Sweco Finland, Sweco Denmark, Sweco Netherlands, Sweco Belgium, Sweco United Kingdom and Sweco Germany & Central Europe. Each business area is headed by a Business Area President ("BA President") and a Business Area Finance Director ("BA FD").

At least three business area management meetings are held per year. Sweco's President & CEO and CFO monitor the business areas by partici-

pating 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 policy, 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 for financial information, corporate communication, IT security, CSR, crisis management, personal data privacy, HR and quality and environment. These policies are the foundation for good internal control.

Sweco has a decision-making procedure and authorisation policy 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 responsible 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 estimate of its 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 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 communications policy 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 the 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 2018, 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 102–103.

## 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 communications policy 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](http://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 2018 was SEK 23.8 billion. Share capital totalled SEK 121.1 million, divided between 10,431,991 Class A shares and 110,651,828 Class B shares, representing 21,497,173.8 votes in the company. There are no Class C shares issued. The Class A and Class B shares are listed. Class A shares carry one vote and Class B shares carry 1/10 of one vote. Class A

and Class B shares carry entitlement to dividends. Sweco's Articles of Association grant shareholders the right to convert Class A shares to Class B shares. 88,903 Class A shares were converted to Class B shares during financial year 2018 pursuant to the conversion clause in the Articles of Association. 500,000 Class C shares were redeemed. As of 31 December 2018, Sweco held a total of 4,013,877 treasury shares, all of which are Class B shares. Sweco's treasury shares do not carry voting rights.

Sweco AB had 16,832 shareholders at year-end 2018. The largest shareholders are the Nordström family (with 13.9 per cent of the share capital and 33.4 per cent of the votes), Investment AB Latour (with 26.9 per cent of the share capital and 20.9 per cent of the votes) and the J. Gust. Richert Memorial Foundation (with 1.7 per cent of the share capital and 9.3 per cent of the votes). Foreign investors held 22.1 per cent of the share capital and 12.6 per cent of the votes. Together, the ten largest shareholders control the equivalent of 66.4 per cent of the share capital and 77.1 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.