

# Corporate Governance Report

Corporate governance practices refer to the decision-making systems through which owners, directly or indirectly, control a company. Investor's business model of active ownership is to create value in the portfolio companies. Good corporate governance is not only an important matter for Investor's own organization. It is an important part of Investor's core business. One of the cornerstones and a central part in Investor's value creation plans for the portfolio companies is high corporate governance. Investor's business model and possibilities to create value for the shareholders builds on owner influence in the companies. A description of the work with the portfolio companies is presented in the section Active Ownership on page 11.

It is also of outmost importance that the corporate governance within Investor has a high standard. Below the corporate governance within Investor is described.

Investor is a Swedish limited liability corporation that is publicly traded on the Nasdaq OMX Stockholm exchange and adheres to the Swedish Code of Corporate Governance (the

Code). The Code is published on [www.bolagsstyrning.se](http://www.bolagsstyrning.se), where a description of the Swedish Corporate Governance model can be found.

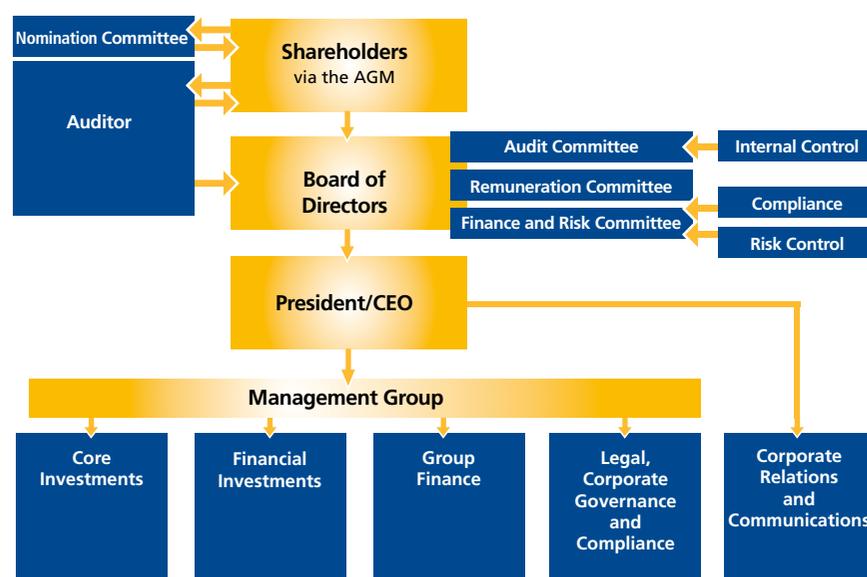
This Corporate Governance Report is submitted in accordance with the Swedish Annual Accounts Act and the Code. It explains how Investor has conducted its corporate governance activities during the 2013 financial year.

This report avoids repeating information in applicable regulations and focuses on presenting the specific corporate governance matters for Investor.

The Corporate Governance Report has been reviewed by Investor's auditor, see page 99.

Investor complied with the Code during 2013. Investor did neither deviate from the Nasdaq OMX Stockholm Rule Book for Issuers nor from good stock market practice.

## Corporate Governance at Investor



Examples of external framework for governance at Investor:

- Swedish Companies Act.
- Accounting legislation, e.g. Swedish accounting Act, Swedish Annual Accounts Act, and IFRS.
- Nasdaq OMX Stockholm's Rule Book for Issuers.
- Swedish Code of Corporate Governance.

Examples of internal framework for governance at Investor:

- Articles of Association.
- Board Instructions, Rules of Procedure.
- Policies such as Compliance Policy, Information Policy, Risk Policy, and Safety Policy.
- Process descriptions for each business area.
- Ethical guidelines.

The corporate culture is based on the core values:  
Create value / Continuous improvement / Contribute your view / Care for people

## Cornerstones for good corporate governance



### Annual General Meeting

The 2014 Annual General Meeting (AGM) of Investor will take place on May 6 at the City Conference Centre in Stockholm. Shareholders who would like to have a particular matter discussed at the AGM should submit such request to the Nomination Committee before March 11 and to the company before March 18, 2014. Contact information is available on the company website.

Investor always strives to ensure that the Board, the Management Group, the Nomination Committee and the auditor are present at the AGM.

Each Investor shareholder entitled to vote may vote for the entire number of the shares owned and represented by the shareholder without restrictions to the number of votes. A-shares are entitled to one vote and B-shares are entitled to 1/10 vote.

In addition to applicable law, regarding shareholder's right to participate at the AGM, there is a requirement in Investor's Articles of Association of confirming intention to attend within given time, stated in the notice of the AGM. The shareholder shall at the same time also inform of any assistant participation.

The documents from the AGM and the minutes recorded at the AGM are published on the website.

### Shares, ownerships and distribution policy

At year-end 2013, Investor had 132,433 shareholders according to the register of shareholders maintained by Euroclear Sweden. Institutional owners dominate the ownership structure. See page 27 for Investor's largest shareholders and page 89 for Investor's share capital.

Investor's distribution policy is to distribute a large percentage of the dividends received from listed Core investments, as well as to make a distribution from other net assets corresponding to a yield in line with the equity market. Investor AB's goal is to generate a steadily rising annual dividend.

The 2013 AGM decided on a dividend payment of SEK 7.00 per share to shareholders. The Board and President recommend to the 2014 AGM a distribution of dividend to shareholders of SEK 8.00 per share.

### Repurchases of own shares

Since year 2000, the Board has requested and been granted a mandate by the AGM to repurchase the company's shares. The company's holding of its own shares should not exceed 1/10 of all shares outstanding in the company. In 2013, 1,000,000 B-shares were repurchased and 954,694 B-shares of the repurchased shares were transferred. Also, for the 2014 AGM, there is a proposal to give authorization to the Board to buy back Investor shares in order to hedge the long-term share-based remuneration programs.

	Number shares	Share of total number of outstanding shares, %	Nominal value, SEK m.	Transaction price, SEK m.
<b>2013</b>				
Opening balance				
B-shares	6,248,054	0.8	39.1	
Repurchased				
B-shares	1,000,000	0.1	6.2	195.1
Transferred B-shares	-954,694	-0.1	-6.0	-103.5
<b>Closing balance</b>	<b>6,293,360</b>	<b>0.8</b>	<b>39.3</b>	

### Nomination Committee

According to the current instruction for the Nomination Committee, the Committee shall consist of one representative from each of the four shareholders or groups of shareholders controlling the largest number of votes that desire to appoint a representative and the Chairman of the Board. The register of recorded shareholders and shareholder groups from Euroclear Sweden and other reliable shareholder information available to the company as of the last business day of August serves as the basis for identifying the members. For further information regarding instruction for the Nomination Committee, see the company website.

Up until February 28, 2014, the Nomination Committee had held four meetings at which the minutes were recorded. They also stayed in contact between these meetings. The AGM documents related to the Nomination Committee are published on the website.

#### Nomination Committee members 2014 AGM

Nomination Committee members	Independent in relation to the company and company Management	Independent in relation to the company's major shareholders	12/31 2013 % of votes
Hans Wibom, Wallenberg Foundations	Yes	No <sup>1)</sup>	50.0
Peder Hasslev, AMF	Yes	Yes	6.6
Lars Isacson, SEB Foundation	Yes	Yes	4.7
Ramsay Brufer, Alecta	Yes	Yes	2.9
Jacob Wallenberg, Chairman of the Board	Yes	No <sup>2)</sup>	

The composition of the Nomination Committee was made public on October 4, 2013. The composition meets the independence criteria set forth by the Code.

1) Representing the Wallenberg Foundations.

2) Member of Knut och Alice Wallenberg Foundation.

#### Auditor

Pursuant to its Articles of Association, Investor must have one or two auditors, and no more than two deputies. A registered firm of auditors may be appointed as the company's auditor. The auditor is appointed by the AGM for a mandate period of one year, as nothing further is stated in Investor's Articles of Association.

At the 2013 AGM, the registered firm of auditors, Deloitte AB was appointed auditor until the close of the 2014 AGM. The Authorized Public Accountant Thomas Strömberg is the auditor in charge.

The auditing firm has, besides the audit, conducted a limited number of other assignments on behalf of Investor. These assignments mainly consisted of services associated with auditing, such as in-depth reviews during audit. By limiting the extent to which the auditor is allowed to perform services other than auditing, it is possible to ensure that the auditor is independent of the company. For details on remuneration to auditors, see note 10, Auditor's fees and expenses.

#### Investor's auditor: Deloitte AB

Auditor-in-charge: Thomas Strömberg, Authorized Public Accountant

Born: 1966

Auditor-in-charge for Investor since 2013

Shares in Investor AB: 0 shares

Other auditing assignments: Karolinska Development AB, Mekonomen AB, Rezidor Hotel Group AB, Tele2 AB

#### Board of Directors 2013

Member	Elected	Position	Year of birth	Nationality	Independent in relation to the company and company Management	Independent in relation to the company's major shareholders
Jacob Wallenberg	1998	Chairman	1956	Swedish	Yes	No <sup>1)</sup>
Sune Carlsson	2002	Vice Chairman	1941	Swedish	Yes	Yes
Dr. Josef Ackermann <sup>2)</sup>	2012	Member	1948	Swiss	Yes	Yes
Gunnar Brock <sup>3)</sup>	2009	Member	1950	Swedish	No <sup>4)</sup>	Yes
Börje Ekholm	2006	Member	1963	American/Swedish	No <sup>5)</sup>	Yes
Tom Johnstone	2010	Member	1955	British	Yes	Yes
Carola Lemne	2010	Member	1958	Swedish	Yes	Yes
Grace Reksten Skaugen	2006	Member	1953	Norwegian	Yes	Yes
O. Griffith Sexton	2003	Member	1944	American	Yes	Yes
Hans Stråberg	2011	Member	1957	Swedish	No <sup>4)</sup>	Yes
Lena Treschow Torell	2007	Member	1946	Swedish	Yes	Yes
Marcus Wallenberg <sup>2)</sup>	2012	Member	1956	Swedish	Yes	No <sup>1)</sup>
Peter Wallenberg Jr	2006	Member	1959	Swedish	Yes	No <sup>1)</sup>

1) Member of Knut and Alice Wallenberg Foundation.

2) As Directors in EQT, Marcus Wallenberg and Dr. Josef Ackermann, have the possibility to invest in the funds that EQT establishes. These investments are made in accordance with the same terms and conditions as for other national and international investors. This circumstance does not entail that Marcus Wallenberg and Dr. Josef Ackermann, by this reason, are dependent on Investor or its Management.

3) In conjunction with taking over as the Chairman of Mölnlycke Health Care 2007 (which was prior to the Board in Investor), Gunnar Brock acquired shares (ordinary and preferred) in Mölnlycke Health Care as part of the stock investment program for the Board and senior executives of that company. However, it has been concluded that this does not make Gunnar Brock independent on Investor or its Management.

4) Has been President of a closely-related company during the last five years.

5) President.

## Board

Pursuant to the Articles of Association, the Board must consist of no less than three and no more than thirteen Directors, as well as no more than four deputies. Since the 2013 AGM, the Board has consisted of thirteen members and no deputies. The percentage of women is 23 and the percentage of foreign members on the Board is 31 percent. A more detailed presentation of the Board is found on the adjacent table, on page 38 and on the website.

New Board members are introduced to Investor's business operations by attending an introduction orientation involving, for example, meetings with department managers. Board members are continuously updated on new regulations, practices and statutory requirements that may affect the business.

The composition of Investor's Board meets the requirements concerning the independence of Directors. Several of the Board members are Directors of Investor's holdings and they receive remuneration from these companies. It is the opinion of the Nomination Committee and the company that this remuneration does not entail a dependence of these members on Investor or its Management. Investor is an industrial holding company and work actively through the Boards of its holdings to identify and drive value-creating initiatives. The work of the Boards of Directors in Investor's holdings is the core of Investor's active ownership model. For Investor, where a fundamental component is to have the right Board in each company, it is natural that Members of Investor's Board of Directors and Management have Board assignments in Investor's holdings. The assessment of each Board member's independence is presented on page 31.

The Chairman of the Board, Jacob Wallenberg, is in addition to his active involvement in Investor also involved in a number of other companies and serves on a number of international organizations. He has an extensive international network and he participates in various policy forums.

### **Evaluation of the Board and CEO**

Pursuant to the Rules of Procedure, the Chairman of the Board initiates an annual evaluation of the performance of the Board.

The 2013 evaluation was answered by each Board member. In addition, the Chairman met with each Board member separately to discuss the work done by the Board during the year.

The objective of the evaluation is to provide insight into the Board members' opinions about the performance of the Board and identify measures that could make the work of the Board more effective. A secondary objective is to form an overview of the areas the Board believes should be afforded greater scope and where additional expertise might be needed within the Board.

The Board discussed the results of this year's evaluation and the Chairman of the Board presented them to the Nomination Committee.

Investor's Board continuously evaluates the performance of the President by monitoring the development of the business in relation to the established objectives. A formal performance review is carried out once a year.

### **Work of the Board in 2013**

During the year, the Board held 15 meetings, of which 11 were regular meetings, one was statutory and three were extraordinary. The attendance of each Board member at these meetings is shown in the table on page 34. The secretary of these Board meetings was General Counsel, Petra Hedengran. Prior to each meeting, Board members were provided with comprehensive written information on the issues that were to be discussed.

During the year, the Board devoted considerable time to the investment of the new core investment Permobil, the divestment of Gambro, acquisition of additional shares in ABB and Ericsson, and other strategic matters regarding the holdings. In addition, the Board has considered the capital structure and refinancing of Mölnlycke Health Care and Aleris, and acquisitions within Financial Investments. Prior to each transaction, extensive analysis were presented to the Board.

The Board devoted time to both internal and external presentations of the financial markets in particular countries, as well as from a global perspective. The Board discussed the development and the effects on industries, markets and individual companies, paying particularly close attention to Investor's holdings and the long-term strategies of such holdings.

During the year the Board also has met with the CEOs of Investor's holdings, inter alia Aleris, Wärtsilä, Mölnlycke Health Care and SEB, for presentations of their companies.

The financial reports presented at every regular Board meeting, including those prior to the year-end and interim reports, are an important aspect of the Board's work. The Board also receives regular reports on the company's financial position. At regular Board meetings, reports are delivered on the ongoing operations in the business areas, together with in-depth analyses and proposed actions regarding one or more of the company's holdings.

Committee work is an important task performed by the Board. For a description of the work conducted by the Committees during 2013, see page 33.

During the year, the company's Management presented value creating plans for Core Investments, including analyses of the holdings' operations and development potential in the business areas where they are active. These analyses and their implications were discussed and assessed by the Board with a focus on the individual companies as well as in the context of overall strategic discussions. The Board also discussed the overall strategy thoroughly at the yearly strategy review.

## Board Committees' work 2013

	Audit Committee	Remuneration Committee	Finance and Risk Committee
<b>Members</b>	Sune Carlsson (Chairman) Jacob Wallenberg Peter Wallenberg Jr	Jacob Wallenberg (Chairman) O. Griffith Sexton Lena Treschow Torell	Grace Reksten Skaugen (Chairman) Gunnar Brock Jacob Wallenberg
<b>Number of meetings</b>	6	5	3
<b>Focus areas in 2013</b>	<ul style="list-style-type: none"> <li>Analyzed each interim report and the year-end report for completeness and accuracy.</li> <li>Evaluated accurate accounting and valuation principles of each business area.</li> <li>Assessed structural and specific tax related issues.</li> <li>Cooperation with the new audit firm is established and the audit reports have been followed-up.</li> <li>Follow-up on the internal control in connection with process changes has been made.</li> </ul>	<ul style="list-style-type: none"> <li>Evaluated and approved remuneration structures for personnel and salary reviews for Management.</li> <li>Evaluated and assessed the President's goals and terms and conditions for remuneration, which were then approved by the Board.</li> <li>Discussed strategic personnel related issues.</li> <li>Evaluated guidelines for salary and other remuneration including the long-term variable remuneration programs.</li> <li>Proposed to the Board to submit to the AGM 2014 a long-term variable remuneration program which is substantially identical to the approved program for 2013.</li> </ul>	<ul style="list-style-type: none"> <li>Followed-up on limits, mandates and risk status for each business area at each meeting.</li> <li>Performed a review of the Risk policy.</li> <li>Approved updates of Group policies.</li> <li>Assessed the effect on Investor regarding new and coming regulations.</li> <li>Assessed the reported work accomplished by the Security function regarding information security and continuity plans.</li> </ul>

The Board received and discussed reports on the composition of portfolios and developments within Financial Investments, including Investor's involvement in EQT and the operations of Investor Growth Capital.

In addition to participating in meetings of the Audit Committee, the company's auditor also attended a Board meeting during which Board members had the opportunity to pose questions to the auditor without representatives of the company's Management being present.

### Board Committees

In order to increase the efficiency of its work and enable a more detailed analysis of certain issues, the Board has formed three Committees: the Audit Committee, the Remuneration Committee and the Finance and Risk Committee. The members of the Committees are appointed for a maximum of one year at the statutory Board meeting. The Committee's duties and decision-making authorities are regulated in the instruction presented to each Committee annually.

The primary objective of the Committees is to provide preparatory and administrative support to the Board. The issues considered at Committee meetings are recorded in minutes and reported at the next Board meeting. Representatives from the company's specialist functions always participate in Committee meetings.

The Audit Committee is responsible for assuring the quality of the financial reporting and the efficiency in the internal control

system. The Audit Committee is the primary way in which the Board and the company's auditor communicate with each other.

The responsibilities of the Remuneration Committee are, among other things, to evaluate and prepare guidelines for salary and other remuneration, and to decide remuneration to the members of the Management Group, except for the President for whom the Board as a whole sets the remuneration.

The Finance and Risk Committee ensures that the company's compliance efforts are effective and monitor risk exposure and financial strategies.

### Remuneration

#### Remuneration to the Board

The total remuneration to the Board approved by the AGM 2013 was SEK 9.13 m. Information on specific compensation is provided in the table on page 34 and in note 9, Employees and personnel costs.

The Nomination Committee believes it is to the advantage of the company and its shareholders if Board members are either shareholders in the company or have similar exposure to changes in the price of Investor's share over the long term. Since the 2008 AGM, it is possible for Board members to receive a portion of their compensation in the form of synthetic shares.

At the statutory Board meeting in April 2013, the Board adopted, as in 2011 and 2012, a policy stating that Board members, who do not already have such holdings, are expected to, over a five-year period, acquire an ownership in Investor shares

(or a corresponding exposure to the Investor share, e.g. in the form of synthetic shares) with a market value equivalent to at least one year Board remuneration, before taxes, excluding remuneration for Committee work.

#### Remuneration to Management and other employees

In order to achieve solid, long-term growth in value for its shareholders, Investor strives to offer its employees a total remuneration package that is in line with the market and enables the recruitment and retention of the most suitable employees. Comparative studies of relevant industries and markets are carried out annually in order to evaluate current remuneration levels and to determine what constitutes a total level of remuneration in line with market practice.

The total remuneration for the President is determined by the Board. Remuneration issues concerning other members of the Management Group are decided by the Remuneration Committee, after which the Board is informed.

When determining salaries, the employee's total compensation package is benchmarked to the external market. The mix between the various components: fixed cash salary, variable cash salary, long-term variable remuneration, pension and other remuneration and benefits, is set depending on the employee's position.

Investor's policy is for the Management Group to own shares in Investor corresponding to a market value of at least one year's gross salary for the President and at least half of one year's gross salary for the other members of the Management Group.

The development of the programs is evaluated on a continuous basis throughout the year. The Remuneration Committee also regularly carries out a more thorough evaluation of the programs.

The long-term variable remuneration program proposed by the Board and decided by the AGM in 2013 was substantially identical to the program from 2012. The Board has decided to propose to the AGM 2014 a long-term variable remuneration program in which all employees may participate and which is essentially identical to the program from 2013. The Board's final proposal will be announced in the Notice of the 2014 Annual General Meeting.

The Board of Directors' proposal regarding guidelines for salary and other remuneration for the President and other Members of the Management Group to the AGM 2014 comply with the guidelines for remuneration decided 2013, and are based on agreements entered into between Investor and each executive.

See note 9, Employees and personnel costs (page 59), and on the website, for the most recently approved guidelines on remuneration to senior executives and for a description on the long-

#### Attendance record and Board remuneration in 2013

Member Chairman	Audit Committee	Remuneration Committee	Finance and Risk Committee	Attendance record, Board Meetings	Attendance record, Committee Meetings	Board fee excl. Committee fees			Committee fees			Total Board Remuneration incl. synthetic shares, SEK <sup>1)</sup>
						Cash, SEK	Value of synthetic shares, SEK <sup>1)</sup>	Number of synthetic shares <sup>1,2)</sup>	Audit Committee, SEK	Remuneration Committee, SEK	Finance and Risk Committee, SEK	
Jacob Wallenberg	■	■	■	93%	93%	2,060,000	0	0	136,000	136,000	68,000	2,400,000
Sune Carlsson	■			93%	100%	550,000	0	0	204,000			754,000
Dr. Josef Ackermann				93%		275,000	275,000	1,533				550,000
Gunnar Brock			■	100%	100%	275,000	275,000	1,533			68,000	618,000
Börje Ekholm				100%								
Tom Johnstone				100%		275,000	275,000	1,533				550,000
Carola Lemne				87%		275,000	275,000	1,533				550,000
Grace Reksten Skaugen			■	100%	100%	550,000	0	0			136,000	686,000
O. Griffith Sexton		■		93%	80%	550,000	0	0		68,000		618,000
Hans Stråberg				93%		275,000	275,000	1,533				550,000
Lena Treschow Torell		■		100%	100%	275,000	275,000	1,533		68,000		618,000
Marcus Wallenberg				93%		550,000	0	0				550,000
Peter Wallenberg Jr	■			100%	100%	275,000	275,000	1,533	136,000			686,000
<b>Total</b>						<b>6,185,000</b>	<b>1,925,000</b>	<b>10,731</b>	<b>476,000</b>	<b>272,000</b>	<b>272,000</b>	<b>9,130,000</b>

1) At point of allocation.

2) The synthetic shares are valued in connection with allocation after the Annual General Meeting 2013 and shall be based on an average market price of Investor shares of class B during a measurement period in conjunction with the allocation, see note 9, Employees and personnel costs.

For total value of the Board fee including synthetic shares and dividends at year-end, see note 9, Employees and personnel costs.

term variable remuneration programs. See the website for the information and evaluation that has to be reported according to the Code.

For the Board's proposal regarding guidelines for salary and other remuneration for the President and other Members of the Management Group to the 2014 AGM, see the website.

### **The President, the Management Group and the organization**

The President, Börje Ekholm's responsibilities include among other things ongoing investments and divestments, personnel, finance and accounting issues and regular contact with the company's stakeholders, such as public authorities and the financial market. The President ensures that the Board is provided with the requisite material for making well-informed decisions.

The President has appointed a Management Group that has day-to-day responsibility for different parts of Investor's business. There has been no change in the Management Group during 2013. For more information about the President and Management Group, see page 40.

The Management Group holds meetings focused on the company's strategy four to five times a year, including risk assessment.

The Management Group regularly works with specific business transactions. During the year the Management Group has had focus on the purchase of Permobil, the divestment of Gambro and the refinancing of Mölnlycke Health Care. The Management Group also worked proactively to ensure the company's financial flexibility. The Management Group regularly monitors the organization to ensure that it has the right competences given the company's strategy, goals and challenges.

During the year the Management Group initiated workshops with all personnel regarding Investor's ethical guidelines, see section Sustainable business.

Investor's Analysts work in business teams with one or more investments. These individuals continuously research each holding, the sector to which it belongs and competitors to identify value creating initiatives, risks and their return potential.

In the listed Core Investments, see page 13, Investor exercises its active ownership through Board representation.

Investor governs its wholly-owned operating subsidiaries, see page 13, through its representation on the Boards of those companies. Investor's Board representatives are appointed by the President of Investor. The Board representatives ensure value creation in the companies and that indications of problems in the portfolio companies, that could impact Investor, are dealt with in an efficient manner. They are also responsible for ensuring that Investor's Management Group and Board are provided with relevant information.

Investor Growth Capital is governed as a standalone wholly-owned subsidiary.

The governance of the partner-owned companies is carried out jointly with each partner.

Investor's Trading function is governed by mandates and limits set by the Board.

Support functions on group level, to the investment organization, are governed by approved policies and instructions.

### **Control functions**

Using the risk policy approved by the Board as framework, the Risk Control function identifies and monitors the risks that Investor is exposed to. This function is responsible for coordinating all internal reporting of Investor's significant risks at aggregate level and developing awareness of different types of risk. The Risk Control function reports to the Finance and Risk Committee.

The Compliance function supports Investor's compliance with laws and regulations, and maintains internal regulatory systems and education to this end. The Compliance function reports to the Finance and Risk Committee.

The Internal Control function is a review function that provides objective support to the Board on matters relating to the internal control structure, partly by investigating major areas of risk and partly by performing reviews and follow-ups in selected areas. The Internal Control function plans its work in consultation with the Audit Committee, Management Group and the external auditor. It also regularly provides reports on its work to the Audit Committee during the year.

### **Sustainable business**

The Management Group works actively with engaging all employees to develop the corporate culture and act accordingly. As long-term owner it is important that Investor's core values and culture are built on long-term sustainable objectives and valuations. During 2013 an initiative has been taken to review Investor's ethical guidelines and core values with focus on instructions for gifts and other benefits. All employees have participated in internal education and workshops in this matter.

Health, the working environment and safety are very important to Investor in its role as employer. Internal policies and instructions constitute important control documents within the areas of ethics, anti-corruption and whistleblowing. Investor supports the OECD Guidelines for Multinational Enterprises and the ten principles of the UN Global Compact, the world's biggest initiative within the CR field.

Since 2007, Investor reports its climate footprint, as part of the Carbon Disclosure Project. In the 2013 Nordic CDP Report, Investor's score was 76 out of a possible 100 points, putting Investor at the top for its category of companies in Sweden.

Investor also supports social initiatives within its sponsorship portfolio: Ung Företagsamhet and Business Challenge, both working to promote entrepreneurship among young adults and

the Curiosity Club which encourages young women to seek leadership positions within the technical field. More information about Investor's sponsorship portfolio is found on the website.

For further information on Investor's role as an owner regarding sustainable business, see page 28.

### The Board's report on Internal control for financial reporting

The Board has the ultimate responsibility of the internal control for the financial reporting.

Investor's system of internal control and risk management, with regard to financial reporting, is designed to manage risks involved in the processes related to financial reporting and ensure a high level of reliability in the financial reporting. It is also designed to ensure compliance with the applicable accounting requirements and other requirements that Investor must meet as a listed company. Investor's main business is the management of financial transactions and the company's internal control over financial reporting is focused primarily on ensuring efficient and reliable management of, and accounting for, purchases, sales and accurate evaluation of securities. Correct consolidation of the operating subsidiaries is also a priority.

Investor's wholly-owned operating subsidiaries have separate internal control systems in place for their operational activities. The Board of each of these companies is responsible for ensuring the efficiency of the operating subsidiary's internal regulations, internal controls, risk management and financial reporting, as well as reporting on these items to respective company's Board of Directors. Investor's Board representatives provide this information to Investor's investment organization, where analysis and follow-up take place.

#### Control environment

The control environment is built around an organization with clear decision-making channels, powers and responsibilities that are defined by explicit instructions and a corporate culture based on shared values. It also requires each individual's awareness of his/her role in maintaining effective internal control. The corporate culture at Investor is based on four core values: Create value, Continuous improvement, Contribute your view and Care for people.

All of Investor's business areas have policies, instructions and detailed process descriptions for the various phases of each business flow. These documents establish rules on responsibilities for specific tasks, mandates and powers and how validation is to be carried out. The governing documents are presented on the intra-net for all employees. The documents are updated yearly or when needed to ensure that they always reflect current legislation, regulations and changes in processes. The Compliance function educates and informs the organization continuously

about internal policies and instructions. During 2013 the education has focused on Investor's ethical guidelines and Investor's instruction for gifts and benefits.

#### Risk assessment

Risk assessment, i.e. identifying and evaluating risks that could prevent the company from achieving its business goals and having reliable financial reporting, is conducted continuously at Investor. The Board, via the Finance and Risk Committee and the Audit Committee, is responsible for identifying and managing significant financial risks and any risks of material weaknesses in financial reporting. The Board follows up frequently on limits and risk exposure to ensure the ability to reach business strategies and goals.

The CEO is responsible for ensuring that the organization complies with the Risk policy and for the continuous management of all risks within the business. The Board's and the Management's support function for managing and identifying risks and activities required, is the Risk Control Function.

Investor's Board representative in the subsidiaries ensures that Investor's Board and Management is informed about any issue in the financial reporting, that could affect Investor's business or financial reporting.

Risk measurement is performed daily regarding the Treasury and Trading businesses and provided to the Management Group. The financial reports are compiled monthly and provided to the Management Group.

#### Risk management



Risk assessment is carried out yearly in the form of a self-evaluation and includes the establishment of action plans to mitigate identified risks. Risk assessment encompasses the entire organization and all of its processes. It takes into consideration such things as systems, control activities and key individuals. Special focus during 2013 has been on process enhancement and information security. When needed, action plans were implemented to minimize the probability and impact of identified risks. The identified risks are compiled in a company-wide risk map. Conclusions drawn from the risk assessments are then reported to the Management Group and the Board. The CEO and Management Group follow up on the implementation of action plans.

Using each business area's risk assessment as a starting point, the Audit Committee determines which of the identified risks for the financial reporting should be prioritized by the Internal Control function. Focus is placed on risks of material weaknesses in the financial reporting for significant Income Statement and Balance Sheet items, which have a higher risk because of the complexity of the process, or where there is a risk that the effects of potential weaknesses may become significant because of the high transaction values involved. Actions such as improved control routines are when needed, taken in order to further ensure accurate financial reporting. The Finance and Risk Committee follows up on the measures in place for dealing with other risks.

For a more detailed description of Investor's risks, see note 3, Risks.

#### **Control activities**

To ensure that business is conducted efficiently and that financial reporting gives a true and fair picture on each reporting date, every process incorporates a number of control activities. These involve all levels of the organization, from the Board and company Management to other employees.

At Investor, control activities include approval of business transactions, reconciliation with external counterparties, daily monitoring of risk exposure, daily account reconciliation, monthly custody reconciliation, performance monitoring and analytical monitoring of decisions. During 2013 the controls in the consoli-

dation process have been confirmed. In addition new controls in Investor Growth Capital's process for financial reporting have been implemented.

Investor's financial reports are analyzed and validated by the company's control function within Finance. The validation process consists of both automatic checks, including deviation reporting, and manual checks such as reasonability assessment of the values found. The effectiveness of the automatic checks in the IT systems is monitored regularly on the basis of information received from system administrators in the business process. Suggestions for improvements are identified and implemented on an ongoing basis.

#### **Information and communication**

Investor's Board has adopted a communication policy for the purpose of ensuring that the external information is correct and complete. Within the company, there are also instructions regarding information security and how to communicate financial information between Management and other employees.

The instruction for information security has been updated during the year and education has been held with the employees. During 2013 there has been a specific focus on implementing efficient processes for reporting of the financial information from the new subsidiary Permobil.

#### **Monitoring**

Both the Board and the Management Group regularly follow up on the compliance and effectiveness of the company's internal controls to ensure the quality of internal processes. Investor's financial situation and strategy regarding the company's financial position are discussed at every Board meeting and the Board is furnished with detailed monthly reports on the financial situation and development of the business to this end. The Audit Committee plays an important role in ensuring and monitoring that control activities are in place for important areas of risk inherent in the processes for financial reporting. The Audit Committee, Management Group and Internal Control function regularly follow up reported deviations.

# Board of Directors



**Jacob Wallenberg**



**Sune Carlsson**



**Dr. Josef Ackermann**



**Gunnar Brock**



**Börje Ekholm**



**Tom Johnstone**



**Carola Lemne**

## **Jacob Wallenberg**

Born 1956  
Chairman since 2005  
Vice Chairman 1999-2005  
Director since 1998  
Chairman: Remuneration Committee  
Member: Audit Committee, Finance and Risk Committee

### **Other board assignments**

Vice Chairman: Ericsson, SAS, SEB  
Director: ABB, The Coca-Cola Company, Knut and Alice Wallenberg Foundation, Stockholm School of Economics  
Member: The European Round Table of Industrialists, IBLAC Shanghai's International Business Leaders Advisory Council

### **Work experience**

Chairman: SEB  
Vice Chairman: Atlas Copco  
President and CEO: SEB  
Executive VP and Head of Enskilda Division: SEB  
Advisor to the President and CEO: SEB  
Executive VP and CFO: Investor

### **Education**

B.Sc. in Economics and M.B.A., Wharton School, University of Pennsylvania  
Reserve Officer, Swedish Navy

### **Independent/Dependent <sup>1)</sup>**

**Shares in Investor <sup>2)</sup>**  
191,936, Synthetic shares: 31,629

## **Sune Carlsson**

Born 1941  
Vice Chairman since 2011  
Director since 2002  
Chairman: Audit Committee

### **Other board assignments**

Chairman: Atlas Copco  
Director: Wärtsilä

### **Work experience**

Vice Chairman: Scania  
President and CEO: SKF  
Executive Vice President: ABB, ASEA

### **Education**

M.Sc. in Engineering, Chalmers University of Technology, Gothenburg

### **Independent/Dependent <sup>1)</sup>**

**Shares in Investor <sup>2)</sup>**  
50,000, Synthetic shares: 8,434

## **Dr. Josef Ackermann**

Born 1948  
Director since 2012

### **Other board assignments**

Honorary Chairman: St. Gallen Foundation for International Studies  
Vice Chairman: Belenos Clean Power Holding  
Vice Chairman foundation board: World Economic Forum  
Director International Advisory Board: Akbank  
Director: EQT Holdings  
Non-executive member: Royal Dutch Shell

### **Work experience**

Chairman Management Board and the Group Executive Committee: Deutsche Bank  
Chairman: Zurich Insurance Group  
President Executive Board: Schweizerische Kreditanstalt (Switzerland)

### **Education**

Dr. oec, economics and social sciences, University of St. Gallen, Switzerland

### **Independent/Dependent <sup>1)</sup>**

**Shares in Investor <sup>2)</sup>**  
0, Synthetic shares: 3,330

## **Gunnar Brock**

Born 1950  
Director since 2009  
Member: Finance and Risk Committee

### **Other board assignments**

Chairman: Mölnlycke Health Care, Rolling Optics, Stora Enso  
Director: SOS Children's Villages, Stena, Stockholm School of Economics, Syngenta, Total  
Member: The Royal Swedish Academy of Engineering Sciences (IVA)

### **Work experience**

CEO: Alfa Laval, Atlas Copco, Tetra Pak Group of Companies, Thule International

### **Education**

M.Sc. in Economics and Business Administration, Stockholm School of Economics

### **Independent/Dependent <sup>1)</sup>**

**Shares in Investor <sup>2)</sup>**  
0, Synthetic shares: 9,967

## **Börje Ekholm**

See information on page 40

## **Tom Johnstone**

Born 1955  
Director since 2010

### **Current role**

President and CEO: SKF

### **Other board assignments**

Director: Husqvarna, SKF

### **Work experience**

Director: The Association of Swedish Engineering Industries, Electrolux  
Executive Vice President: SKF  
President: Automotive Division, SKF

### **Education**

M.A., University of Glasgow

### **Independent/Dependent <sup>1)</sup>**

**Shares in Investor <sup>2)</sup>**  
0, Synthetic shares: 7,508

## **Carola Lemne**

Born 1958  
Director since 2010

### **Current role**

President and CEO: Praktikertjänst

### **Other board assignments**

Chairman: Uppsala University  
Director: The Confederation of Swedish Enterprise, Getinge

### **Work experience**

Director: Apoteket, Meda, Stockholm University, The Strategic Research Foundation  
Managing Director: Danderyd University Hospital  
Vice President Clinical Development and Regulatory Affairs Strategy: Pharmacia Corp, New Jersey

### **Education**

M.D., Ph.D. and Associate Professor, Karolinska Institutet

### **Independent/Dependent <sup>1)</sup>**

**Shares in Investor <sup>2)</sup>**  
1,000, Synthetic shares: 7,508

Assignments as of December 31, 2013. Updated assignments will be reported on Investor's website.

1) See page 31, table Board of Directors 2013.

2) Includes holdings of close relatives and legal entities. For more information about synthetic shares see note 9, Employees and personnel costs.



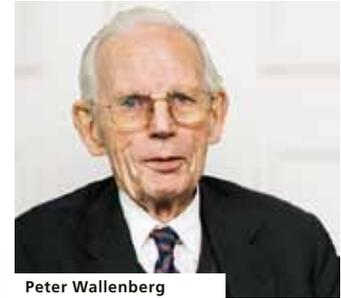
**Grace Reksten Skaugen**



**O. Griffith Sexton**



**Hans Stråberg**



**Peter Wallenberg**



**Lena Treschow Torell**



**Marcus Wallenberg**



**Peter Wallenberg Jr.**

**Honorary Chairman  
Peter Wallenberg**

Born 1926  
Honorary Chairman since 1997  
Chairman 1982-1997  
Director 1969-1982

**Other board assignments:**

Chairman: The Knut and Alice Wallenberg Foundation, Honorary Chairman: Atlas Copco AB

**Education:** Bachelor of Laws, University of Stockholm

**Grace Reksten Skaugen**

Born 1953  
Director since 2006  
Chairman: Finance and Risk Committee

**Other board assignments**  
Chairman: Norwegian Institute of Directors  
Deputy Chairman: Orkla, Statoil

**Work experience**  
Chairman: Entra Eiendom, Ferd  
Director: Atlas Copco, Corporate Finance Enskilda Securities (Oslo), Opera Software, Renewable Energy Corporation, Storebrand, Tandberg

**Education**  
M.B.A., BI Norwegian School of Management, Careers in Business Program, New York University, Ph.D., Laser Physics, Imperial College of Science and Technology, London

**Independent/Dependent**<sup>1)</sup>

**Shares in Investor**<sup>2)</sup>  
2,000

**O. Griffith Sexton**

Born 1944  
Director since 2003  
Member: Remuneration Committee

**Other board assignments**  
Director: Morgan Stanley

**Work experience**  
Advisory Director: Morgan Stanley  
Managing Director: Morgan Stanley  
Adjunct Professor of Finance, Columbia Business School  
Visiting Lecturer, Princeton University

**Education**  
M.B.A., Stanford University, Graduate School of Business B.S.E., Princeton University

**Independent/Dependent**<sup>1)</sup>

**Shares in Investor**<sup>2)</sup>  
3,550

**Hans Stråberg**

Born 1957  
Director since 2011

**Other board assignments**  
Chairman: CTEK, Orchid, Roxtec  
Vice Chairman: Atlas Copco  
Director: N Holding, Stora Enso  
Member: Royal Swedish Academy of Engineering Sciences (IVA)

**Work experience**  
President and CEO: Electrolux  
COO: Electroflux  
Various positions with Electrolux

**Education**  
M.Sc. in Engineering, Chalmers University of Technology, Gothenburg  
Reserve Officer, The Swedish Army

**Independent/Dependent**<sup>1)</sup>

**Shares in Investor**<sup>2)</sup>  
8,300, Synthetic shares: 5,460

**Lena Treschow Torell**

Born 1946  
Director since 2007  
Member: Remuneration Committee

**Other board assignments**  
Chairman: Chalmers University of Technology, MISTRA  
Vice Chairman: ÅF  
Director: Saab, SKF

**Work experience**  
Chairman: Euro-CASE  
Chairman and President: Royal Swedish Academy of Engineering Sciences (IVA)  
Research Director: Joint Research Centre, European Commission (Brussels)  
Professor in Physics: Chalmers University of Technology, Uppsala University  
Board member: Ericsson, Gambio, Getinge, Micronic Mydata

**Education**  
Ph.D., Physics, University of Gothenburg  
Docent, Physics, Chalmers University of Technology

**Independent/Dependent**<sup>1)</sup>

**Shares in Investor**<sup>2)</sup>  
16,500, Synthetic shares: 9,967

**Marcus Wallenberg**

Born 1956  
Director since 2012

**Other board assignments**  
Chairman: Electrolux, Foundation Asset Management, LKAB, Saab, SEB  
Director: AstraZeneca, EQT Holdings, Knut and Alice Wallenberg Foundation, Stora Enso, Temasek Holding

**Work experience**  
President and CEO: Investor  
Executive VP: Investor  
Chairman: International Chamber of Commerce (ICC)  
Director: Stora Feldmühle (Germany)  
SEB (Stockholm, London)

**Education**  
B. Sc of Foreign Service, Georgetown University, Washington D.C.  
Reserve Officer, Swedish Navy

**Independent/Dependent**<sup>1)</sup>

**Shares in Investor**<sup>2)</sup>  
552,223

**Peter Wallenberg Jr.**

Born 1959  
Director since 2006  
Member: Audit Committee

**Other board assignments**  
Chairman: Foundation Administration Management, Grand Group, The Royal Swedish Automobile Club  
Vice Chairman: The Knut and Alice Wallenberg Foundation  
Director: Aleris, Atlas Copco, Foundation Asset Management, Scania

**Work experience**  
President and CEO: Grand Hôtel Holdings  
General Manager: Grand Hôtel  
President: Hotel Division Stockholm-Saltsjön

**Education**  
BSBA Hotel Administration, University of Denver, International Bacheloria, American School, Leysin, Switzerland

**Independent/Dependent**<sup>1)</sup>

**Shares in Investor**<sup>2)</sup>  
57,598, Synthetic shares: 9,967

Assignments as of December 31, 2013. Updated assignments will be reported on Investor's website.

1) See page 31, table Board of Directors 2013.

2) Includes holdings of close relatives and legal entities. For more information about synthetic shares see note 9, Employees and personnel costs.

# Management Group



## **Börje Ekholm**

Born 1963  
 Director since 2006  
 President and Chief Executive Officer since 2005  
 Member of the Management Group since 1997,  
 employed in 1992

### **Board assignments**

Chairman: KTH Royal Institute of Technology,  
 NASDAQ OMX

Director: Avlis, Avlis Invest, Chalmersinvest, Ericsson  
 and in several subsidiaries in Investor

### **Work experience**

Board member: Biotage, Greenway Medical Technology,  
 Scania, Tessera Technologies, WM-data  
 Head of New Investments: Investor  
 CEO: Novare Kapital  
 Analyst: Core Holdings, Investor  
 Associate: McKinsey & Co

### **Education**

M.B.A., INSEAD, Fontainebleau  
 M.Sc. in Engineering, KTH Royal Institute of Technology,  
 Stockholm

**Shares in Investor<sup>1)</sup>**  
 445,395



## **Susanne Ekblom**

Born 1966  
 Chief Financial Officer  
 Member of the Management Group since 2011,  
 employed in 2011

### **Board assignments**

Director: Kunskapsskolan, Vectura,  
 SOS Children's Villages

### **Work experience**

CFO: Sveriges Television  
 Controller: Scania  
 Head of Financial and Administration: DynaMate  
 Head of Accounting: LRF Media  
 Financial Manager: Ingenjörsköretningen

### **Education**

BSc. in Business and Economics, Stockholm University

**Shares in Investor<sup>1)</sup>**  
 5,944



## **Johan Forssell**

Born 1971  
 Head of Core Investments  
 (On rotation to Aleris 2014)  
 Member of the Management Group since 2006,  
 employed in 1995

### **Board assignments**

Director: Atlas Copco, Saab

### **Work experience**

Head of Research, Head of Capital Goods and  
 Healthcare sector, Head of Capital Goods sector and  
 Analyst: Core Holdings, Investor

### **Education**

M.Sc. in Finance, Stockholm School of Economics,  
 Stockholm

**Shares in Investor<sup>1)</sup>**  
 62,008



## **Petra Hedengran**

Born 1964  
 General Counsel, and Head of Corporate Governance  
 and Compliance  
 Member of the Management Group since 2007,  
 employed 2007

### **Board assignments**

Director: The Association for Generally Accepted  
 Principles in the Securities Market, Lindorff Group

### **Work experience**

Partner och Head of Banking and Financing Group:  
 Advokatfirman Lindahl  
 Legal Counsel and General Counsel: ABB Financial  
 Services, Nordic Region  
 Assistant Judge: Stockholms Tingsrätt  
 Associate: Gunnar Lindhs Advokatbyrå

### **Education**

Bachelor of Laws, Stockholm University

**Shares in Investor<sup>1)</sup>**  
 14,742



## **Lennart Johansson**

Born 1955  
 Head of Financial Investments  
 (Acting Head of Core Investments during 2014)  
 Member of the Management Group since 2006,  
 employed 2003

### **Board assignments**

Director: Hi3G, Lindorff Group, SOBI and in several  
 subsidiaries in Investor

### **Work experience**

CEO: b-business partners och Emerging Technologies  
 Deputy CEO/Senior Executive Vice President and Senior  
 Vice President Accounting: Atlas Copco Audit and Control  
 Business Area Controller: Atlas Copco Industrial Technique  
 Management consultant: Nordic Management, SMG

### **Education**

M. Sc. in Business Administration,  
 Stockholm School of Economics, Stockholm

**Shares in Investor<sup>1)</sup>**  
 37,100

See note 9, Employees and personnel costs, for shares and  
 share-related instruments held by Management Group  
 members.

1) Includes holdings of close relatives and legal entities.

# Auditor's Report

## To the annual meeting of the shareholders of Investor AB (publ.)

CORP ID 556013-8298

### Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Investor AB (publ) for the financial year ended December 31, 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 4-5, 13-14 and 25-98.

### Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A Corporate Governance report has been prepared. The statutory administration report and the Corporate Governance report are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

### Other matters

The audit of the annual accounts for the financial year 2012 were performed by another auditor who submitted an auditor's report dated March 13, 2013, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

### Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Investor AB (publ.) for the financial year ended December 31, 2013.

### Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

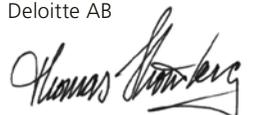
As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 25 March, 2014  
Deloitte AB



Thomas Strömberg  
Authorized Public Accountant