

Corporate Governance Report | 2014

Investments aimed at “Sustainable value creation”

COMMENTS BY CHAIRMAN SIGRUN HJELMQUIST

IN 2014 we saw an intense focus on Fouriertransform's operations, big changes in our Board and revolutionary proposals from our owner regarding our future mandate. It was certainly a challenge for Fouriertransform's investment directors under these, in some respects uncertain, conditions to be able to focus on business development in the existing portfolio and on new investments. But they succeeded. Fouriertransform's team has shown that they can handle operational challenges while at the same time assisting with general strategic issues.

Big changes

There have been significant changes in Fouriertransform's Board over the past two years. At the Annual General Meeting in 2014 Jan Bengtsson, Ulf Berg and Charlotte Rydin were elected as new members and I was elected as Chairman. At the same meeting, Hasse Johansson, Hanna Lagercrantz and Christina Åkerman were re-elected to the Board. Hanna Lagercrantz and Christina Åkerman were both elected as new board members at the 2013 AGM. All members with the exception of Hasse Johansson are thus new board members having joined over the past 1 or 2 years. Naturally, such big changes to the Board also involve changes in the Board's work and decision processes. During the year the Board and management held in-depth discussions on how we can best interpret our mission and the guidelines we receive from our owner so that the public funds we invest are used for value-creating investments made along commercial lines.

Public venture capital

No one could have failed to notice the interesting discussion in recent years – in both the political and academic arenas – on public venture capital programs. The topics discussed

included the focus of public venture capital, what the various actors should do and in which phases public venture capital can be useful. At Fouriertransform we welcome this discussion. We have taken the initiative to contact our public venture capital colleagues to find opportunities for cooperation and to avoid duplication of work. Now we are looking forward to contributing to a general overhaul of future public venture capital programs in Sweden.

Election year 2014

The Board of Fouriertransform has noted clear signals from several political parties – expressed both before and during the 2014 election in public interviews and debates – that they mainly want to target public venture capital at early-phase enterprises and ventures. This has naturally affected how we are applying the mandate expressed in our Articles of Association. It also emerged that the Government's proposed budget in autumn 2014 contained a proposal to change Fouriertransform's mandate. Among other things, the proposal involved a partially new business focus and also shifting management of parts of our current portfolio companies away from Fouriertransform. These proposed changes of course prompted many questions from our portfolio companies and in the market in general. To prepare for a possible amended mandate, the Board and management spent time analyzing the consequences and alternative courses of action. Although we obviously made no changes to our operations while waiting for the decision, we were cautious for a number of weeks with respect to our investments. When the Swedish parliament's budget proposal decision in December 2014 contained no changes to Fouriertransform's mandate, we halted our preparations for a changed mandate. The lessons learned from this process were valuable.



“There is undoubtedly a need for our financial investments as well as our commercial expertise and networks. Our challenge is to identify and select the investment opportunities where we can best contribute to long-term, sustainable commercial development.”

Unchanged mandate – sustainable value creation

So, for the time being, our mission remains the same – to invest in or finance companies in the automotive industry, other parts of the engineering industry and associated services segments where research, development and investment activities are taking place with a view to commercialization. Within this mandate we are now refining our processes so that we make investment decisions that are as well-informed and effective as possible. We are maintaining our conscious focus on sustainable value creation, which is also part of Fouriertransform’s mandate. We have expectations of and we offer support to our portfolio companies to minimize risks and take advantage of opportunities in a world of climate change and other challenges. The Board of Directors will be following these efforts with interest and engagement. There is undoubtedly a need for our financial investments as well as our commercial expertise and networks. We have a growing deal-flow of interesting applications from companies seeking financing. Our challenge is to identify and select the investment opportunities where we can complement the market, where we have good syndication partners and where we can best contribute to long-term, sustainable commercial development. The knowledge that we are managing and investing public tax revenue for the purpose of achieving strong value growth always guides our investment decisions.

Sigrun Hjelmquist

Chairman of the Board

Corporate governance during the year

Fouriertransform AB, corporate ID number 556771-5700, is a Swedish limited liability company that is wholly owned by the Swedish Government. The company's registered office is in Stockholm. The ownership role is exercised by the Government with a mandate from the Swedish parliament to actively manage state assets in such a way as to optimize long-term value creation.

Shareholder

100 percent of the company's shares are owned by the Swedish Government. The total number of shares is 2,725,100,000. In 2014, based on a decision by the shareholders' meeting, the number of shares was reduced by 51,896,628 through a withdrawal for loss coverage and by 223,103,372 through an allocation to non-restricted reserves.

Annual General Meeting and shareholders' meetings

The Annual General Meeting (AGM) is the company's highest decision-making body. The AGM is open to the public and members of the Swedish parliament have the right, after notifying the Board, to attend shareholders' meetings at which they may pose questions to the company. Notice to attend shareholders' meetings is to be mailed to the shareholders and published in Post- och Inrikes Tidningar (Swedish Official Gazette) and on the company's website. When notice of a shareholders' meeting is issued, an announcement is to be published in the financial newspaper Dagens Industri stating that notice of the meeting has been given.

The company's AGM for the 2013 financial year took place on April 23, 2014 in Stockholm. The AGM was attended by representatives from the Government as the shareholder representing 100 percent of the company's votes and 100 percent of the capital. All of the board members and auditors elected by the AGM were present at the meeting. The chairman for the AGM was the Board's Chairman, Lars-Olof Gustavsson. The minutes from the AGM are available on the company's website.

Corporate governance within Fouriertransform

Corporate governance within Fouriertransform is based on the Swedish Corporate Governance Code (the Code, www.bolagsstyrning.se), which forms part of the Government's framework for ownership and administration. The company's governance is also regulated by Swedish legislation, the Government's guidelines, policy documents established by the Board, and by internal regulations and documents.

Wholly-owned state enterprises apply their own principles, in place of the Code, when preparing for decisions concerning the nomination of board members and auditors (www.regeringen.se).

The most important regulations and policy documents are shown in the tables below.

Annual General Meeting 2014

The Annual General Meeting (AGM) was held in Stockholm on April 23, 2014. Resolutions:

Dividend

The AGM decided that no dividend be paid out and that the accumulated loss of SEK -55,083,030 be carried forward.

Discharge from liability

The AGM discharged the board members and the Chief Executive Officer from liability for the 2013 financial year.

Remuneration and employment terms

Based on the Board's proposal, the AGM passed a resolution on principles for employment terms and remuneration for senior management. The principles are described below under the heading "Remuneration to senior management."

Board members

The Board is to consist of seven members with no alternates: Lars-Sigrun Hjelmquist (newly elected as chairman), Hasse Johansson (re-elected), Christina Åkerman (re-elected), Hanna Lagercrantz (re-elected), Jan Bengtsson (newly elected), Ulf Berg (newly elected) and Charlotte Rydin (newly elected).

Auditor

The registered accounting firm Deloitte AB was elected as the auditor for a period of one year until the end of the 2015 Annual General Meeting. Later in 2014 the accounting firm appointed Authorized Public Accountant Birgitta Lööf as lead auditor to replace Authorized Public Accountant Hans Andersson.

Fees

The AGM resolved to set the annual fee for the Chairman of the Board at SEK 300,000 and an annual fee of SEK 150,000 for each of the board members not employed by the Government Offices. The AGM resolved to set the following fees for the Audit Committee: SEK 30,000 for the chairman and SEK 20,000 for members.

The AGM resolved on payment of fees for the audit assignments based on approved invoices.

Extraordinary shareholders' meeting 2014

An extraordinary shareholders' meeting was held on October 17 in Stockholm. Resolutions at the extraordinary meeting:

Resolution to reduce the registered share capital.

The meeting resolved to reduce the share capital by SEK 51,896,628. The purpose of the reduction is to cover losses. The reduction will be made through withdrawal as follows:

Shareholders	Number of shares
Swedish Government	51,896,628

The shareholders' meeting resolved to reduce the share capital by SEK 223,103,372. The purpose of the reduction is an allocation to non-restricted reserves for use as resolved by the shareholders' meeting. The reduction will be made through withdrawal as follows:

Shareholders	Number of shares
Swedish Government	223,103,372

Nomination process

The nomination process is conducted and coordinated by the division for state-owned enterprise administration within the Ministry of Finance. A working group analyzes the expertise requirements based on the company's operations, and recruitment is conducted on the basis of this analysis. Board members are selected from a broad recruitment base to achieve a balance of expertise, background, age and gender.

The Board of Directors

According to the Articles of Association, Fouriertransform's Board of Directors is to consist of at least three and no more than eight members with no alternates. In 2014 the Board consisted of seven elected members. The Government considers it important to separate the roles of the board members and the CEO, and the CEO is therefore not a member of the board of a state-owned enterprise.

Independence

According to section 4.5 of the Code, at least two board members must be independent of the company's major shareholders. The reason for the independence rule is to protect minority shareholders. Where a company is wholly

EXTERNAL REGULATORY FRAMEWORKS

- Swedish Companies Act
- The Government's ownership policy
- The Government's guidelines for external reporting for state-owned enterprises
- Guidelines for employment terms for senior executives in state-owned enterprises
- Swedish Corporate Governance Code (the Code)
- NASDAQ Stockholm Rule Book for Issuers
- Accounting legislation (including IFRS, Annual Accounts Act, Swedish Accounting ACT – BFL)

INTERNAL REGULATORY FRAMEWORKS

- Articles of Association
- Rules of Procedure for the Board and instructions for the CEO
- Order of authority
- Investment processes
- Financial handbook
- Employee handbook
- Crisis preparedness manual

POLICY DOCUMENTS ESTABLISHED BY THE BOARD OF DIRECTORS

- Ownership policy
- Principles for portfolio company valuation
- Financial policy
- Code of Conduct including sustainability policy
- Equity and diversity policy
- Communication policy
- IT policy

owned by the state, there is no reason for it to account for its independence in relation to the state. In view of this, Fouriertransform does not report such information.

Board members

Member	Present at the Board's twelve meetings in 2014
Sigrun Hjelmquist, Chairman	9 (9)
Christina Åkerman	11 (12)
Hasse Johansson	12 (12)
Jan Bengtsson	9 (9)
Charlotte Rydin	8 (9)
Ulf Berg	9 (9)
Hanna Lagercrantz	12 (12)

Board members Sigrun Hjelmquist, Jan Bengtsson, Ulf Berg and Charlotte Rydin were elected at the Annual General Meeting on April 23, 2014 and were therefore able to attend nine board meetings in 2014.

Work of the Board of Directors

The Board of Directors has established written instructions and rules of procedure for the Board and the Chief Executive Officer. The purpose is to document the work procedures of the company's Board, the distribution of responsibilities among the board members and between the Board and the CEO, and the required financial reporting to the Board. The document is subject to an annual review by the Board of Directors.

The Board is to hold at least six meetings a year, one of which should preferably be held in the offices of one of Fouriertransform's portfolio companies. One meeting a year is to be devoted to strategy issues and the company's risk exposure. One meeting is to address HR issues and include a review to ensure that the employment terms for senior management and comparable positions follow established guidelines. An account of these issues is to be provided in a special report from the company's auditor.

The Rules of Procedure also stipulate that board members must be provided with adequate information materials well in advance of meetings for all matters to be put before the Board for informative purposes or decisions. The Chairman of the Board and the CEO are jointly responsible for convening meetings, agendas and the necessary documentation relating to all items to be addressed.

During the 2014 financial year the Board held 11 regular meetings and one statutory meeting. The company's auditor attended the March meeting and at the February meeting an agenda item was addressed in the absence of the CEO. The Annual General Meeting was held on April 23, 2014 and an extraordinary general meeting was held on October 17 for a decision on a reduction of the registered share capital.

The Board of Directors, which has some new members as of April 2014, has clarified the principles for Fouriertransform's investment process within the bounds of the Articles of Association. The Board's most important task has been to ensure that Fouriertransform's overall strategies and investment principles enable the company's capital to be used for long-term, sustainable value creation within these bounds.

In 2014 the Board evaluated incoming investment applications and proposals for follow-on investments in existing portfolio companies, and decided on a number of new and follow-on investments.

An evaluation of the work of the Board of Fouriertransform was conducted in autumn 2014. The results were analyzed and discussed by the Board and reported to the owner.

A board trip took place in autumn 2014. Accompanied by

members of management and a number of employees, the board members had an opportunity to visit a number of portfolio companies in South and West Sweden. While on the trip, the Board also had discussions about strategy issues.

The proposed changed mandate for Fouriertransform, which the Government set forth in its budget proposal in autumn 2014, prompted the Board to work with management to analyze conceivable consequences for Fouriertransform and to initiate certain preparations for possible amendments. This work was halted when, in December 2014, the parliament, in its budget proposal decision, decided to keep Fouriertransform's mandate the same. Fouriertransform has, however, kept the results of the analysis and preparations.

In November 2014 the Chairman of the Board and some board members took part in Fouriertransform's annual portfolio company meeting. This provided an opportunity for an information exchange and discussion on the individual portfolio companies' challenges and opportunities.

2014 concluded with the traditional gathering of Fouriertransform's Board and employees at a work dinner also attended by all of the external board members who serve on the portfolio companies' boards according to Fouriertransform's mandate. The evening provided an opportunity for a valuable exchange of experiences and networking.

Committees

In 2014 the Board established an Audit Committee tasked with supervising and addressing the usual issues relating to financial reporting, internal control, risk management etc. The committee consists of board members Charlotte Rydin (Chairman) and Jan Bengtsson.

The Board also established a Remuneration Committee in 2014 tasked with supervising and addressing matters concerning remuneration principles and their application. This committee consists of board members Sigrun Hjelmquist (Chairman) and Hanna Lagercrantz.

Evaluation of the work of the Board

The Chairman of the Board, Sigrun Hjelmquist, is responsible for ensuring that the work of the Board is evaluated annually. In 2014 the Board decided to implement this through an internal evaluation. The board members were given the opportunity to fill out a questionnaire to provide their opinion of work processes, board materials, board performance and the scope of the board's mandate. The evaluation was conducted in October 2014. The results were analyzed and discussed by the Board and reported to

those responsible for board recruitment at the Government Offices' company analysis and ownership governance section. The results will be reviewed in connection with the report on the work of the Board at the AGM. As a permanent item on the agenda of regular board meetings, the Board also evaluates its work processes on an ongoing basis throughout the year in order to constantly improve its performance and the quality of its meetings.

Auditors

The task of the auditors is to conduct, on behalf of the owner, independent audits and reviews of the Board's and the CEO's management of the company as well as the annual accounts and accounting records. Responsibility for the election of an auditor always rests with the owner and is decided on at the Annual General Meeting. Deloitte AB was elected as auditor at the 2014 AGM. The lead auditor from Deloitte AB is Authorized Public Accountant Birgitta Lööf who replaced Authorized Public Accountant Hans Andersson in 2014.

Senior management

The Chief Executive Officer is appointed by the Board and is responsible for the day-to-day management of the company within the framework established by the Board. The Board is to evaluate the work of the CEO on an ongoing basis. At least once a year the Board is to pay particular attention to this.

Based on analysis conducted by the newly formed Remuneration Committee, the Board decided to expand the senior management team. Senior management now consists of the Chief Executive Officer, Chief Financial Officer, Chief Legal Officer and an Investment Director.

Remuneration to senior management

Fouriertransform's Annual General Meeting on April 23, 2014 decided on principles for employment terms for the CEO and senior management. Accordingly, Fouriertransform will apply the guidelines established by the Government on April 20, 2009 regarding employment terms for individuals in senior management in state-owned enterprises.

The principles in the Government's guidelines also inform decisions on total remuneration to other employees. To ensure that the levels set by the Board for the company's costs for remuneration of senior management are not exceeded, and that they are in line with the guidelines established by the AGM, the following applies.

Based on the information on which the Board's original remuneration decisions were based, and on the basis of the Board's Corporate Governance Report, the company's auditor is to ensure that the remuneration levels and other employment terms decided upon are not exceeded. The auditor is also to prepare a special report for the Board annually to describe his observations at the board meeting that coincides with the year-end report on the employment terms for senior management and other employees and that they are consistent with the Board's decisions and the guidelines. If in the opinion of the auditor the guidelines have not been followed, an explanation is to be included in the report. Before decisions on individual remuneration packages are made, there is to be written documentation showing the company's total cost.

These guidelines are also to apply to all subsidiaries and be approved by the Annual General Meeting of the respective subsidiary.

Principles to apply for consulting assignments by company board members:

One requirement for the assignments in question is that they are clearly distinguishable, which means not related to or equated with the member's board assignment, and that they are limited in terms of both scope and time. Consulting assignments as described above must always be approved by the Board of Directors. If these services can be purchased externally, they are not to be assigned to board members.

Internal control and financial reporting

The Board is responsible for ensuring that the company has good internal control and formal routines to ensure compliance with the established principles for financial reporting and internal control, and that the company's financial reporting is consistent with laws, applicable financial reporting standards and other requirements for listed companies. The internal control environment is based on rules of procedure, policies and guidelines for handling the company's risks. Every year the Board of Directors updates and establishes the Rules of Procedure for the Board, instructions for the CEO, the chain of command and order of authority, the financial policy and valuation policy. The company's CEO and senior management have operational responsibility for internal control. Based on instructions from the Board, laws and regulations, senior management has established a division of roles and responsibilities among employees in the organization. The rules for the investment process and valuation policy were overhauled in

2014. At this time the Board has determined that this structure and control of the company's finance department etc. meet the requirements for an internal review and audit function. Rules of Procedure for boards and instructions for CEOs exist for each portfolio company in the Group and are based on the same principles as for Fouriertransform. Each of the portfolio companies has a board of directors tasked with ensuring, on an ongoing basis, that the general guidelines and policies are followed and that the company's financial situation is constantly assessed. Managers at all levels have been given responsibility and authority to develop their activities based on local conditions and customer needs. As part of the process of monitoring the financial performance of each of the portfolio companies, a monthly review meeting is held by the board at which the company's investment manager is present. An order of authority and chain of command determine the authority delegated to each level for such things as tenders, purchasing, contract signing and appointments according to the grandfather principle.

CEO and senior management

The Chief Executive Officer (CEO) is appointed by the Board of Directors and runs the company according to the instructions established by the Board. The CEO is responsible for executing the Board's decisions and ensuring that the Board is always kept informed of the company's results and financial position. To perform these duties, the CEO is helped by a management team of three other executives. The members of the management team have separate areas of responsibility and report to the CEO. The management team attends regular meetings led by the CEO. Information on the CEO and senior management, their age and education is found below.

Per Nordberg, Chief Executive Officer b. 1956
Education: MSc Business and Economics Stockholm School of Economics

Ulf Järvenäs, Chief Financial Officer b. 1963
Education: MSc Engineering from Uppsala University.

Magnus Westerlind, Chief Legal Officer b. 1948
Board Secretary.
Education: Bachelor of Laws, Stockholm University.

Christian Zeuchner, Investment Director b. 1968
Education: MSc Engineering, Chalmers University of Technology.

Two times a month the CEO calls the Investment Directors and the CFO for a meeting. Permanent agenda items at these meetings are reviews of investment proposals, market development and the company's financial development. The Investment Directors are responsible for reviewing and analyzing investment proposals according to an established evaluation model and Fouriertransform's investment criteria. When companies and projects are identified that are considered particularly interesting and meet the investment criteria, meetings are held with the management of the companies and external specialists before an investment proposal is presented to Fourier-transform's Board.

Financial reporting

As of the fourth quarter of 2013 Fouriertransform is applying the International Financial Reporting Standards (IFRS) as approved for application within the EU and the Annual Accounts Act in the preparation of the financial statements for the Group. The financial statements of the parent company, Fouriertransform AB, are prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

Fouriertransform's information and communication paths are aimed at promoting completeness and accuracy in the company's financial reporting. The finance department is manned and organized based on the requirement to ensure that the company maintains high accounting standards and complies with the relevant regulations and guidelines.

Board of Directors



1 SIGRUN HJELMQUIST **CHAIRMAN B. 1956**

Chairman of the Board: AddnodeGroup AB, Almi Invest Stockholm AB and Almi Invest ÖstraMellansverige AB.

Board member: Eolus Vind AB, Ragnsellsföretagen AB, Danmarks Tekniska Universitet, SilexMicrosystems AB and Nordic Iron Ore AB.

2 JAN BENGTSSON **BOARD MEMBER B. 1954**

VD Almi Invest AB

Chairman of the Board: Investment Committee Almi Invest central region. **Board member:** Five of Almi Invest's regional funds, Eolus Vind AB, Saminvest AB, Styrelseakademin Stockholm, Partnerinvest AB.

3 ULF BERG **BOARD MEMBER B. 1951**

Board member: Speed International.



4 HASSE JOHANSSON **BOARD MEMBER B. 1949**

Formerly head of R&D at Scania AB.

Chairman of the Board: Lindholmen Science Park Aktiebolag, Vinnova AB and Dynamate Industrial Services AB.

Board member: AB Electrolux, Skyllbergs Bruk AB, Calix Group AB, LeanNova AB, Klippan Group AB and Alelion Batteries AB.

5 HANNA LAGERCRANTZ **BOARD MEMBER B. 1970**

Board member: LKAB and Svenska rymdaktiebolaget.

6 CHARLOTTE RYDIN **BOARD MEMBER B. 1968**

Head of General Staff and Chief Legal Officer, Swedish National Debt Office



7 CHRISTINA ÅKERMAN **BOARD MEMBER B. 1961**

Director General Swedish Medical Products Agency (until August 31). VD ICHOM (International Consortium for Health Outcomes Measurement) (from September 1).

Chairman of the Board: NTA (Nordic Trial Alliance).

Board member: EMA (European Medicines Agency) (until August 31).





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