

Corporate Governance

Corporate Governance

Studsvik AB is a Swedish public company with its registered office in Nyköping and is listed on Nasdaq Stockholm. The company is the parent of a Group that carries on business in nuclear technology in an international arena. Corporate governance is based on the Articles of Association and the Swedish Companies Act, a number of Swedish and foreign laws and ordinances and the Swedish Code of Corporate Governance (the Code). Studsvik has no departures from the Code to report.

General Meeting of Shareholders

The General Meeting is the company's highest decision-making body, where the shareholders exercise their influence through discussions and decisions. An Annual General Meeting shall be held once a year to adopt the income statement and balance sheet, decide on dividend, elect a Board of Directors and auditors and decide on their remuneration.

The number of shareholders on December 31, 2016 was 3,285. The total number of shares was 8,218,611. All shares have an equal right to participate in the company's assets and profits. Information on shareholders, voting rights and the Articles of Association is presented in the annual report on pages 62–69.

At the Annual General Meeting in April 2016, 36 shareholders participated, representing a total of 47,5 per cent of all votes in the company. The Annual General Meeting adopted the consolidated income statement and balance sheet, adopted the Board of Directors proposal concerning dividend, discharged the Board of Directors and President from liability and appointed PricewaterhouseCoopers AB as auditor. All members of the Board of Directors were re-elected and Anders Ullberg was appointed as Chairman. The Meeting also established principles for benefits to senior management and appointed the Nomination Committee. The minutes of the Annual General Meeting can be found on the company's website.

Nomination Committee

The main task of the Nomination Committee is to propose to the Annual General Meeting candidates for the Board of Directors, Chairman of the Board and auditors and their fees. The Nomination Committee is also to propose a new Nomination Committee.

As resolved by the Annual General Meeting, the Nomination Committee is to consist of the Chairman of the Board and representatives of each of the three largest shareholders. The Annual General Meeting appointed Stina Barchan (Briban Invest AB), Sven Ericsson (representative of the Karinen family), Carina Heilborn (Peter Gyllenhammar AB) and Anders Ullberg (Chairman of the Board) as members of the Nomination Committee. The Nomination Committee's term of office is until a new Nomination Committee is appointed. The composition of the Nomination Committee was announced on April 25, 2016 in a press release and on Studsvik's website.

Information on how shareholders can submit proposals to the Nomination Committee has been published on Studsvik's website. The work of the Nomination Committee focuses on ensuring that the Board of Directors is composed of members that together have the knowledge and experience that meet the requirements of the owners concerning Studsvik's highest governing body. In the process of preparing proposals for candidate members of the Board, the Chairman of the Board therefore presents to the Nomination Committee the evaluation made of the work of the Board of Directors in the past year.

Composition of the Board of Directors

The Board of Directors consists of six board members elected by the general meeting of shareholders, as well as two members and two alternates appointed by the local trade union organizations Unionen and the Swedish Association of Graduate Engineers. The members of the Board of Directors are presented on pages 66–67 of the annual report and under Board of Directors and Auditors on the website.



The members elected by the Annual General Meeting are to be regarded as independent in relation to the company and the company management. All, apart from Jan Barchan and Anna Karinen, are independent of major shareholders.

Chairman

Anders Ullberg is the Chairman of the Board and leads the work of the Board. He has a particular responsibility to follow the company's development between Board meetings and ensure that the Board Members regularly receive the information necessary for performing a satisfactory job. The Chairman is to maintain regular contact with the President on various matters as needed.

Work of the Board of Directors

The task of the Board of Directors is to administer the company's business in the best way possible and safeguard the interests of the shareholders in its work. The Board's work follows rules of procedure adopted annually at the inaugural board meeting. The rules of procedure specify the division of duties between the Board and the President, the responsibilities of the Chairman and President respectively, and the forms of financial reporting. The President takes part in the work of the Board of Directors and other employees take part when this is called for. The Group's Chief Financial Officer acts as secretary to the Board.

In 2016 the Board of Directors held 8 meetings, including the inaugural meeting in connection with the Annual General Meeting. The attendance of the members is shown in the table below.

The Board of Directors receives information on the company's economic and financial situation through monthly reports and at board meetings. Operations in the various segments are monitored and discussed in accordance with a rolling plan, which means that the Board of Directors makes a detailed analysis of each business area at least once a year. Moreover, the Board of Directors agrees each year on a number of issues that are to be examined at a board meeting during the year. In 2016 a two-day meeting was held at which the Group's strategy and focus after the sale of the Waste Treatment business area and further development of operations in Consultancy Services and Studsvik Scandpower were discussed.

Ahead of each board meeting the Chairman and President go through the business to be dealt with at the meeting and supporting documentation for the Board's processing of the business is sent to the members about a week before each board meeting.

In 2016 the Board devoted particular attention to the Group's financing, the sale of the Waste Treatment operations, strategic alternatives for the consulting operations in Germany, increased customer focus in the software operations and cost savings in consulting operations and administration.

At one meeting during the year the company's auditors reported on their findings from the audit of the annual accounts and the company's administration. The Board of Directors was then also given the opportunity of discussions with the auditors without the company management being present. The Chairman ensures that the work of the Board of Directors is evaluated annually and that the Nomination Committee receives the information necessary concerning the results of the evaluation. The evaluation is discussed by the Board of Directors as a basis for planning the Board's work for the coming year.

Policies, guidelines and instructions

The Board reviews and adopts Group policies and guidelines and the Group's Code of Conduct. The Code of Conduct aims to provide guidance to employees and business partners, minimize risks, strengthen the corporate culture and convey Studsvik's core values.

The President adopts guidelines and operative instructions based on policies and guidelines established by the Board. Guidelines and operative instructions issued by the President primarily cover financial reporting and information technology (IT). All policies and guidelines are available to the Group's employees on Studsvik's intranet.

Audit Committee

The Board of Directors has set up an Audit Committee. The Committee monitors the effectiveness of the company's internal controls, management of the company's risks and assures the quality of the company's financial reporting. The Audit Committee consists of Peter Gossas (chairman), Agneta Nestenborg and Anders Ullberg.

Board members	Elected	Attendance	Remuneration	Audit	Independent of company	Independent of shareholders	Fee SEK thousand
Anders Ullberg, Chairman	2007	8/8	1/1	6/6	Yes	Yes	725
Anna Karinen, deputy Chairman	2003	8/8	1/1		Yes	No	225
Jan Barchan	2004	8/8	1/1		Yes	No	225
Lars Engström ¹	2008	4/8		3/6	Yes	Yes	188
Peter Gossas	2013	8/8		6/6	Yes	Yes	338
Alf Lindfors	2006	6/8			Yes	Yes	225
Agneta Nestenborg	2010	8/8		3/6	Yes	Yes	263
Roger Lundström (Employee rep)	2005	8/8					
Per Ekberg (Employee rep) alternate	2006	8/8					
Lena Sivars Becker (Employee rep)	2015	7/8					
Eva Gimholt (Employee rep) alternate ²	2015	5/8					
Linda Ekstrand ³	2016	1/8					

¹ Member of the Board until April 25, 2016, ² Alternate member of the Board until August 25, 2016, ³ Member of the Board from November 15, 2016

The presenter on the Committee is the Chief Financial Officer. Apart from the Group's quarterly reports, during the year the Committee has taken note of and dealt with reports from the follow-up of internal controls. In addition, the Committee has been updated on the development of major current fixed price contracts, dealt with accounting matters, with particular focus on impairment calculations, as well as continually following the progress of the Group's legal disputes. The company's auditors reported to the Committee on their findings from the six-monthly accounts, the hard-close and internal control, conducted at the time of the second and third quarter closings, and the audit of the annual accounts. The Committee meets before each reporting date and on more occasions if necessary. The Committee held six meetings during the year. The Audit Committee works in accordance with the instructions adopted annually by the Board of Directors and reports on its work to the Board of Directors.

Remuneration Committee

The Board has appointed a Remuneration Committee from among its number. The Remuneration Committee submits proposals to the Board for the President's salary and other conditions of employment and approves salaries and other conditions of employment for the Executive Group Management proposed by the President. The Committee also draws up the Board of Directors' proposals to the General Meeting concerning principles of remuneration and other conditions of employment for the Executive Group Management. The Committee held one meeting during the year. The Remuneration Committee works in accordance with the instructions adopted annually by the Board of Directors and reports on its work to the Board of Directors. The Remuneration Committee consists of Anders Ullberg (chairman), Jan Barchan and Anna Karinen.

A description of benefits to senior management is given in note 38 on page 52.

Board fees

The total board fee paid by Studsvik AB for 2016 amounted to SEK 2,189,000 (2,250,000). In accordance with a resolution passed by the Annual General Meeting, the Chairman of the Board receives SEK 650,000 per year and ordinary members SEK 225,000 per year. No fee is paid to members appointed by the employee organizations. The chairman of the Audit Committee receives a fee of SEK 150,000 per year and the members SEK 75,000 per year. No fee is paid to the Remuneration Committee. Board fees paid are presented in note 38 on page 52.

Auditors

At the 2016 Annual General Meeting the registered public accounting firm PricewaterhouseCoopers AB was elected as auditor for the period up to and including the 2017 Annual General Meeting. The auditor in charge is authorized public accountant Martin Johansson. PricewaterhouseCoopers conducts the audit of all the Group's material companies. The audit is based on an audit plan and during the year the auditor regularly reports findings to the Audit Committee and on at least one occasion to the Board of Directors. The auditor obtains views from the Audit Committee concerning Studsvik's risks, which are thereafter given particular

consideration in the audit plan. The auditor also participates in the Annual General Meeting to present the auditor's report and describe the audit work and findings.

In addition to the audit assignment, Studsvik has consulted PricewaterhouseCoopers in the area of taxation and on various accounting and financial issues. PricewaterhouseCoopers is obliged to test its independence prior to every decision to provide advice to Studsvik unrelated to the audit assignment. Advisory services in excess of SEK 50,000 are to be approved in advance by the chairman of the Audit Committee. Remuneration to the company's auditors is paid in accordance with an approved invoice on agreed terms. For information concerning remuneration in 2016 please refer to notes 8 and 44.

President/CEO and Executive Group Management

The President is responsible for the day-to-day management of the company. He leads the operative business and prepares information and data for decision-making for the Board of Directors and is the presenter at Board meetings. In 2016 the Executive Group Management consisted of the President/Chief Executive Officer, the Chief Financial Officer, the Head of Business Development, the Senior Vice President for HR and the heads of the two business areas. In November a new head was appointed of Studsvik Scandpower, the organization responsible for software operations. The operations that were previously reported as part of the Fuel and Materials Technology business area will be reported as a separate business area from January 2017. The new head of the business area will be part of the Executive Group Management from November. The Executive Group Management is presented on pages 68–69 of the annual report and on the website under Executive Group Management.

The Executive Group Management meets every month to follow up the operative and financial developments in the segments. On two to three occasions during the financial year the Executive Group Management meets to deal in more detail with matters of an operative, strategic or long-term nature.

The President/CEO and Group functions are located in Stockholm. In accordance with the policies and guidelines established by the Board, the Group functions are responsible for business development, allocation of financial resources among the Group's operations, capital structure, risk management and human resources. The tasks also include questions of Group wide acquisitions and disposals, certain major projects, the Group's financial reporting, communication with the stock market and other internal and external communication.

Operative management

The Group's operative business was conducted in 2016 in subsidiaries of Studsvik AB, which are included in the three business areas. Operations in the business areas were followed up partly through business area reviews, partly through active board work in the subsidiaries. The business area reviews, which take place quarterly, not only analyze and discuss financial developments, but also market developments, risks and CR issues, among other things. The management groups for the business areas follow the business areas' day to day activities on a monthly basis. Business plans and

budgets are prepared by each business area in consultation with the Executive Group Management. The business is carried on in accordance with the rules, guidelines and policies established by the parent company, and local rules established by the respective local board. The heads of business areas have budget responsibility and are to ensure growth in their operations as well as being responsible for utilizing the synergies between the Group's various units.

Internal control

Internal control aims to ensure:

- that company strategies and goals are followed up,
- that shareholders' interests are protected,
- that external financial reporting reflects the actual situation with reasonable certainty,
- that financial reports are prepared in accordance with generally accepted accounting principles, laws and ordinances and other requirements of listed companies.

The Board of Directors has the overall responsibility for ensuring the Group has effective internal controls. The President is responsible for ensuring that processes and organization that guarantee

internal control and the quality of financial reporting are in place. Studsvik has no special internal audit function. The audit and internal control is conducted by an external consultant on the instructions of the Chief Financial Officer, which the Board has found to be appropriate.

The review is based on an overall risk analysis at Group level and on checklists and question lists in material for self-assessment that is subsequently verified from the point of view of materiality through direct audit. The audit is conducted via interviews and spot checks and is summarized in a report to the Audit Committee, where it is dealt with. A detailed description of the Group's risks and how they are managed is presented in the Administration Report on pages 17–19. An account of the Group's financial risks can be found in note 2 on pages 34–36.

The outcome of the examination is reported to the Audit Committee and the Board. The company's financial situation is discussed at every board meeting and the management makes a monthly analysis of the financial reporting at a detailed level. At its meetings the Audit Committee follows up the financial reporting and receives a report from the auditors.

Statement by the auditor on the corporate governance report

To the General Meeting of Shareholders of Studsvik AB (publ),
corporate identity number 556501-0997

Assignment and division of responsibilities

The Board of Directors is responsible for the corporate governance report for 2016 on pages 62–65 and for its preparation in accordance with the Annual Accounts Act.

Focus and scope of the examination

Our examination was conducted in accordance with FAR's statement RevU 16 The auditor's examination of the corporate governance report. This means that our 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. We believe that the examination has provided us with sufficient basis for our opinions.

Opinion

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph, points 2–6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same Act are consistent with the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, March 7, 2017
PricewaterhouseCoopers AB

Martin Johansson
Authorized public accountant