

 Fouriertransform

# Corporate Governance Report 2010

March, 2011



# Chairman's comments

" Our initial investments were made in companies at early stages of development. We are now balancing our portfolio with investments in more mature companies."



In addition to decisions on new investments, the work carried out by Fouriertransform's Board in 2010 has been characterized by two main focuses: the investment process and work on adding value. During the financial year investments in nine companies were approved, and as a result we had an investment portfolio of ten companies in total at year end. Most of these are in an early phase of their technical and business development.

Nearly 40 years' experience of venture capital has taught me that the initial investments must be made at an early stage. The reason is that in the early stages of their development companies rarely succeed in keeping to their schedules, which means that a long time horizon – often of around ten years or more – is called for. There are also greater risks associated with investments at early stages and the role of owner generally required significant input and costs. This gives rise to the necessity of moving on in the longer term by balancing the portfolio with investments in more mature companies.

A significant part of the work of the Board over the year was therefore devoted to carving out a detailed strategy for the investment process. Going forward, our strategic focus will be on companies at somewhat later stages of development, with an investment horizon of between three and eight years. This focus is also in line with the task we have been given by the government, our owner, which demands a return in the longer term.

Our other major initiative involved work on adding value; in other words, how we can best contribute to developing value in our portfolio companies. If the companies are to become

successful it is vital that their boards are optimally composed with a tailored combination of personal qualities, expertise and qualifications, and this must be viewed in relation to the executive management of the companies.

Consequently, the CEO and I have worked intensively on assessing and engaging directors from the right backgrounds in various areas of Swedish industry. By early 2011 we had 15 highly qualified external members in place or on their way to the portfolio companies, and I am pleased to say that these included a relatively high proportion of women.

In so doing we have also been able to bring together and establish a dynamic dialog between Fouriertransform's representatives on the boards of the portfolio companies and Fouriertransform's own Board of Directors and employees. A first meeting of this type took place in the fall, and similar activities will continue in the future with a view to continual exchange of professional experience.

Fouriertransform performs an important function in the Swedish automotive industry, particularly since it is felt that venture capital companies are demonstrating very little interest in the automotive industry at present. We believe that the path we have staked out for ourselves can provide the right conditions for adding value to the companies in which we are a shareholder, and of course also to future investments.

**Lars-Olof Gustavsson**  
Chairman of the Board

# Corporate governance in 2010

Fouriertransform AB is a Swedish limited company that is wholly owned by the Swedish state. Its registered office is in Stockholm. The role of owner is taken by the Swedish government, which has been mandated by the Swedish parliament to actively manage state assets in such a way as to optimize long-term value creation.

Corporate governance within Fouriertransform is based on the Swedish Code of Corporate Governance (the Code), which forms part of the Government's framework for management by enterprise owners, as well as the Swedish Companies Act and other relevant legislation concerning public companies.

The company's internal governing documents are its Articles of Association, the work plan established by the Board and the Board's instructions to the CEO, Fouriertransform's Code of Conduct including Sustainability Policy, its Equality and Diversity Policy and its Ownership Policy, as adopted by the Board of Directors.

In the case of wholly owned state enterprises, the government's own principles for preparing proposals for the nomination of board members and auditors replace those set out in the Code ([www.sweden.gov.se](http://www.sweden.gov.se)).

## Annual General Meeting 2010

The Annual General Meeting was held in Stockholm on April 20, 2010. Decisions:

- Dividends. The Meeting concluded that no dividend be paid without profit, 8,256,088 SEK, throughout the new financial year.
- Discharge. Meeting discharged the Board members from liability for the 2009 fiscal year.
- Remuneration and employment conditions. The meeting also adopted principles for the terms of employment and remuneration of senior executives and the fees paid to Board members. The principles are described below under the heading "Remuneration to senior executives."
- Board members. The Board shall consist of seven members with no alternates. All the members of the Board were re-elected: Lars-Olof Gustavsson (Chairman), Cecilia Schelin Seidegård, Hasse Johansson, Karin Kronstam, Lars- Göran Moberg, Ulla-Britt Fräjdin-Hellqvist and Lars Erik Fredriksson.
- Fees. The meeting decided annual fees to the Chairman should be equal to SEK 300 000 with annual fees of SEK 150 000 to each Director who is not employed by Government Offices of Sweden.

## Nomination process

The nomination of members of the Board is conducted and coordinated by the division for state-owned companies

within the Swedish Ministry of Finance. A working group analyzes the skills require by the board based on the company's activities. Recruitment efforts are implemented on the basis of their analysis. Members are selected from a broad recruitment base in order to achieve a balanced mix of expertise, backgrounds, ages and genders.

## The Board of Directors

The Board of Fouriertransform should consist of not less than three and a maximum of eight members with no alternates. Board in 2010 consisted of seven elected members. The government considers it important to separate the roles of the Board and the CEO, and therefore the CEO shall not be a member of the Board of Directors in state-owned companies.

## Independent

Under section 4.5 of the Code, at least two Board members must be independent of the company's major shareholders. The main reason for the rule on independence is to protect minority shareholders. Where a company is fully state-owned there is no reason to account for its independence in relation to the state. In view of this, Fouriertransform does not report such information.

## Board Members

Member	Board Member's Attendance at the 9 board meetings of 2010
Lars-Olof Gustavsson, chairman	9 (9)
Cecilia Schelin Seidegård	9 (9)
Hasse Johansson	7 (9)
Karin Kronstam	9 (9)
Lars-Göran Moberg	9 (9)
Ulla-Britt Fräjdin-Hellqvist	8 (9)
Lars Erik Fredriksson	9 (9)

## Work of the Board of Directors

The Board has adopted written instructions and Articles of Association for the Board and Chief Executive Officer. The purpose of these is to document the rules of procedure for the company's Board of Directors, guide the division of labour among the Board and CEO, and to govern financial reporting. The document is annually reviewed by the Board.

The Board shall hold at least six meetings a year, one of which preferably should be located at one of our portfolio companies. One meeting per year shall be devoted to stra-



tegitic issues and the company's risk exposure. A meeting will also be set aside to deal with personnel issues and review the employment of senior executives and comparable positions following issued guidelines.

The rules also regulate how the members in time for meeting should have a sufficiently clear understanding of all matters. The Chairman is responsible, together with the CEO of the preparation and distribution of an informative invitation, agenda and any additional documentation needed to prepare members for each issue.

This fiscal year the Board held nine regular meetings, including the statutory. For members' attendance see the table above.

When making decisions regarding investment in companies where a member is considered to have conflict of interest, that member may not participate in the process or decision on the matter, and the conflict recorded in the company's board minutes.

The Board prioritized two main areas during the year: clarifying the company's strategic investment orientation and contributing to adding value in the portfolio companies by recruiting a network of qualified board members for these companies. The network currently under construction will provide qualified directors to portfolio companies.

During the year the Board of Directors approved nine investments. The Board also prepared a Code of Conduct including Sustainability Policy, an Equality and Diversity Policy, and an Ownership Policy for Fouriertransform.

### **Committees**

The Board of Fouriertransform has decided not to establish any committees; the entire Board will discuss all questions that would otherwise be delegated to committees.

### **Evaluation of Board Activities**

The Chairman of the Board, Lars-Olof Gustavsson, is responsible for ensuring that the work of the Board is evaluated. The Chairman has decided that an annual assessment of the Board's work will be undertaken, in which members are given the opportunity to share their thoughts on work of the Board as a whole, their own and other members' work and the Board's mission mandate. The results of this assessment will be reported to the relevant parts of the Nomination Committee. This evaluation was carried out during the spring with assistance from an external consultant.

### **Auditors**

The auditors' mission is to conduct independent reviews of the Board, managing directors, annual report and company accounts on behalf of the owners. Responsibility for the appointment of auditors is always the owner's and decided

through the AGM. Certified Public Accountant Hans Andersson, of Deloitte, is the company's elected auditor.

### **Senior Executives**

The Chief Executive is appointed by the Board and is responsible for the ongoing management of the company within the limits established by the Board. As a result of Fouriertransform's small number of employees, the Board decided that only the CEO should be regarded as the only senior executive within the company. The Board is to continuously evaluate the CEO's performance. At least once a year, the Board will meet especially to discuss this issue.

### **Work within the Company**

The CEO meets gather regularly twice a month, with the investment managers and CFO. The following topics are discussed during these meetings; reviewing investment proposals, market development, the company's economic development and the planning of marketing activities.

Investment managers are responsible for the review and analysis of investment proposals according to an elaborate evaluation model and Fouriertransform's investment criteria. For those companies and projects deemed to be especially interesting which satisfy all the investment criteria further meetings are scheduled with the management and external specialists, before an investment proposal is submitted Fouriertransform board.

### **Remuneration to senior executives**

At Fouriertransform's Annual General Meeting on April 20, 2010 principles for the terms of employment and remuneration of the CEO and executive management were approved in accordance with the proposal by the Board, with the result that Fouriertransform shall apply the guidelines passed by the Government on April 20, 2009 on the terms of employment of persons in executive management positions in state-owned companies, with a clarification as follows. Remuneration to senior executives shall be competitive, but shall not be wage-leading. This shall be ensured by Fouriertransform obtaining market salary information on a continuous basis. Prior to decisions being made on appointments, documents shall be drawn up concerning the company's future costs of the appointment. Senior management shall not be offered incentive programs.

For further information on remuneration to the CEO and the members of the Board of Directors refer to Fouriertransform's Annual Report 2010.

# Internal Control

Fouriertransform's financial reporting follows the Annual Accounts Act and based on NASDAQ OMX Stockholm's Rule Book for Issuers and the Guidelines for External Reporting by State-owned Companies.

The Board of Directors, under the Companies Act, shall ensure that the company's organization is structured so that accounting, fund management and the company's financial situation in general are controlled in a satisfactory manner.

Fouriertransform has chosen not to establish an audit committee, but issues related to financial reporting and internal control are reviewed by the entire Board. The CEO is not a member of the Board.

The Board's ambition is to ensure a high level of internal control. This includes procedures for:

- Structure control
- Environmental control
- Risk assessment
- Activity control
- Information and communication
- And Follow-up.

The CEO is responsible to the company for ensuring that the Boards' guidelines are followed and monitored.

The Board meets the company's auditor at least once a year without the presence of the CEO.

**This Corporate Governance Report is included in Fouriertransform's Annual Report 2010 and thus certified by the Board and reviewed by the company's auditor.**



# The Board of Directors

6



**1 Cecilia Schelin Seidegård, Board member**

Born 1954.

Governor of Gotland County.  
Chairman: Systembolaget AB, Clinitrials Skåne AB and Vårdalstiftelsen.

**2 Ulla-Britt Fräjdin-Hellqvist, Board member**

Born 1954.

Chairman: Kongsberg Automotive Holding ASA, SinterCast AB, Swedish Foundation for Strategic Research and Ruter Dam.  
Board member: Castellum AB, e-man AB, Stockholm Environment Institute, Svenska Rymdaktiebolaget and Tällberg Foundation AB.

**3 Lars Erik Fredriksson, Board member**

Born 1964.

First Secretary at the Swedish Ministry of Enterprise, Energy and Communications.  
Chairman: Sundsvalls Mätcenter AB.  
Board member: RISE Research Institutes of Sweden Holding AB.  
Owner's representative: SJ AB, Green Cargo AB.

**4 Lars-Göran Moberg, Board member**

Born 1943.

Formerly President of Volvo Powertrain.  
Chairman: Haldex AB and Deutz AG.  
Board member: Volvo Aero AB, Cross Country System AB, Volvo Construction Equipment N.V.

**5 Lars-Olof Gustavsson, Chairman**

Born 1943.

Chairman: Four Seasons Venture Capital AB and Boule Diagnostics AB  
Board member: SJ AB, Industrifonden, Data Respons ASA, Siem Capital AB, TA Associates AB and Mikroponent Intressenter AB.

**Hasse Johansson, Board member**

**6** Born 1949.

Formerly Head of R&D at Scania AB.  
Chairman: Lindholmen Science Park Aktiebolag, Vinnova, Dynamate Industrial Services and Alelion Batteries AB.  
Board member: AB Electrolux, Skyllbergs Bruk AB and C-Garden AB.

**7 Karin Kronstam, Board member**

Born 1950.

Chairman: Arbetslivsresurs AR AB.  
Board member: Praktikertjänst AB, Rabbalshede Kraft AB and MPT Intressenter AB.

[info@fouriertransform.se](mailto:info@fouriertransform.se)  
[www.fouriertransform.se](http://www.fouriertransform.se)

Fouriertransform AB  
Sveavägen 17, 10 tr  
111 57 STOCKHOLM

+46 8 410 40 600

Fouriertransform AB  
Kaserntorget 6  
411 18 GÖTEBORG

+46 31 761 91 40