



SUSTAINABILITY REPORT 2016

Connecting with diverse talent

INNOVATION
BY EXPERIENCE





ÅF continues to grow with profitability

Year 2016 saw high growth, strategic acquisitions and a strengthened client offering. Our business is fuelled by global societal trends and we are seeing a market that is slightly more positive than in 2015. Growth was strong and operating profit for the year was the highest in ÅF's history, providing a solid platform for continued profitable growth in 2017. ÅF continues to comply with the UN Global Compact, which include the principles of human rights, labour standards, environment responsibility and measures against corruption, which guide us in our work and in our overall sustainability efforts.

Improved profit and somewhat more positive market

We experienced a positive trend in 2016, which meant that operating profit excluding items affecting comparability amounted to SEK 964 million, an increase of 16 percent on 2015. The pace of acquisitions has been high and in 2016 a total of 15 operations were acquired, with combined sales of SEK 1.5 billion. The acquisitions have positioned ÅF for further growth primarily in Norway, Denmark and Switzerland, and expanded our offering to cover new areas. The acquisition of Sandellsandberg, one of Sweden's most successful architectural and design companies, is one such example. It allows ÅF to come on board at an earlier stage in infrastructure planning projects and

deliver end-to-end solutions, while reinforcing our offering within design aimed at industry. We are continually deepening our industry knowledge, with the automotive industry being a specific example, and establishing more global business areas.

In the 2015 annual report, I described the outlook as more difficult to predict than usual. We can now report that 2016 proved more positive than anticipated, and that we feel slightly more optimistic about 2017 than we did a year ago, although concerns have not disappeared entirely. Demand from the industrial sector varies considerably, with a high pace of investment in the automotive, pulp, food and pharmaceutical industries, while mining, steel and the nuclear power industries are showing weaker demand but also signs

of stabilising. Demand in infrastructure planning is strong in both roads and railways, as well as the property sector. Investments in renewable energy, transmission and distribution are increasing, but the energy market, particularly in Europe, remains weak, and ÅF's exposure to the sector is persistently declining. Through its broad offering, ÅF has good opportunities to balance economic fluctuations in different industries.

Driving forces for our business

Engineers are and will continue to be increasingly important going forward in resolving future social challenges. We are now seeing several global societal trends that directly affect our clients, and where strengthened competitiveness and a sus-

tainable society need to go hand in hand. Globalisation means tougher competition, which demands greater efficiency in production, logistics and product development among our clients, but at the same time opportunities are generated for more companies to reach a global market. Demands are increasing for products and solutions to be made more attractive from a sustainability perspective. Digitalisation affects all industries and intelligent solutions are becoming increasingly common, in everything from production and products, to buildings and energy systems. The urbanisation that is happening all around the world is also increasing requirements for communities to have well-functioning traffic systems and public transport, secure and clean energy, clean air and water and energy-efficient buildings. Our clients are moving up the value chain and adding value via new customer offerings, while prioritising what is developed internally and what is outsourced to partners such as ÅF. This applies to both industrial and energy companies, as well as infrastructure planning operators. It is a trend that benefits ÅF, because we can offer end-to-end solutions as part of long-term partnerships with our clients, enabling them to boost their competitiveness and profitability.

Positive development of operations

The Industry Division is continuing to exhibit profitable growth, and in the automotive, food and pharmaceutical industries, and generally within industrial automation and robotics, demand has been consistently strong throughout 2016. Industry 4.0 is now a reality that means production in high-cost countries can be extremely competitive. The automotive business in China is continuing to perform well and we have also won a three-year assignment for AB Volvo in Brazil. The Industry Division strengthened its offering through the acquisition of Reinertsen's Swedish chemicals and petrochemicals business.

ÅF is gaining market share on the robust infrastructure market and experiencing growth of almost 30 percent. Profitability remains stable, although investments mainly in Norway have had a negative impact on profitability in the short term. Demand for the division's services is high throughout Scandinavia. Growth in Norway is continuing and the business in Denmark has been strengthened through the acquisition of Midtconsult, a

“As CEO, I have had the privilege of leading ÅF for a period of almost 15 years. During this period, ÅF has demonstrated its strength under both good and more challenging market conditions. Our wide-ranging capabilities, long-term view of client relationships and innovative approach based on experience has been and will remain a winning concept in our continual efforts to make our clients stronger.”

company that operates in the construction and property sector.

The International Division is one of ten leading energy consultants in the world and finished the year on a high, as is usual for this time of year. However, growth for the full year was negative. The main reasons for the decline, which has also affected profitability for the division, are the weak European energy market and the temporarily postponed nuclear power project Angra 3 in Brazil. However, demand in Africa and Southeast Asia remains healthy. Q4 saw the acquisition of Edy Toscano, a leading engineering and consultancy firm in Switzerland, operating primarily within infrastructure. The acquisition makes ÅF one of the largest engineering and consultancy companies in Switzerland. ÅF is also broadening its renewable energy offering via the acquisition of the international solar energy company Aries.

The Technology Division continues to grow, mainly organically, with healthy profitability. Demand for embedded systems and digital solutions was high, particularly in the automotive industry. Our wide-ranging industry expertise and the Technology Division's in-depth knowledge of application and systems development for the interconnected world combine to produce a solid offering within digital transformation. This digitalisation expertise will be an increasingly significant feature of our client offering in the fields of industry, infrastructure and energy.

Strong appeal as an employer

To be the best partner for our clients, we need to recruit and retain the right people and offer them opportunities for professional development. Being an attractive employer contributes directly towards achieving growth and profitability targets. We invest in long-term relationships with our employees by offering specialist and career paths, exciting assignments, leadership development and opportunities for stimulating teamwork, which is one of our core values. Being an attractive employer also means promoting diversity and gender equality in our recruitment process. I am therefore extremely proud that we have once again been named one of the most attractive employers by M. Sc. engineers in Sweden. It makes a significant contribution towards further boosting our brand.

Financial position and prospects

The acquisitions carried out in 2016, along with strong cash flows, provide good conditions for greater growth in 2017. The target for 2020 remains: to generate net sales of at least EUR 2 billion and achieve an operating margin of at least 10 percent.

As CEO, I have had the privilege of leading ÅF for a period of almost 15 years. During this period, ÅF has demonstrated its strength under both good and more challenging market conditions. Our wide-ranging capabilities, long-term view of client relationships and innovative approach based on experience has been, and will remain a winning concept in our continual efforts to make our clients stronger.

It is with great satisfaction that I also note that all of us at ÅF have contributed to more sustainable social development in general.

I would therefore like to take this opportunity to thank our clients, employees, shareholders and partners for a constructive partnership and a rewarding year together.

With great confidence, I am now passing the baton to ÅF's new President and CEO, Jonas Gustavsson. I wish him all the very best for his future with the company.

Stockholm, March

Jonas Wiström, President and CEO



VISION

The best partner for the best clients.

MISSION

ÅF is an engineering and consulting company for the energy, industrial and infrastructure markets. Our pool of experience, with a unique range of technologies, creates solutions that are profitable, innovative and sustainable.

CORE VALUES

Great people with drive
Teamwork
Indisputable independence

ÅF – A BRAND BUILT BY PEOPLE

Many believe ÅF is all about technology. But we think our story is mainly about people – bold engineers, business experts, visionary leaders and other professionals working together so new insights and ideas can grow into smart solutions that move society forward.

Every day we strive to improve people's lives, by developing energy-efficient solutions, investments in infrastructure, assignments within various types of energy, projects for industry and much more. We connect cities, countries and cultures with bridges, competence networks and mobile solutions. We generate jobs through technology that makes companies grow and prosper.

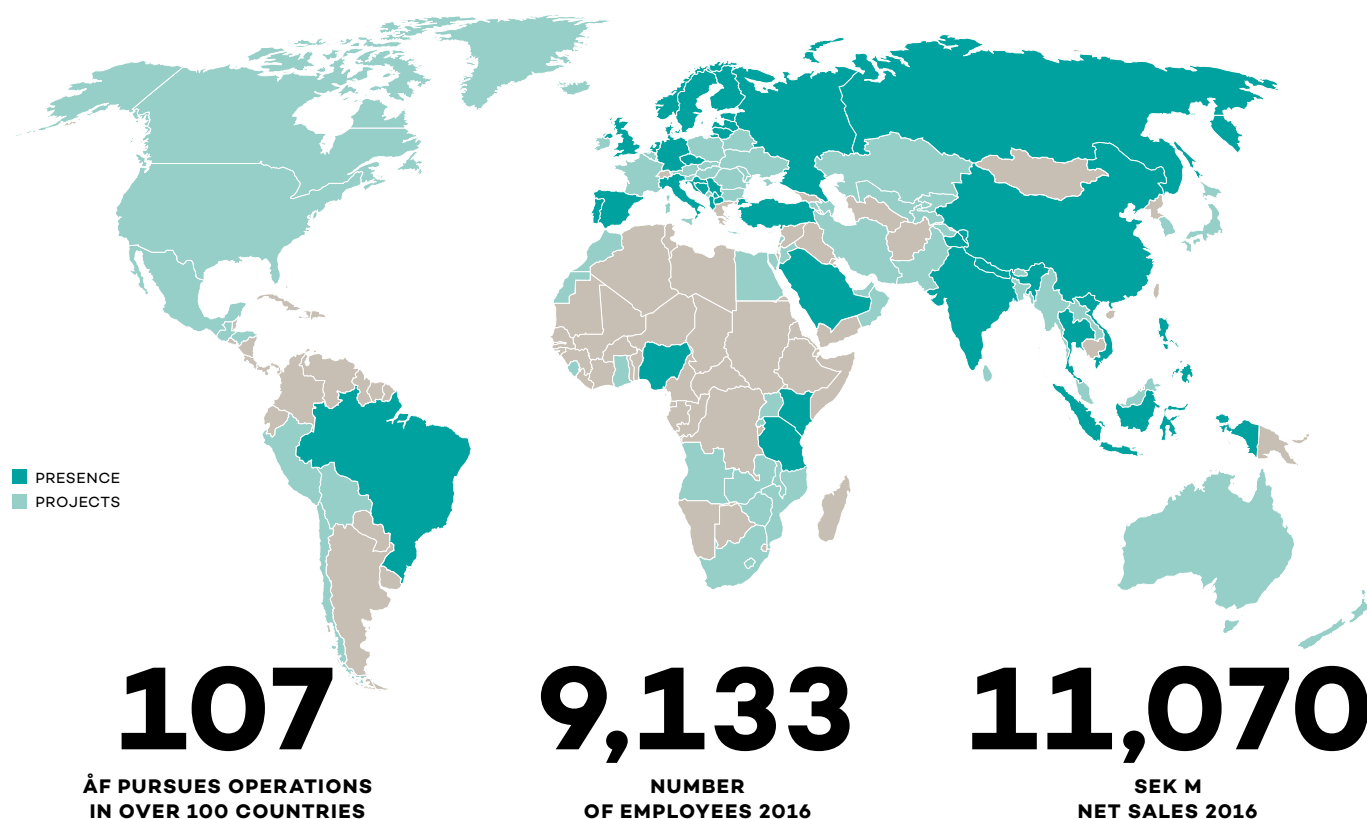
As an engineering and consulting company operating across the globe, we connect technologies to create progress for our clients. This is something we have done successfully for more than one hundred years. We started in 1895 as Ångpanneföreningen, an association focusing on steam power, from which we have derived our name and trademark, ÅF.

Our driving force is powered by the curiosity and knowledge of our forward-thinking employees. This places high demands on our ability to lead and empower people in exploring new opportunities beyond conventional solutions, and support them in continuing to build on established knowledge and experience in a creative way.

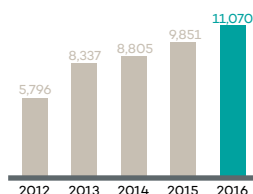
At the heart of our culture, we're a company where people are allowed to grow as individuals and as a team. A company that believes equality will make us stronger, more productive and successful. A company that works hard to make a difference – because tomorrow will always be a result of what we achieve today.

ÅF – Innovation by experience.

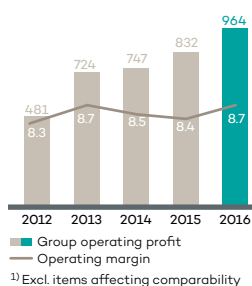
ÅF AT A GLANCE



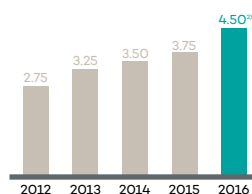
GROUP NET SALES
SEK M



GROUP OPERATING PROFIT, SEK M
AND OPERATING MARGIN, %¹⁾



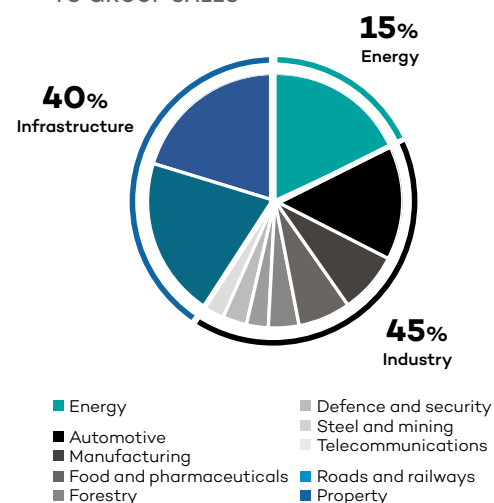
DIVIDEND PER SHARE,
SEK



KEY RATIOS

	2016	2015
Net sales, SEK m	11,070	9,851
Operating profit excl. items affecting comparability, SEK m	964	832
Operating margin excl. items affecting comparability, %	8.7	8.4
Operating profit, SEK m	965	839
Operating margin, %	8.7	8.5
Profit after net financial items, SEK m	923	799
Basic earnings per share, SEK	9.32	7.81
Net debt, SEK m	2,298	1,486
Net debt/EBITDA, rolling 12 months, times	2.1	1.6
Net debt-equity ratio, %	48.9	35.1
Total number of employees	9,133	7,852
Capacity utilisation rate, %	77.6	76.9

SECTORS, CONTRIBUTION
TO GROUP SALES





HIGHLIGHTS OF THE YEAR

ÅF grows both organically and via acquisitions. In 2016, ÅF acquired companies with combined annual sales of SEK 1.5 billion. The acquisitions strengthen ÅF's overall offering and form a solid platform for future growth.

Clients choose ÅF as long-term partner for challenging assignments. During the year ÅF was entrusted by clients to contribute our engineering know-how. These include CEVT, SKF, the Swedish Transport Administration and Volvo Cars.

ÅF named most attractive employer by young professionals engineers in Universum's 2016 ranking.

More women recruited during Ladies' Month. Ladies' Month ran for the third consecutive year and 53 female employees were recruited. The number of applications from women rose by 230 percent during Ladies' Month in 2016 compared with the corresponding month in 2013 – the year before we initiated the campaign.

The new student programme ÅF Future Talent is launched. ÅF Future Talent is a training and networking programme that takes place in Stockholm, Gothenburg and Lund. In 2016, 18 participants from Sweden, Finland and Spain took part over three terms.

ÅF's New Immigrated Engineers project takes off. Our campaign to recruit more newly arrived engineers to boost the company's skills bank has proved successful. ÅF has a Diversity Coach, whose job is to increase diversity and encourage newly arrived engineers and engineers with a foreign background to join ÅF.

ÅF measures the unmeasurable. ÅF's specialists have developed an index that defines the company's sustainability. The tool can also be used by other companies and sectors to measure sustainability performance.

ÅF received SJ's diploma for climate smart traveler. ÅF was awarded for our work of making it easier for the employees to travel more environmentally friendly.



Our business is fuelled by global societal trends

People are moving to cities at a rapid rate and this is putting pressure on communities to function effectively in terms of access to clean water, housing, transport and energy. Alongside this trend, globalisation is bringing about tougher competition for the industries of the world. Companies are refining their products and services. At the same time, digitalisation is fast fuelling the development towards the interconnected society, and this is creating entirely new opportunities. These trends present significant challenges – but also opportunities – in our society.

Growing cities affect climate

Over the next 30 years, almost one in three global citizens will move from the country to the city, according to SCB. This vast movement of people is most apparent in emerging economies. Growing cities are making the need to reduce our carbon footprint and improve resource management and quality of life even more urgent. The factors that affect people's everyday lives – better housing, effective public transport, cleaner air, less noise and improved lighting – are all key drivers towards a sustainable society.

Increased globalisation brings new requirements

Industrial companies the world over are feeling the increase in competition across borders. Operators from countries with emerging industries are changing conditions and putting pressure on prices in many industries, which generates a need to streamline and rationalise processes and production.

Companies repositioning themselves

The increased competition in turn motivates companies to advance up the value chain. They are refining their customer offering, which involves a shift from

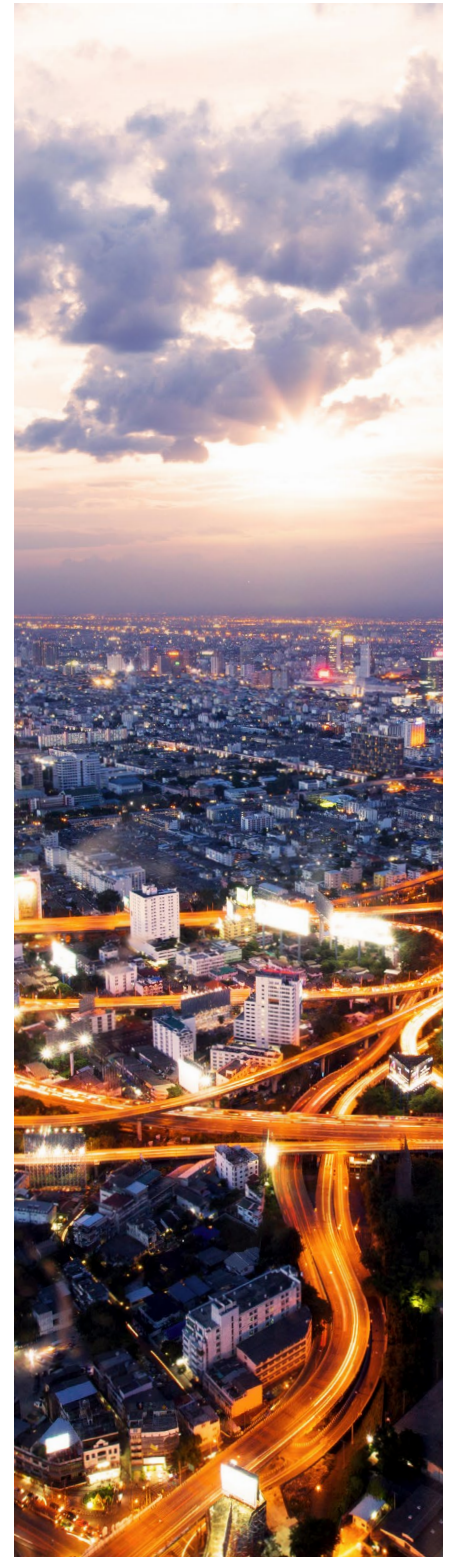
mainly producing products, to supplying services as well. Companies are focusing on their core skills and repositioning brings a greater need for outsourcing in specific areas.

Global focus on sustainability

The UN has adopted a 15-year agenda for long-term sustainable economic, social and environmental development, called Agenda 2030. It includes 17 goals and 169 subgoals. Sustainable development is to be achieved by balancing and reconciling economic, social and environmental development. We have limited resources and this imposes new requirements on both the private and public sectors. ÅF's ambition is to be at the forefront and help our clients achieve these goals.

The connected society has arrived

Digitalisation has taken off in the sectors in which ÅF mainly operates: energy, industry and infrastructure. Smart solutions are essential for intelligent vehicles and energy-efficient homes, for example, as well as for large energy and transport systems. Increased digitalisation paves the way for a more sustainable society through more efficient resource management.





**PER MAGNUSSON, PRESIDENT,
INDUSTRY DIVISION**

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“ÅF is a leading operator when it comes to streamlining product development and production processes in industry, largely owing to our focus on digitalisation and the opportunities it presents. We have built up this expertise over many years with our clients in the Nordic region and it has proved competitive now that we are working with clients in other countries, for example in the UK, China and Brazil. We’re seeing strong demand there for our solid expertise and innovative strength in industrial streamlining.”

Industry 4.0 and the Internet of Things

We now have access to a vast amount of data, which creates new opportunities for more accurate analyses and improved business intelligence. Man-machine interaction is continually being developed via touch screen technology, for example. And the transfer of digital instructions to robots and 3D printers is improving all the time. These trends are now coming together under the Industry 4.0 concept, and will have a major impact in industry in terms of optimising production.

Another driver for ÅF’s business is the Internet of Things (IoT), which is a collective term for a development in which

machines, vehicles, household appliances and clothing are equipped with built-in sensors and computers. It is estimated that some 50 billion units will be connected in the world by the year 2020. This can improve prosperity via efficiency improvements and innovations in various industries.

Challenges that create opportunities

All in all, these global trends involve constant challenges for society when it comes to achieving long-term sustainable solutions. The challenges are often complex and require a holistic approach to get different technologies to work together. This creates opportunities for ÅF.

We differ from our competitors through our engineering know-how, which combines technological skills with knowledge of industries in the industry, energy and infrastructure sector. This enables us to develop the innovative and interdisciplinary solutions required to create a more sustainable society. We create new interfaces between industries and sectors, with IT as an increasingly important element.

Our many years of solid industrial experience in both product development and production processes gives us an advantage. We reuse, refine and link up our unique capabilities in entirely new areas.

Our offering

ÅF's business model aims to boost clients' competitive edge and enable them to be at the forefront of their field. We make this happen through the effective combined use of all ÅF's skills and experience. This also fosters an environment for achieving our growth, profitability and sustainability targets, which are there to generate long-term value for our stakeholders.

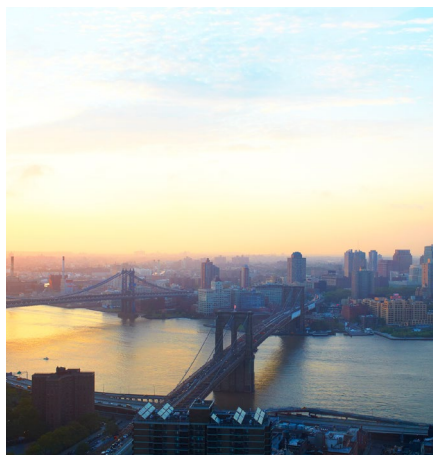
Two client pathways

In the most complex projects, clients demand highly qualified expertise to create advanced solutions within particularly challenging areas of engineering. This means they need to work with a supplier

that can come on board in an end-to-end solution and lead projects. Or clients might need to bolster their internal resources in projects they are running themselves. In such cases, clients are looking for consultants with specialist skills,

who can quickly understand their needs and help create a solution in a short space of time. ÅF's business model considers these varying needs by offering two approaches when working with clients.

End-to-end solutions via Project Business



Project Business is ÅF's offering for major projects and end-to-end solutions. In such projects, ÅF acts as a partner for the client, leading and running the entire project and being paid to deliver a solution or outcome within a set timeframe. The projects are often related to cutting costs or boosting productivity.

Many years of experience, an understanding of the client and their industry, coupled with well-developed systems for sharing knowledge are key success factors in this part of our business. It is also important to have a detailed knowledge of various markets and the conditions in dif-

ferent industries, along with sound risk management. We hold a leading position in end-to-end solutions. There are only a few competitors that are capable and experienced enough to work with major, interdisciplinary projects.

Our ability to meet client demand for end-to-end management is strengthened via the fact that ÅF is continually building up internal skills centres and clusters around sectors and clients. Some examples of this include the automotive, defence and telecom industries, in property, power generation, roads and railways, along with the field of life science.

Skills and resource reinforcement via Professional Services



Typically, many clients often find themselves in need of temporary reinforcements or additional skills in their organisation. ÅF can provide this support via its *Professional Services* offering. In this type of assignment, it is the client who leads and runs the project. Our contribution is to bring the necessary skills to enable the client's project to run smoothly. The client pays for the time spent by the consultant. The key success factors for ÅF are being able to respond quickly and provide consultants with the right expertise in the

relevant sector or field. The start-up phase should be as brief as possible.

The competition situation is extremely fragmented. Our advantage is our strong brand and our excellent reputation, which means clients are confident about engaging the services of our employees.

Sustainable solutions in energy, industry and infrastructure

ÅF's offering includes engineering and consulting services primarily within three sectors: energy, industry and infrastructure, with a focus on sustainable solutions. ÅF's operations are continually improved to keep pace with the global trends that are fuelling developments in these sectors. The focus is on creating efficient, renewable energy, resource management, safe and green workplaces and circular processes.

Global opportunities within energy

Around one sixth of ÅF's sales are related to energy. Operations have a strong global focus and the company is currently involved in projects in over 80 countries. ÅF's capabilities span all energy types; hydro power, coal, gas, biofuel and various types of waste, nuclear power and renewable sources, along with transmission and distribution. The company's driving force is to ensure access to affordable, reliable, sustainable and modern energy for all. We can offer our clients broad expertise covering the entire spectrum of power generation, as well as the entire life cycle of an investment.

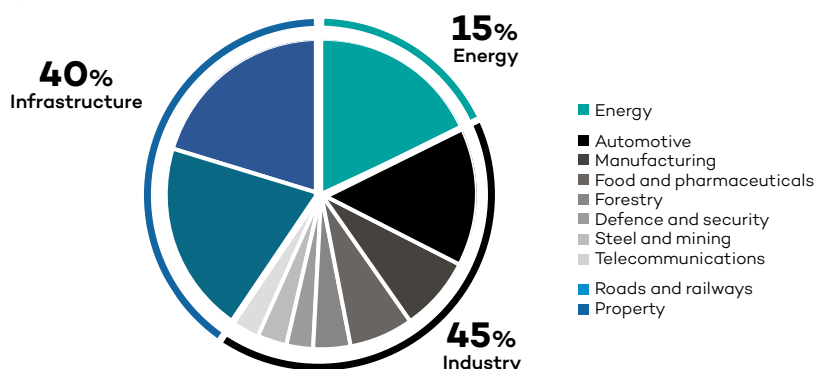
Rapid population growth, increased urbanisation and resettlement of refugees are bringing increasingly high demands for sustainable urban planning, a reduction in CO₂ emissions and access to jobs for more people. Guaranteeing energy supply and the transition to renewables present major challenges. At the same time, digitalisation is encouraging hopes for positive change in our society.

Combining digitalisation with smart technology allows us to contribute towards linking up systems, societies and people. This leads to lower energy consumption, efficient use of resources and reduced climate emissions.

Profound sector knowledge

ÅF is the Nordic region's leading engineering consultant in product, process and production development. Our goal is to promote sustainable industrialisation and innovation. Our industry assignments account for almost half of the company's sales. The market segments that currently

SECTORS, CONTRIBUTION TO GROUP SALES



account for the strongest development are the automotive, pharmaceutical and paper and pulp industries.

Industrial companies are looking to streamline and rationalise production alongside continual product development. This has led to a greater need to engage consultants that can take overall responsibility on various types of projects. ÅF benefits from this. Clients' demand for end-to-end solutions means the projects are often of a multidisciplinary nature – for example assignments where automation and industrial IT are combined to link up clients' business systems with production. Contributions such as these include a broad commitment from ÅF's various skills clusters.

Sustainable environments for living and travel

ÅF helps build infrastructure that makes cities and estates safer and more inclusive and sustainable. Construction projects at ÅF encompass roads and railways – an area in which major technological shifts are under way – along with major property projects, primarily the modern hospital. In the space of a short period we have established ourselves as a market leader in Scandinavia in these areas, and infrastructure assignments now account for over a third of ÅF's sales.

Levels of public sector investment remain high, particularly in Sweden and Norway. ÅF participates in most of the large projects and has a major competitive advantage in its ability to handle the comprehensive and complex technological shifts that are occurring.

ÅF has acquired architectural firm Sandellsandberg, with Thomas Sandell as Chief Architect for ÅF. The acquisition complements existing operations within industrial design, lighting design and landscape architecture, and extends our infrastructure planning offering.

Greater use of IT and automation is a prerequisite for increased efficiency, both in road systems and buildings.

Digital solutions that connect

Digitalisation offers new opportunities for ÅF's clients to improve efficiency and boost profitability. ÅF has a clear focus on advanced systems development, digital solutions, product development and IT to interconnect systems and products in our rapidly evolving digitised society. Our total breadth of expertise combined with our in-depth knowledge of application and systems development for the connected world constitutes a strong market offering covering all sectors.

Working towards sustainable solutions

ÅF has an important role to play in all parts of its operations in the transition to a sustainable energy and technical trend. In both business and society, our technical solutions contribute to efficient use of resources and reduced environmental impact, or environmental improvements. By combining wide-ranging skills from several different disciplines, ÅF is able to offer sustainable end-to-end solutions.

How ÅF creates value for its stakeholders

INPUT

STRUCTURAL CAPITAL

- Engineering knowledge with unique breadth of technical areas
- Combined experience from various sectors and clients
- Knowledge database that is available to every employee
- ÅF's brand, which stands for engineering knowledge, quality, experience and innovation
- Strong employer brand that attracts new employees

HUMAN CAPITAL

- Over 9,000 employees with a unique combined set of skills and experience
- 28,000 engineers and specialists in ÅF's network
- Sustainability in focus – compulsory training for all employees
- Focus on skills development via assignments and ÅF Academy
- Leadership development

SOCIAL AND RELATIONSHIP CAPITAL

- Long-term, active owners
- Strong, lasting client relationships
- Good relationships with the research, society, universities and institutes of technology
- Active sustainability and gender equality work

FINANCIAL CAPITAL

- Loans and shareholders' equity
- Strong cash flow and balance sheet

PRODUCED CAPITAL

- More than 150 offices around the world
- System support for all processes

ENERGY CONSUMPTION

- Heating of offices and travel to clients

HOW ÅF CREATES VALUE

Mission

ÅF is an engineering and consulting company for the energy, industrial and infrastructure markets. Our pool of experience, with a unique range of technologies, creates solutions that are profitable, innovative and sustainable..



PROJECT BUSINESS

- Major projects and end-to-end solutions
- ÅF delivers solution or result
- Thorough knowledge of clients and industry



PROFESSIONAL SERVICES

- Skills and resource reinforcement
- ÅF chooses the right consultant to match clients' needs
- The right skills at the right time

TEAMWORK

GREAT PEOPLE WITH DRIVE

OUTPUT

What ÅF creates

With over 40,000 ongoing projects and assignments we help our clients with smart solutions to boost their competitiveness and profitability.

40,000
PROJECTS AND ASSIGNMENTS

ÅF's model for value creation describes the company's processes and spheres of influence. The value in assignments is developed by our employees and determined by their combined expertise and range of technical skills. Sustainability is a constant theme throughout the entire process. The earlier ÅF comes on board in client projects, the greater the potential for influencing the design, implementation, choice of materials and choice of suppliers to create sustainable solutions.

INDISPUTABLE INDEPENDENCE

VALUE BY STAKEHOLDER GROUP

CLIENTS

- Profitable, effective and sustainable solutions to boost competitiveness and cut costs
- Over 40,000 ongoing assignments
- Proportion of major projects and end-to-end solutions represent more than half of total net sales

EMPLOYEES

- Personal development and career opportunities
- In-house projects allow opportunities to work with ÅF colleagues
- Proportion of women has risen to 25%
- Hours of training: 31 hours per employee
- Salaries remunerations and other personnel costs (excluding employer's contribution): SEK 4,995 million

SHAREHOLDERS

- Proposed dividend: SEK 4.50/share
- Total shareholder return on ÅF B shares: 19%
- Positive operating profit: SEK 964 million

SOCIETY

- Strengthened competitiveness for industry
- Well-functioning infrastructure
- More sustainable energy recovery and consumption
- Direct and indirect jobs around the world
- Income tax and employer's contributions: SEK 1,356 million

CLIMATE

- Climate emissions: 1,347 kg CO₂ eqv. per employee

REINVESTMENT THROUGH INCREASED EXPERIENCE, REFERENCES, DEVELOPMENT AND GROWTH

ÅF's strategy for sustainable development

Sustainability is an integral part of our business strategy and a prerequisite throughout our entire company and its business activities. By combining different technologies, we create sustainable solutions for the benefit of society. Our ambition is to ensure successful, long-term, sustainable development for our customers, in balance with social, environmental and financial interests.

ÅF's core business delivers continually innovative solutions in projects, in order to create sustainable value for our customers. The demands on resource efficiency, renewability and long-term solutions guide and govern our offerings. We apply the precautionary principle in our assignments by using the best available technology and working methods and practices.

Our long-term viability and profitability is ensured via that we focus the development towards a more sustainable commercial environment and society. In 2016, we have further developed our strategy by setting goals in the three areas of focus that describes our key sustainability issues.

Focus areas:

- Sustainable solutions
- Responsible contracts and commercial relationships
- Attractive employer

Increased Sustainability Performance

By integrating the principles of the UN Global Compact, the 17 Sustainable Development Goals (SDGs) and the three pillars of sustainability – economic, environmental, and society, in everything we do, we contribute to creating a more sustainable society. It is in the customer assignments that we make the most difference and contribute to increasing our customers' sustainability performance. We help them create sustainable processes and products while ensuring that they comply with all applicable regulations.

Sustainability Performance

As the demands for a more sustainable business practices in the business sector increases, the need to measure the company's actual sustainability performance also increases. It is a complex task to measure a company's actual sustainability, since it consists of a mixture of quantitative values such as carbon dioxide emissions and gender balance, and qualitative values such as the perception of the work environment and customer satisfaction.

At ÅF we have developed Sustainable Business Performance Indicators (SBPI), a tool that defines how sustainable we are by analysing data and measurement points from our three focus areas for sustainability. The economic, environmental and social aspects have been weighed together and 60 measuring points, with both hard and soft values for major ÅF's contracts and business activities have been analysed and compiled together to a value showing our overall sustainability performance on a scale of 0 to 100. The measured values are comparable from year to year, and 2016 is the measurement's starting year. SBPI has been developed by ÅF's specialists in the fields of sustainability, compliance and digitisation in close collaboration with RISE* and are based on the measurement of international research on human perception as well as from traditional measurement techniques. The tool is also applicable for measuring sustainability performance at other companies and industries. Read more about SBPI on page 13.

* Previously SP, the Swedish National Testing and Research Institute.



Measuring the impossible

Measuring sustainability

Our strategic sustainability work over the years has generated a number of successful activities and initiatives that have contributed to a positive development in the area of sustainability. At the same time, awareness of our contribution to sustainability via our assignments has increased among our stakeholders.

We want to scientifically define what is encompassed in our sustainability performance and how various initiatives contribute to our overall performance, in order to follow-up and ensure in a simple and secure manner that we are continuously improving ourselves.

ÅF Sustainable Business Performance Indicators (SBPI)

Therefore, during 2016 we developed a model and a tool, in close collaboration with the RISE* measurement technology unit, in order to measure our sustainability performance. The tool, *ÅF Sustainable Business Performance Indicators (SBPI)*, is based on soft metrology and traditional measurement technology core values, making the measurement values comparable from year to year. We have applied the measurement methods from the interdisciplinary EU research project *Measuring the Impossible Network (MINET)* – a project with the objective to integrate and develop the science of measuring complex and holistic phenomena that are dependent on human

perception and/or interpretation, and provide insight into the field of measurement methods and investigative techniques in other disciplines. This includes measurement methodology for quantifying qualitative parameters such as perceived safety, comfort or pain.

Traditional measurement technology

Sustainability is defined as a complex and holistic concept of the integrated whole which includes a mixture of physical quantities such as carbon dioxide emissions or gender balance, and qualitative values such as the perception of the work environment or customer satisfaction. By applying traditional measuring techniques in the same manner as when we measure length or temperature, we can therefore measure sustainability and obtain comparable and objective measurements and results. When we measure our sustainability performance with objective, comparable and recurring methods of measurement methods we can control the outcome and ensure that we are moving in the right direction. Measuring our sustainability performance is one step in increasing our transparency and in ensuring the sustainability efforts vis-à-vis the business strategy.

ÅF's sustainability performance

The SBPI measures our sustainability performance and defines how sustainable we are based on data and measurement points

from our three focus areas of the strategic sustainability work – always to offer sustainable solutions, to conduct business in a responsible manner, and to be an attractive employer. More than 60 points of measurement that are important for our commercial relationships have been analysed, and the measurement results show our total sustainability performance on a scale of 0 to 100.

Digitized data collection and analysis

The SBPI makes it possible to monitor our sustainability performance at a detailed level as well as at the overall level, and highlight the relationship between different activities and initiatives and how they contribute to our sustainability performance. At the same time, various activities that can impact the sustainability performance are simulated in order to facilitate the strategic work. With SBPI, data collection, review, calculations and visualisation of measurement results is digitised, and the measurement tool is also applicable to other companies and industries. You can also follow supplier performance and/or individual project impacts both socially and socially environmentally. The measurement results are presented in the figure below.

** Previously SP, Swedish National Testing and Research Institute.*



The image shows measurement result for ÅF's sustainability performance for the year 2016 on a scale of 0 to 100, as well as the performance of the constituent parts per focus area. The measurement results for ÅF's overall sustainability performance is 59.

ÅF's sustainability performance is measured using a measurement model in which ÅF's sustainability has been defined on the basis of ÅF's three focus areas for sustainability work: to conduct business in a responsible manner, being an attractive employer, and that we always offer sustainable solutions. The measurement model reveals what is encompassed within ÅF's sustainability and how the various different activities and initiatives contribute to our overall sustainability performance.

The goal of these measurements is to monitor progress in the area of sustainability and to manage performance against a desired level.

SBPI has been developed by ÅF's specialists in the fields of sustainability, compliance and digitisation in close collaboration with RISE*.

Governance and responsibility

The basis for our sustainability performance efforts rests on the UN Global Compact's ten principles, which are based on human rights, labour standards and working conditions, environmental responsibility and measures against corruption. These values are based on the core values of exceptional employees with drive, teamwork, and to be absolutely independent. Our vision is to be the best partner for the best customers.

Integrated sustainability in the leadership

Nyamko Sabuni, Sustainability Director, is a member of Group Management, which establishes the preconditions for a proactive and integrated sustainability effort. Sustainability can be highlighted, be ensured and be given priority early in the business process. The strategic responsibility lies with the Sustainability Director.

Our sustainability work is integrated into the group management and existing corporate functions, such as finance, human resources, quality assurance and law, are responsible for the implementation. The sustainability work is governed and monitored via the enterprise-wide management systems and processes. The division managers are responsible for pursuing sustainability work in all of their customer assignments and each division has a sustainability coordinator who consults with the Sustainability Director, and implements and develops the sustainability work. In 2016, the sustainability coordinators met on six occasions. In addition, our board also includes sustainability considerations into their overall decision-making process.

International guidelines and governing frameworks

We have signed the UN Global Compact and committed ourselves to observe its principles. We report annually to the UN concerning our efforts and the progress we are making. We never go into business ventures that risk violating UN principles or that are in non-compliance with our own Code of Conduct. In 2016, 92 internal audits were carried out to follow-up and

ensure that our procedures and processes are being complied with.

The sustainability work is governed by our sustainability policy, policy on business partners, business operations policy, travel policy, policy on equal treatment, policy on health and safety, regulations for anti-corruption, whistleblower policy, and Code of Conduct. The Code of Conduct is a summary of the rules and guidelines that form the basis for the business operations. It defines how we conduct commercial relationships with customers, business partners, employees and other related parties. The code applies to all employees in all countries, plus to Group's Board of Directors. We have an overall business operations management system comprising quality assurance, environmental and safety processes such as ISO 14001 and 9001.

In 2016, a few minor incidents have been reported via the whistleblower function. After investigation, the assessment has been made that no further action or measures are required. In 2015, a system for health and safety was implemented with the procedures and processes to satisfy the requirements of OHSAS 18001, which was certified in 2016.

As a result of the 2016 external audit of internal processes, five minor deviations were found. The plans for dealing these are in existence, and will be implemented in 2017.

Educational initiatives and training programmes

An integrated and value-creating sustaina-

bility work requires that employees have a relationship with sustainability issues, as well as have a feeling for these risks and opportunities in the business activities. In 2016, 4,470 employees completed the mandatory sustainability educational programme; the goal is that all employees are encompassed within this in-service training programme. All new employees must complete the sustainability educational programme within three months from their first date of employment, which is secured by means of our "On-boarding app" that was developed in collaboration with the Human Resources Dept. where important information such as obligatory training as well as important policies are gathered together for new employees.

A series of communication and education/training initiatives have taken place at various different levels for more in-depth implementation of the sustainable development strategy. For example, the sustainability is part of the introduction and management training. Specific areas such as human rights, gender equality, diversity and equal opportunities are also included in the EVEN ODDS talent programme.

Rankings

We report our carbon emissions to the Carbon Disclosure Project (CDP), where in 2016, we received the "Climate Performance Band" ranking of D.

oekom research AG, one of the world's leading rating agencies in the field of sustainable investment, has ranked ÅF as C-.

Focus on the essential

Focus areas for sustainable development

ÅF works systematically with its prioritised sustainability aspects. All are included in the focus areas.

1

SUSTAINABLE SOLUTIONS

ÅF contributes towards sustainable development by offering the most sustainable solutions. Every project creates value for ÅF, the client and society.

2

RESPONSIBLE BUSINESS

All projects and assignments fulfil the principles stated in ÅF's **code of conduct**, which includes the UN Global Compact principles. ÅF ensures that operations are conducted responsibly through its risk assessment process (SRA).

3

ATTRACTIVE EMPLOYER

ÅF's most significant success factor is human capital. ÅF attracts **outstanding, motivated employees**. Teamwork is important to enabling development of innovative, multi-sectoral solutions.

ÅF guarantees long-term profitability by working proactively to push developments towards a more sustainable society.

The areas of focus for ÅF's sustainable development

Our sustainability report reflects the issues our stakeholders consider to be the most important. A stakeholder dialogue was conducted in 2015 in the form of an online survey, in order to identify our most essential aspects. More than 2,000 employees, board members, selected customers, suppliers and students have listed their priorities in the following aspects: environmental responsibility, employee responsibility, social responsibility and financial accountability. A large number of sustainability aspects were identified and then

prioritised in a meeting with a number of key individuals.

The respondents in the stakeholder dialogue were selected based on the impact we have on each other. The results of the survey, as well as our own internal assessments, form the basis of the aspects we will focus on the future. In order to ensure that we constantly focus on the sustainable aspects that our stakeholders want us to prioritise, a new stakeholder dialogue will be conducted during 2017.

The aspects are validated by Group management and the Board.

ÅF conducts stakeholder dialogues to ensure that its sustainability work focuses on the principal issues. Just over 2,000 employees selected clients, suppliers and students have listed their priorities under the following aspects:

ENVIRONMENTAL RESPONSIBILITY

- 1 Business trips
- 2 Commuting
- 3 Energy saving in offices
- 4 Purchase of products
- 5 Environmental management system
- 6 Material selection in assignments
- 7 Environmental impact of goods transport

EMPLOYEE RESPONSIBILITY

- 8 Psychosocial work environment
- 9 Physical work environment
- 10 Gender equality
- 11 Diversity
- 12 Fair wage equality
- 13 Fair working conditions
- 14 Continuing professional development
- 15 Increased knowledge of sustainable development

SOCIAL RESPONSIBILITY

- 16 Impact on local communities
- 17 Anti-corruption
- 18 Human rights
- 19 Evaluation of suppliers

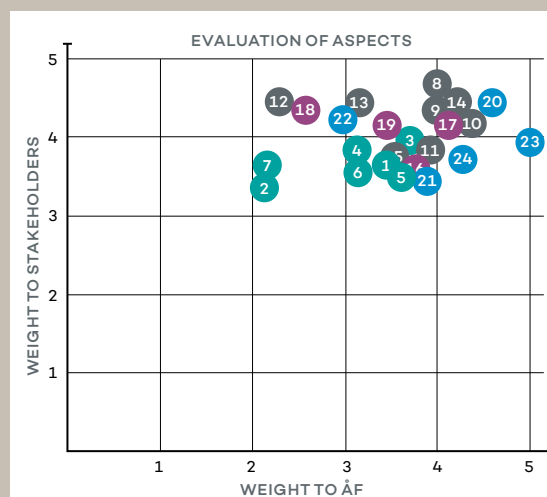
FINANCIAL RESPONSIBILITY

- 20 Long-term profitability
- 21 Communication of ÅF's sustainability performance
- 22 Innovation and new approaches (business development)
- 23 Future skills supply
- 24 Develop ÅF's service offer in terms of sustainability

The number refer to the corresponding figure in the chart and do not indicate order of priority.

environmental responsibility, employee responsibility, social responsibility and financial responsibility.

The results of the survey and ÅF's internal assessment form the basis of the aspects that ÅF will focus on the years ahead.



PRIORITISED SUSTAINABILITY ASPECTS

- Psychosocial working environment
- Physical work environment
- Gender equality
- Continuing professional development

- Anti-corruption
- Long-term profitability
- Develop ÅF's service offer in terms of sustainability

- Future skills supply
- Human rights
- CO₂ emissions
- Impact on local communities

Stakeholder engagement

During the year, customer surveys and dialogues, employee satisfaction surveys, meetings and seminars are periodically conducted. In addition, ÅF responds to surveys from several different screening organisations, such as EcoVadis and GES.



Stakeholder dialogue sets the agenda

In 2015, several dialogues with stakeholders regarding ÅF's sustainability work were conducted. In the stakeholder dialogue, issues such as long-term profitability, measures to combat corruption, developing ÅF's service offering in terms of sustainability, future human resources issues and availability of skills and expertise, human and civil rights, carbon dioxide emissions, the impact on the local community and equality between the sexes were identified by the stakeholders as the most important issues. These areas are prioritised and are included in our sustainability efforts. Our customers, and the world-at-large, are making increasing demands on us to act ethically and responsibly. This is also evident i.a. with the growing demands that customers place on us the procurement of services.

Particularly relevant issues for stakeholders

Customers: satisfaction, perceived quality, pricing, contracts, procurement, deliveries, sustainability, and environmental impact. Employees: job satisfaction, pay levels, working conditions and the work environment in general, and professional development. Suppliers: contract negotiations and compliance with our Code of Conduct.

Customer surveys

In 2016, customer surveys were sent to selected customers, where among other matters quality and sustainability issues were raised.

Green Advisor Report

It is in our projects and in the collaborative efforts with our customers that we do the most good for the community. Some

examples of these projects are depicted in ÅF's Green Advisor Report, which is produced annually and distributed to customers and other interested parties.

Stakeholders

Owner
Partners
Suppliers
Students
News media
Government agencies and organisations
Non-profit organisations
Investors
Universities and other institutions of higher education
Industry organisations

The focus area: Sustainable solutions

Global challenges require global technology solutions

Climate change is one of the greatest global challenges facing the world. The rapid population growth, urbanisation and influxes of refugees are trends that are making increasing demands on sustainable urban planning with reduced levels of carbon dioxide emissions and access to work for more.

The global consumption of energy is expected to increase by 50 percent by the year 2035. Securing the future energy supply and to transform its sourcing from renewable energy sources is a major challenge. Society is facing a paradigm shift with the capabilities and possibilities digitisation presents. By applying digitisation and smart technology, ÅF contributes to the interconnection of systems, communities and people, leading to more efficient energy and resource usage.

Via our assignments, values such as efficient and renewable energy, resource efficiency enhancements, safe and secure workplaces, availability to and improved air and water quality, are created. With the starting point of our business contracts and our offer, we have chosen to focus on three development goals from the 17 Sustainable Development Goal's goals.

Energy generation from renewable sources – SDG 7

More than one billion people worldwide live without access to electricity, while the population is expected to increase to 8.5 billion people by 2030, according to the United Nations statistics. In parallel with the increased energy consumption, ever increasing demands for reduced climate impact are imposed. These are some of the challenges that we address via our energy project. The business community's role and the need for joint collaboration to reduce climate change is clear, as is ÅF's contribution in the transition to sustainable energy and technology developments in industry and business in general. Reduced energy consumption results in lower carbon dioxide emissions. Energy

efficiency is therefore of great importance for the impact on the climate. Together with its customers, the company continues to focus on creating innovations that reduce carbon dioxide emissions and increase energy efficiency. ÅF participates in the Electricity Crossroads project, for tomorrow's sustainable energy supply. The project brings together leading representatives of energy companies, engineering consultants, scientists, researchers and industry representatives as well as environmental organisations in order to find solutions to the future of Swedish electricity supply.

Sustainable industries – SDG 9

ÅF is active in a wide range of industrial projects, ranging from product development and logistics solutions to the efficiency enhancements in material flows. The world is moving towards even greater demands on closed-loop business models where the waste is used in a new cycle. Via the assignments we receive, our consultants are involved in developing a variety of applications and products that are used on a daily basis. This encompasses everything from dishwashers, packaging, smart and safe vehicles, to telecom solutions.

We optimise logistics and process flows in order to increase productivity, avoid unnecessary energy losses and reduce water consumption. Our environmental specialists also help companies and other customers with waste management, environmental management systems, environmental and health risk assessments as well as permit/licence applications. Specialists in the field of contaminated areas contribute to decontamination and other remediation of toxic substances in nature and buildings. The assignments in turn contribute to reducing harmful emissions to air and water, making the working environment more secure, and increasing the understanding of safety, health and environment.

The world moves more and more towards a circular economy 1), based on an ecocycle and recycling society. Our ambition is to contribute to the development of a circular

way of thinking in product development by among other means, adapting the design and usage of recycled materials to the fullest extent possible.

Sustainable cities and infrastructure – SDG 11

Half of the world's population now lives in the urban environment of cities, and the proportion is growing every day. ÅF is working with this and focusing on the developments concerning the cities of the future, where increasing demands will be placed on climate-friendly and secure environments. The strong urbanisation trend and escalating pollution of the air is also increasing the demand for smart transport such as intelligent traffic solutions and autonomous (self-driving) cars. Via our specialised expert knowledge and innovative solutions, we are involved in influencing the development of a large number of urban development projects, both in Sweden and internationally. This relates to everything from the design of roads and public transport to shaping the hospitals, housing, lighting and acoustics of the future. We provide specialist expertise regarding sustainability matters along with a social perspective. Municipal waste management, conservation of cultural heritage, and development of safe and accessible green spaces, are some areas we work with.

We participate in the expansion of the digital infrastructure of the future. As more and more public services and functions in the society are digitised, it is important that all people, wherever they live, have the same opportunities to take advantage of the digitalisation. ÅF is a major player in the national efforts to achieve the Swedish government's new broadband strategy for an entirely connected Sweden by the year 2025.

Green Advisor Report

In the Green Advisor Report brochure, we describe some of the sustainable solutions that we have worked with during 2016. Feel free to download it from www.afconsult.com/sustainability

Focus Area: Sustainable solutions – Goals

Present situation 2016

During 2015, we developed a new sustainability strategy with new focus areas that stretches out to 2020. New monitoring systems, measurement tools and metrics have been developed during 2016 in order to be used and monitored until 2020.

Sustainable Solutions 2016

The sustainability performance for sustainable solutions is measured by weighing the results from the survey done by the consultant where they rate to what extent they have contributed to the development goals through our assignments along with measurement areas that concern collaboration, sponsorships and CSR. The result for 2016 was 48.

The goals are measured through our SBPI tool and the goal is to increase the result over time.



- Developing sustainable generation of energy.
- Developing sustainable industries.
- Developing sustainable cities and infrastructure.

Focus Area: Responsible business

One of our most important tasks is to ensure that the assignments are performed in a responsible way. We carry out assignments in more than 100 countries around the world and therefore have a systematic process and procedure to ensure that they are carried out according to the UN Global Compact's principles.



Compliance with the UN Global Compact's ten principles for sustainable business.

In order to ensure compliance with the UN Global Compact, at the tender stage we make a risk assessment of the assignment based on a number of sustainability criteria linked to the ten principles. The purpose is to make an identification at an early stage of possible risks associated with the project and, if necessary, carry out a more in-depth risk analysis, referred to as a SRA (Sustainability Risk Assessment). The analysis should identify potential risks and provide recommendations on how these can be addressed. In 2016, in-depth analyses were made of five projects. In none of these cases, have remedial measures been required.

Zero tolerance of corruption

The sustainability risks that may arise in our assignments differs between different business segments, projects and markets. In order to address the risk, we have developed tools and methods for ensuring that our sustainability policy and Code of Conduct is being complied with in all of our business activities. The framework for measures to combat corruption is integrated into the risk management process. We have zero tolerance against all forms of corruption, extortion and bribery. Within the framework of the business management system, internal audits of processes, projects, and physical locations are also made. During the year, no cases of corruption were reported.

Reducing carbon dioxide emissions

ÅF's emissions are primarily related to

business-related travel. To encourage sustainable travel, a survey of travel habits was undertaken in order to identify what steps we might take to further reduce our emissions. As a result of the survey, about 300 of our office cars will be replaced with electric cars, rebates for the purchase of bicycles and electric bicycles are offered to our employees, and an additional 5 offices in addition to Solna have access to loan cards for public transport in order to reduce business travel by car. Several offices have acquired charging stations for electric hybrid cars, and we continue to have an agreement that prioritises electric cars when ordering taxis, so as to promote the electric car market. An internal awareness has been created among employees by means of communication measures, primarily in the form of news on our intranet. The levels of emissions are followed-up and reviewed via a climate report where carbon dioxide emissions per employee is compiled.

Enhanced anti-corruption work

Corruption occurs in countries in which ÅF operates. In order to increase the knowledge about measures to combat corruption, a section concerning this is an integral part of the obligatory sustainability training programme. There is also information there about our policies for sustainability and the whistleblower function. In addition, an associated anti-corruption framework is in existence, in the sustainability policy. We continue to regularly train our consultants working in projects associated with risk and high-risk countries, in order to contribute to responsible business contracts and

commercial relationships. We ensure responsible business contracts and commercial relationships via our risk assessment processes, which includes a checklist where our projects are assessed based on the UN's 10 principles as well as a comprehensive risk assessment report (SRA) containing recommendations on corrective measures as necessary. There are obvious risks, and where we do not have the opportunity to influence, we refrain from participating in the project.

Training in security measures

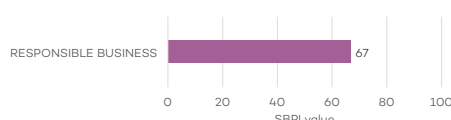
There are employees working at workplaces associated with risk, within the assignments of the customer. Everyone is trained in safety based on the requirements at the different workplaces where a given ÅF consultant operates. Examples of activities to improve the physical office working environment during the year include the development of guidelines for how an office workplace should look like and function. This was done in consultation with union representatives.

Managers at ÅF have the option to place orders for ergonomic inspections via the occupational health services. In 2016, 22 accidents were reported, as well as 5 incidents, from operations in Sweden. The total absence due to illness increased slightly in 2016 to 2.7 percent, compared to 2.5 percent in 2015. Statistics regarding absence due to illness is analysed monthly at the management level, and when necessary remedial action plans will be developed which are carefully followed-up and reviewed.

Focus area: Responsible business – goals

Responsible Business 2016

The sustainability performance of responsible business is measured by weighing together the results for financial stability, good business ethics, quality in deliveries, responsiveness and close customer dialogue, sustainable purchasing, and sustainable use of resources. The result for 2016 was 67.



- Halve carbon dioxide emissions per employee by 2030 with 2016 figures as the base year.
- ÅF's sustainability checklist for tenders should always be filled in for new customers, business and markets according to ÅF's routine.
- Increase the customer's satisfaction experienced.

Carbon dioxide emissions 2016

Our climate impact comes primarily from business-related travel and energy consumption in our offices. There is also some impact from the supplies used, but since this accounts for a marginal share of our total impact and data collection would require a substantial amount of resources, it was decided to prioritise the two most significant sources of emissions: energy consumption and travel.

The target year 2015 has passed and we have updated the method for calculating greenhouse gas emissions in order to adapt them to current standards and best practices. This means a more robust method of calculation which provides more reliable and comparable data over time. The updated calculation methodology has only been implemented for Sweden. The presently existing systems means that the data from the international operations is of uncertain quality. Therefore the results are divided into Swedish and international operations and reported separately.

The results of this year will serve as a basis for monitoring our emissions in the years ahead. The goal is to halve the annual emissions, 1,347 kg CO₂ equivalent per employee, with 50 percent to 2030

TOTAL CLIMATE EMISSIONS, PER EMPLOYEE, KG CO₂ EQUIVALENT PER EMPLOYEE – 2016

	Total	Energy consumption	Travel
Sweden	1,103	208	985
International*	2,251	645	1,606
Total*	1,347	301	1,046

TOTAL CLIMATE EMISSIONS, TOTAL TONS OF CO₂ EQUIV. – 2016

	Total	Energy consumption	Travel
Sweden	7,138	1,347	5,791
International*	3,990	2,472	8,596
Total*	11,068	2,472	8,596

*These figures should be read with caution due to uncertain data quality.

Checklist when tendering

We will comply with the UN Global Compact and its principles. This ensures i.a. that we are filling out the checklist employed in the tenders where a number of questions must be answered about the principles. A follow-up of the checklists is made by a review during internal audits. The goal is to have one hundred percent fulfillment of the risk assessment routine in the tender phase. The deviation for 2016 was 28 percent, that figure should be reduced annually.

Customer satisfaction

We will increase our customers' satisfaction with our deliveries; we measure this via a questionnaire. The customers are generally very satisfied with our deliveries and therefore the goal is that we will not fall below an average value of 85 in SBPI value.

PROFITABILITY 2016

Direct financial value generated, MSEK	16124C	15124C	14124C
Net sales	11,070	9,851	8,805
Operating expenses including depreciation	-4,008	-3,584	-3,253
Employee salaries and benefits	-4,993	-4,455	-3,932
Income tax and social insurance contributions	-1,356	-1,201	-1,056
Remaining financial value	711	609	553

Focus area: Attractive employer

Employees are the most vital and important element to the quality and competitiveness of our offer. In pace with as we grow, new employees are continuously recruited and incorporated into the company. Much is done to attract the best talent and a strong emphasis is placed on increasing the proportion of women who are working with us. The employees are offered significant opportunities in a strong common corporate culture and have the opportunity to contribute to sustainable development via our assignments.



Our employees are a key success factor

ÅF's competitive edge is directly linked to our appeal as an employer. It's something we continually work on, and it begins internally resulting in our being able to attract the most talented individuals. This guarantees our ability to offer our clients the most innovative and sustainable solutions. The overriding goal is to be an attractive employer where employees contribute to sustainable social development.

ONE ÅF – essential for growth

ÅF's growth strategy demands a high pace of acquisition and recruitment, which in turn puts pressure on our organisation to identify and develop the best people. We therefore work systematically with competence supply and leadership development. We have acquired 30 businesses over the past three years, which means just over 2,300 new employees have joined ÅF via acquisitions. One of the most important aims of our HR work is therefore to create a cohesive organisation under a single brand. Our corporate culture has a shared view of leadership and career development that spans country and division borders. This is a continual process, strongly driven by our rapid growth.

Focus on diversity and inclusion

As a fast-growing company, ÅF is constantly on the lookout for a range of talents that can contribute to innovative strength both for our clients and for society as a whole. In order to increase diversity in the company, we have established the EVEN ODDS framework, under which a number of activities are pursued. One overall goal for ÅF is to establish an improved gender balance among both consultants and managers. An intermediate goal is for women to make up 30 percent of ÅF's workforce at all levels by 2020. Women represented 25 percent of all employees in 2016 and 29 percent of new appointments.

Ladies' Month produces results

Ladies' Month is an annual recruitment drive, which means that during a specific month, employment contracts are only signed with women. As part of this initiative, 53 women were recruited in 2016. It is also worth noting that applications from women rose by 230 percent during Ladies' Month in 2016 compared with the corresponding month in 2013 – the year before the campaign started. On the initiative of Jonas Wiström, the network ÅF's HeForShe was launched, which is part of our gender equality efforts and focuses on a single issue: to

ensure that there are more women in all positions at ÅF.

ÅF's New Immigrated Engineers project takes off

Our campaign to recruit more newly arrived engineers to boost ÅF's skills bank has proved successful. In addition to diversity and inclusion being an important part of all our recruitment processes, we now also have a Diversity Coach, specifically tasked with increasing diversity at ÅF. Several engineers who were born outside Sweden started internships at ÅF in 2016.

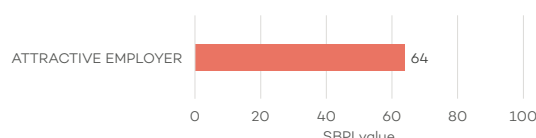
Favourite among young engineers – again!

For the fourth year in a row, ÅF was ranked top of Universum's list by young, professional engineers in Sweden. We achieved first place with postgraduate engineers and second with undergraduate engineers. The survey revealed that 96 percent are aware of ÅF and the following aspects were highlighted as being the most important when choosing an employer: a leader that supports development, challenging work and a company offering interesting jobs.

Focus area: Attractive employer – Goals

Attractive Employer

The sustainability performance for attractive employers is measured by weighing up the results for good work environment, skills development, teamwork and support among colleagues, diversity, gender equality and leadership. The result for 2016 was 64.



Goals Attractive employer

- Increase employee satisfaction by one points per year, from 67 points in 2015
- The leadership is characterised by a high level of confidence for the immediate manager. The goal is to increase the confidence by one point annually from 69 points in 2015
- Increase the proportion of female employees to 30 percent at all levels by 2020.
- The goal is zero notifications for bullying and discrimination. The number of notifications should be reduced annually from 151 in 2015.

Increase the proportion of women among the employees

By 2020, 30 percent of all employees are to be women. The objective is monitored via a review of monthly personnel statistics. Via HR processes, we strive for gender equality in the recruiting of personnel for management positions, and via various activities, the proportion of women candidates applying to work at ÅF is increased.

Increase the level of employee satisfaction

Various factors affect the employees' job satisfaction. Via means of various activities and initiatives, ÅF strives to increase the level of employee satisfaction.

The leadership is to be characterised by a high level of trust for the immediate manager

Our managers are to exercise modern leadership marked by equality, diversity and inclusion. The objective is to enhance confidence in the managers among the employees, via education and practical management.

Zero tolerance of bullying and discrimination

There is zero tolerance for discrimination. Via the employee satisfaction survey and the whistle blower function, the organisation becomes aware of and can take action to counter all tendencies towards discrimination.

GENDER EQUALITY AND DIVERSITY

Distribution in 2016* %	Men	Women	Age: <30	30-50	>50
Board of Directors	75.0%	25.0%	0%	18.2%	81.8%
Group management	63.6%	36.4%	0%	63.6%	36.4%
Manager	83.7%	16.3%	1.3%	65.6%	33.1%
Consultant	76.8%	23.2%	20.7%	56.8%	22.5%
Admin	22.3%	77.7%	12.9%	53.7%	33.4%
Total	75.0%	25.0%	18.2%	57.6%	24.1%

ABSENCE DUE TO ILLNESS

Absence due to illness (all forms of employment)	2016	2015
Absence due to illness, Sweden	2.82%	2.58%
Total absence due to illness	2.70%	2.49%

PERCENTAGE OF WOMEN/DIVISION (ALL FORMS OF EMPLOYMENT)

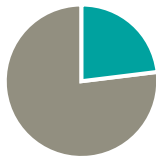
	2016		2015	
	Manager	Consultant	Manager	Consultant
Industry	14.4%	20.4%	11.2%	20.1%
Infrastructure	16.9%	28.1%	14.8%	25.5%
International	9.3%	19.9%	9.0%	19.2%
Technology	23.1%	17.4%	20.4%	17.4%
ÅF AB	50.0%	33.3%	50.0%	58.3%

In 2016, 34 foreign-born engineers started their internship at ÅF, 18 of which went on to permanent employment.

The established objective is to be at 30 percent women at all levels by 2020.

GENDER DISTRIBUTION 2016¹⁾


Consultants



23.2%

Managers



16.3%

Recruited in 2016



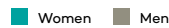
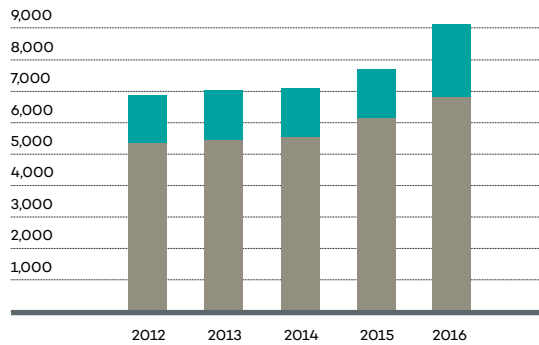
29.3%

Employees total



25.0%

NUMBER OF EMPLOYEES, ALL FORMS OF EMPLOYMENT


AVERAGE AGE²⁾

YEAR	2016	2015	2014	2013	2012
	41.2	41.3	41.1	41.3	41.1

SICKNESS ABSENCE²⁾

%	2016	2015	2014	2013	2012
	2.7	2.5	2.2	2.1	2.0

LENGTH OF EMPLOYMENT¹⁾

%	0–2 years	2–5 years	5–10 years	10–20 years	>20
	35.6	27.6	19.2	11.2	6.4

AGE DISTRIBUTION²⁾

%	2016 men	2016 women	2015 men	2015 women
–29	13.0	5.9	13.0	5.5
30–39	22.4	8.8	23.0	7.9
40–49	18.3	5.8	19.3	5.9
50–59	13.6	3.2	13.4	2.7
60–	8.0	1.0	8.4	0.9
Total	75.3	24.7	77.1	22.9

EDUCATION¹⁾

%	2016	2015	2014	2013	2012
Postgrad. licentiate or Ph.D. studies	2.9	3.1	3.8	3.5	3.7
University degree	62.0	60.8	59.7	59.5	57.4
Other post-secondary education	18.2	17.6	16.1	15.8	15.6
Secondary education	17.0	18.5	20.4	20.3	23.3

SKILLS DEVELOPMENT

Number of hours of training per average FTE, total

	2016	2015	2014
Hours of training	253,744	212,754	219,745
Average number of FTEs	8,115	7,453	6,887
Hours of training/employee	31	29	32

¹⁾ All permanent employees and employees on probationary periods²⁾ All forms of employment

PÄR LUNDBERG

“Corporate culture isn’t about the place, it’s about the people. Here at ÅF we’re a great people who are keen to achieve success as a team. For me as a manager, specifically, this means that right from the start we recruit people who share our vision and our values. It’s also about giving feedback and encouraging the right motivation, while daring to take risks and maybe getting things wrong but taking responsibility.”

Business Area Manager, Systems Management



ZAIN NADRA

“My husband and I came to Sweden from Syria two years ago. I’m a qualified mechanical engineer. I gained an internship via ÅF’s Diversity Coach, along with the opportunity to take my first steps into the future. I get to work with projects that match my skills, and the chance to show people what I’m capable of professionally. My colleagues help me and are very friendly. We speak Swedish to help me learn the language quicker. This is an important opportunity for me to get back on the labour market, and I’m now an ÅF employee.”

Mechanical engineer, ÅF’s New Immigrated Engineers project

Strategic partnerships and community involvement

We are active as well as members in a variety of initiatives and strategic partnerships for the monitoring of developments in the world, and to influence and promote sustainable development in various business forums and trade associations.



Strategic partnerships

Kungliga Ingenjörsvetenskapsakademien (IVA) - The Royal Swedish Academy of Engineering Sciences
Business Sweden
Sustainable Innovation
Näringslivets internationella Råd (NIR) - The International Council of Swedish Industry
Green cities (ÅF is part of the Advisory Board)

Membership

Drive Sweden
Innovative Center of Embedded Systems (ICES)
Swedsoft
Svensk Elektronik - The Swedish Electronics Trade Association
Teknikföretagen - Association of Swedish Engineering Industries' reference group
Svenska Intelec
Kraftforum
IPC
Photonic Sweden
Stockholms Klimatpakt - Stockholm's Climate Pact
Supporting companies to those in GreenBuilding
IGHP – Intressegrupp Passivhus
Sweden Green Building Council (SGBC)
Sustainable Innovation
Svensk solenergi - Solar Energy Association

of Sweden
BIM Alliance Sweden
Foreningen af Rådgivende Ingeniører (FRI) - Danish Association of Consulting Engineers, and Thomas Duedahl is a member of the Board
Dansk Industri - The Confederation of Danish Industry
Green Building Council Denmark (DK-GBC)
U.S. Green Building Council (USGBC)
MiljøForum Fyn
Byggeriets Evaluerings Center - The Benchmark Centre for the Danish Construction Sector
Business Sweden's SymbioCity

Green Advisor to four Olympic committees

ÅF is the Green Advisor to four Olympic committees, in Sweden, Norway, Finland and Switzerland. Our cooperation with the National Olympic Committees has many aspects; strategic sustainability studies and the training of employees and athletes in sustainability matters such as climate change and energy efficiency, form the basis.

SPONSORSHIPS

ÅF Offshore Race

Since 2011, we partner with the largest and most traditional competition in offshore racing, the event around Gotland.

The collaborative partnership resulted in that the competition changed its name to ÅF Offshore Race.

CSR West

ÅF In Gothenburg, a partnership with CSR West, designed for the purpose of teaching and the sharing of experience.

Swedish Childhood Cancer Foundation

For many years, ÅF has supported the Childhood Cancer Foundation financially. In 2016, ÅF donated SEK 500,000 to the Swedish Childhood Cancer Foundation to contribute to their efforts to develop the community and improve people's lives, and to contribute to technological development.

ÅF is committed to the next generation of engineers

In addition to strategic partnerships, ÅF is involved in social issues linked to work at ÅF's operating environment. An example of this is ÅF's and Fortum's cooperative efforts to increase knowledge in technology and sustainable development via the Further Education in NT & Sustainable Development project. ÅF strengthens the teachers' knowledge of how they can attract more young people into careers in the fields of nature, science, technology and sustainable development.

Societal commitment

ÅF attracts applicants via Tekniskprången

Tekniksprången is a national initiative which the government commissioned the Royal Swedish Academy of Engineering Sciences (IVA) to lead, with the aim of encouraging interest in studying engineering, particularly among women. The young people who are accepted onto the programme are offered a four-month placement with the participating companies. ÅF has been taking part in Tekniksprången for three years. Experience shows that we are a popular employer that attracts plenty of applications. It is also worth noting that we have a higher than average proportion of women applying. Some 250 employers

participated in Tekniksprången in 2016, and 3,000 applications were made. Of these, 442 people were interested in an internship at ÅF and the proportion of women who chose ÅF was high at 44 percent. We had six interns working at ÅF in 2016.

University Tour with Kalla and Kallur

2016 saw the second university tour with the athletes Charlotte Kalla and Susanna Kallur. The idea behind this initiative is to offer students a glimpse into what drives ÅF and some of Sweden's top athletes. Employees from ÅF's various areas of engineering give presentations, and Kalla and Kallur talk about the kind of motivation required for sport at the very highest level.

ÅF Future Talent

A new student programme, ÅF Future Talent, was launched at the beginning of the year. There are 18 participants from three countries: Sweden, Finland and Spain. The programme continues for three terms, starting during the participants' fourth year at university. Participants get to learn about ÅF's business through lectures, workshops and study visits. They are also assigned an ÅF mentor and the chance to build their own networks. They function as ambassadors for ÅF at their educational institution and the programme ends with them carrying out their degree projects with ÅF.



Increased profit and continued growth

The Board of Directors and the CEO of ÅF AB (publ), corporate identity number 556120-6474, herewith submit their annual report and consolidated financial statements for the 2016 financial year. ÅF AB is the parent of the Group. The registered office is in Stockholm.



ÅF wins Swedish Lighting Award for King's Stockholm offices.

Net sales and profit

Net sales for the year totalled SEK 11,070 million (9,851). Growth was 12.4 percent, of which 2.9 percentage points were organic. Currency translation effects had a marginal impact on growth.

Adjusted for items affecting comparability, operating profit totalled SEK 964 million (832) and the operating margin was 8.7 percent (8.4). The underlying operating profit thus rose by 16 percent.

In order to increase profitability, a cost-cutting and streamlining programme, mainly related to the Industry Division but also to the Technology Division and the parent, was implemented during the year. The cost of this programme amounted to SEK 25 million and the annual savings effect was SEK 38 million. During the year the Group received a refund regarding an adjustment to pension premiums from prior years amounting to SEK 22 million. In addition, adjustments were made to the estimated size of future

contingent considerations, which resulted in a positive effect on profit of SEK 6 million. The items stated above totalled a net amount of SEK 2 million. Including these items, operating profit totalled SEK 965 million (839) and the operating margin was 8.7 percent (8.5). Items affecting comparability last year amounted to SEK 7 million.

There were two more working days in 2016 compared with 2015. Capacity utilisation was 77.6 percent (76.9). Profit after financial items was SEK 923 million (799) and profit after tax was SEK 711 million (609). Earnings per share were SEK 9.32 (7.81).

Acquisitions and divestments

Fifteen businesses have been acquired since the beginning of the year, and they are expected to contribute sales of approximately SEK 1,500 million over a full year.

Acquisitions during the year included Reinertsen's infrastructure operations in

Norway and Sweden, its chemicals and petrochemicals operations in Sweden and its process industry in Sweden.

Eddy Toscano, a leading engineering consulting company in Switzerland, was acquired at the end of the year. Through this acquisition ÅF adds infrastructure to its business in Switzerland, becoming one of the largest engineering and consulting firms in Switzerland.

Midtconsult was acquired in line with ÅF's ambition to increase its presence in Denmark. It was consolidated as of 1 January 2017. The company's main market is in the construction and property sector, but it is also growing in the infrastructure sector.

Cash flow and financial position

Net debt for the year increased by SEK 812 million to SEK 2,298 million (1,486). Cash flow from operating activities reduced net debt by SEK 622 million. Doing more business in sectors with longer payment terms has resulted in more tied-up capital, which reduced cash flow from operating activities. SEK 292 million in dividends paid, SEK 128 million in share buy-backs and SEK 917 million in considerations paid increased net debt.

ÅF issued a senior non-secured bond loan totalling SEK 500 million on 14 March 2016. The bond loan has a variable interest rate of three months' STIBOR +135 basis points and a term of three years, with a final maturity date of 21 March 2019. The bond loan is listed on Nasdaq Stockholm. The Group thus has outstanding bond loans amounting to SEK 1,200 million.

Consolidated cash and cash equivalents totalled SEK 329 million (264) at the end of the period and unused credit facilities, including cash and cash equivalents, amounted to SEK 939 million (842). Equity per share was SEK 60.19 (54.46). The equity/assets ratio was 45.1 percent (50.9). Equity totalled SEK 4,697 million (4,230).

President and CEO

In October, President and CEO Jonas Wiström informed the Board of Directors of his intention to leave his position in 2017. In January 2017, ÅF's Board of Directors appointed Jonas Gustavsson as the new President and CEO, starting 1 April. Jonas Gustavsson has been head of Sandvik Machining Solutions since 2013 and previously held various leading positions at Sandvik since 2008. He was Vice President of Operations at Rotax 2002–2007 and held various senior positions at Bombardier 1997–2002 and at ABB 1995–1997. He is a Swedish citizen, was born in 1967 and holds an engineering degree. Jonas Wiström will leave his post as CEO when the new CEO takes office.

Parent

Parent operating income for the year totalled SEK 658 million (574) and relates chiefly to internal services within the Group. Profit after net financial items was SEK 522 million (599). Cash and cash equivalents totalled SEK 62 million (92). Gross investment in non-current assets was SEK 49 million (27).

Environment and sustainability

Together with its stakeholders and society in general, ÅF has an important duty to work towards more sustainable development. In many instances, ÅF is tasked with introducing new and better technology, implementing rationalisation measures and reducing emissions. ÅF also analyses and helps government authorities and other governing bodies to understand the challenges that we are all facing. With over a century of experience, ÅF has its sights firmly set on making a positive contribution to long-term sustainable development. ÅF has no licensable operations.

Employees

The average number of FTEs was 8,115 (7,453). The total number of employees at the end of the period was 9,133 (7,852): 6,916 (6,455) in Sweden and 2,217 (1,397) outside Sweden. ÅF adopts an active, long-term perspective to HR work in order to attract and retain skilled employees. This approach involves marketing ÅF as an employer externally, while also providing clear information about the various career paths and opportunities for development available at ÅF, and offering all

employees the kind of work that develops them as individuals. In 2016, ÅF further strengthened its position as an attractive employer. In Universum's annual survey, which is Sweden's biggest among young practising engineers (with 2,395 responses), ÅF came in first among those with an M.Sc. in engineering. ÅF devotes considerable effort to employer branding activities to market itself as an attractive employer among potential employees and to bolster the company's image. During the year a number of activities were conducted at universities and colleges and several digital campaigns disseminated information about the brand and what ÅF does. ÅF also works to achieve a good gender balance within the company. ÅF works actively with diversity and equality within the framework of EVEN ODDS. In 2016, a number of events were conducted at various ÅF offices to attract more women to ÅF. ÅF also conducted a talent programme for promising female leaders within the organisation. The number of female employees at ÅF increased in 2016. At year-end, women constituted 23.2 percent (21.5) of the total number of consultants in the Group. The percentage of women in the company at year-end was 25.0 percent (23.2). ÅF has what it calls the ÅF Career Model whose main purpose is to clarify employee development opportunities and help showcase talent within ÅF. The model also aims to attract new employees by presenting the development opportunities available within the company. ÅF has collective agreements with Sveriges Ingenjörer (the Swedish Association of Graduate Engineers) and Unionen, Sweden's largest private-sector trade union.

Long-term incentive programmes

The 2016 AGM approved a motion on a convertible programme for key employees of ÅF. The programme means that ÅF AB raised a staff convertible of a nominal maximum of SEK 200 million through the issue of convertibles. The convertibles may be exchanged for shares at a predetermined price of SEK 170.20 between 14 June 2019 and 13 March 2020. Convertibles with a nominal value of SEK 142 million were subscribed for, equivalent to 834,488 shares. The company bought back 834,488 shares in order to neutralise the dilutive effect a conversion would otherwise entail.

Guidelines for the remuneration of Group management

The guidelines adopted for 2016 by the AGM are set out in Note 6. The Board of Directors proposes that the 2017 AGM resolve that the policies for remuneration and other conditions of employment for Group management for 2017 are in line with the policies that applied in 2016, with these exceptions: that provisions on retirement age be omitted from the guidelines and that the period of notice and severance pay for the CEO be 12 plus 12 months. There is also a special incentive program for the CEO that is tied to the company's growth target up to 2020. The amount of remuneration depends on the share price development between the first quarter of 2017 and the first quarter of 2021.

Corporate governance

ÅF prepares its Corporate Governance Report as a separate document from the statutory annual report. Please see pages 81–85.

Dividend

The Board of Directors proposes a dividend for 2016 of SEK 4.50 per share (3.75).

Expectations for 2017

ÅF considers the market outlook to be somewhat more positive compared to the same period last year. The market in road and rail, construction and the automotive and pharmaceutical industries is expected to remain strong and there are signs of stabilisation in the weak energy, mining and steel industries. The demand for digital solutions is expected to remain strong in all industries.

Proposed appropriation of profits

Non-restricted profits of SEK 4,192,150,358 are at the disposal of the AGM. The Board of Directors and CEO propose that these profits be appropriated as follows:

A dividend of SEK 4.50 per share paid to the shareholders	349,699,514
To be carried forward	3,842,450,844
Total	4,192,150,358

The Board of Directors' explanation of the proposed appropriation of profits will be posted on the company's website, www.afconsult.com. It is also available from the company on request.

Long-term growth and profitability

The Board of Directors is responsible, through sound corporate governance, for creating conditions for growth, and thus also value for shareholders, for whom we ultimately work. The work of the Board of Directors should therefore be to maintain continuity, while focusing on long-term strategic objectives, namely, growth and profitability. Over the past year, our priorities have related to ÅF's ability to continue to grow, both organically and through acquisitions.

In 2016, a total of 15 businesses were acquired that will contribute to the company's value generation through strengthened client offerings and continued establishments both in Sweden and abroad. The businesses acquired during the year performed well and in line with the company's ambition to offer more end-to-end solutions, while moving the client offering up the value chain. Combined with organic growth, these acquisitions will also provide a solid platform for continued growth in 2017.

ÅF's ability to attract the best employees is a key factor for the business, which makes it particularly important to nurture the ÅF brand and the values it represents. Promoting ÅF's brand is therefore linked to the Board of Directors' goals and commitment. Through sound corporate governance and control, the Board of Directors ensures that ÅF remains a credible and respected business partner and employer. Sustainable solutions are an integral part of the client offering in ÅF's operations, whether it be buildings, transport, products or resource use. The Board of Directors is heavily involved in and monitors sustainability developments. We focus attention on the business ethics of sustainability. As part of our corporate governance duties we follow and monitor compliance with regulations, primarily the UN Global Compact, regarding ethics, anti-corruption and human rights, along with our decision-making processes and risk management within these areas.

In October, Jonas Wiström announced his intention to step down from his posi-



tion as CEO of ÅF in 2017, after 15 years in the role, and at the same time undertook to remain until a new President and CEO had been appointed. I would like to take this opportunity to thank Jonas Wiström for his excellent work and for the trusting, long-term relationships Jonas has established for ÅF. The Board of Directors would also like to welcome Jonas Gustavsson as the new President and CEO.

Jonas Gustavsson comes from his role as President of Sandvik Machining Solutions and prior to that he held several senior positions in the sector.

Overall, we have established a stable platform from which to develop ÅF's business. We are now putting a successful 2016 behind us and looking ahead to an exciting year with our sights set on our targets for 2020.

Stockholm, March 2017

Anders Narvinger
Chairman of the Board

Risks and risk management

ÅF's risk management model has been implemented to meet the strategic, operational and financial risks linked to ÅF's operations. In 2016, ÅF continuously assessed and monitored risk trends, which helped ÅF to cope with both changes in the market and changes resulting from the company's strong growth.

Strategic & operating risks	Description	Risk management
Market	Changes in the economic cycle, structural changes and changes in market trends are events which challenge ÅF at regular intervals, demanding watchfulness and initiative at several levels and throughout the organisation. In addition, ÅF faces challenges from a number of major international players as well as various small and medium-sized local competitors in each market.	ÅF manages the risks linked to the economic cycle, structure and market trends by trading in multiple markets and in areas which have different business cycles and which are affected in individual ways by structural changes and fluctuating market trends. ÅF is also flexible internally and utilises its resources to best meet the needs of the moment. The company also carries out regular evaluations of the current competitive situation in each local market and at appropriate levels within the operation.
Sustainability	ÅF's presence in a global energy, industrial and infrastructure market gives rise to sustainability risks in areas such as human rights, working conditions, the environment and corruption.	ÅF reduces its exposure to risks related to sustainability through its internal Code of Conduct, a clear and regulating sustainability policy and an obligatory sustainability risk analysis at an early stage of the business process. The Group's anti-corruption framework clearly sets out the ethical rules governing ÅF's conduct in relation to clients as well as in its operations. A whistleblowing channel enables every ÅF employee to report deviations with complete confidentiality. ÅF has ISO 14001 (environment) and OHSAS 18001 (occupational health and safety) certification and has procedures to ensure compliance with legal requirements.
Acquisitions	Acquisitions are a key part of ÅF's growth strategy. Upon acquisition, it is important to retain key personnel and to have a well-functioning and efficient integration process so that the integration has as little impact on the business as possible.	Getting to know the management and clarifying roles and responsibilities reduces the risk of losing key employees. To minimise the risks of integration, an acquisition and integration process with defined roles and responsibilities has been implemented. Acquisition decisions are made within Group management and the Board of Directors. An annual review of recent acquisitions over a certain limit is carried out by the Board of Directors.
IT	It is crucial that the IT infrastructure at ÅF is operationally reliable since unplanned outages mean loss of income.	ÅF ensures that the Group has the appropriate IT resources by utilising internal expertise and by outsourcing. Procedures and agreements govern development, backup, deviation management and support. ÅF ensures system ownership and administration, and checks continuously to ensure that the available resources are adequate and are assigned the necessary expertise.
Delivery	The technical engineering services that ÅF supplies form the basis for the development of products, systems, buildings, infrastructure and industry. ÅF has a major responsibility to supply services and/or functions which meet clients' requirements and expectations as to quality, performance and scheduling.	ÅF has its own business support system for the internal control, management, follow-up and continual improvement of operations. This system has been certified under ISO 9001:2008 (quality), ISO 14001:2004 (environment) and OHSAS 18001:2007 (occupational health and safety) and is accessible to all employees via the intranet. This system's process descriptions for operations are tailored to suit each technical area, and contain detailed support for the planning, follow-up, control and delivery of the assignments ÅF is tasked with. The business support system's implementation is monitored continuously by ÅF's internal audit. ÅF has comprehensive insurance cover including public liability insurance, product liability insurance and consultant liability insurance.

Strategic & operating risks	Description	Risk management
Capacity utilisation and price per hour	ÅF has a relatively high proportion of engineers working within its clients' organisations, providing expertise and detailed knowledge. Competition is fierce and it is essential to monitor the operation's financial performance continuously, since every percentage point change in capacity utilisation and price per hour has an appreciable impact on ÅF's annual profit. Every percentage point change in capacity utilisation affects ÅF's profit by about plus/minus SEK 100 million. An increase in the price per hour of one percent, with unchanged capacity utilisation, improves ÅF's annual profit by around SEK 80 million.	ÅF has effective systems for sales support and managing expertise to ensure sustainable business relationships and successful matching of expertise with the notified needs.
Project operations	Large assignments with great responsibility also increase risk exposure – both financially and in relation to quality and performance in the project result. A fixed-price contract may involve an increased risk if the time required to complete the assignment is not correctly estimated, which can lead to reduced margins.	The systems for sales support, managing expertise and internal training provide a basis for creating competent project organisations and achieving sustainable business relationships. ÅF's Project/Assignment process implements procedures that include calculation, inspection, tendering and contract reviews, risk analysis, project planning, verification and validation of delivery. Steering committees are formed to monitor progress, results and risks. ÅF conducts internal audits annually to ensure that the process and procedures are complied with and function as intended.
Partners, subcontractors and sub-consultants	ÅF's continued growth, both in respect of supplying professional engineers and complete project organisations, is leading to an increasing need for subcontractors with specialist expertise as well as subcontractors that can supply specific project planning services. ÅF is exposed to risk both when the company arranges an assignment and where partners are working in ÅF's name as subcontractors in a project assignment.	ÅF has a process and a support system for evaluating and qualifying partners and subcontractors in order to ensure the right skills and conditions are in place to safeguard quality deliveries. Business partner criteria is defined in line with ÅF's sustainability policy.
Human resources	As competition for qualified employees increases, so too does the pressure on ÅF to present itself as an attractive employer. For an engineering and consulting company to achieve its objectives, it is essential that employees are motivated and have appropriate skills and knowledge. There is always a risk that highly competent employees may leave ÅF to join competitors or clients, or set up their own businesses.	There is a strong focus on recruitment and induction activities. In order to retain and motivate employees of the right calibre, ÅF invests in continual professional development, skills development and management training (via the ÅF Academy, for example). Individual development plans are formulated at each employee's annual performance review. Employee surveys are carried out to ascertain how satisfied employees are with their work situation.
Disputes	There is a risk that disputes may arise in the course of ÅF's business operations. Disputes may arise if ÅF disagrees with a client about the conditions that pertain to a certain assignment. Disputes may also arise, for example, in conjunction with the acquisition of operations.	In order to prevent disputes, tenders and contracts are examined carefully to ensure that there are no uncertainties in terms of content and conditions. Verifications during an assignment are part of the Project/Assignment process, as are procedures for handling alterations and additions. Authorisation rules are defined such that certain tenders and contracts are always reviewed by a lawyer.

Financial risks	Description	Risk management
Financing and liquidity risks	The financing risk faced by the Group is the risk of not being able to raise new loans or refinance existing ones on acceptable terms. The Group is also exposed to liquidity risk, which is defined as the risk that it will not be able to meet its immediate payment obligations.	Responsibility for the Group's financial transactions and risks is handled centrally by the parent's Treasury Department, which implements the policy set by the Board of Directors. There is a routine in place to ensure the availability of appropriate lines of credit at all times. ÅF's policy is that the company shall have a net debt over time, and that net debt shall be between 1.5 and 2.0 times EBITDA over a business cycle. In accordance with the current policy, the company is to have cash and cash equivalents and unutilised credit facilities that together correspond to at least six percent of annual sales.
Interest rate risk	Interest rate risk is the risk that changes in interest rates may have a negative impact on the Group's net interest income/expense and cash flow.	ÅF's exposure to interest rate risk relates chiefly to outstanding external loans. Under the current policy, ÅF raises loans both at fixed and variable interest, but the average fixed-interest period must not exceed 12 months. If necessary, ÅF can use interest rate swaps to achieve the desired average duration. A change of one percentage point in market rates would have an effect of SEK 26 million on the Group's interest expenses.
Exchange rate risk	Exchange rate risk refers to changes in exchange rates which have a negative impact on the consolidated income statement, balance sheet and cash flow. Exchange rate risk can be split into transaction exposure and translation exposure. Transaction exposure is the net of operating and financial inflows and outflows in foreign currencies. Translation exposure consists of the net assets and profit/loss of foreign subsidiaries in foreign currency.	ÅF's transaction exposure is relatively limited, as the majority of sales and expenses are invoiced in local currencies. In accordance with current policy, payment flows in foreign currencies are hedged when it is possible to determine the amount and time of the transaction with a great degree of certainty, and in cases where the future payment flow is anticipated to exceed a value of EUR 100,000. ÅF's largest operational transaction exposures involve the currency pairs EUR/SEK, USD/EUR and USD/SEK. An unhedged currency fluctuation of 10 percent in these currencies would affect ÅF's operating profit by SEK 5 million, SEK 2 million and SEK 1 million respectively on an annual basis. In line with Group policy, ÅF does not hedge translation exposure.
Credit risk	ÅF's commercial and financial transactions give rise to credit risks in respect of counterparties. Credit risk or counterparty risk is the risk of loss in the event that the counterparty does not fulfil its obligations.	Credit risk consists of outstanding accounts receivable and uninvoiced consulting assignments. This risk is limited through ÅF's highly effective credit policy. All new clients are vetted for creditworthiness and project services are invoiced on a pay-as-you-go basis to minimise the risk of bad debts. ÅF's ten largest clients, which account for a total of 33 percent of Group sales, are all large listed companies or publicly owned institutions and companies. The remaining 67 percent of net sales are spread over a large number of clients.

About the report

The Sustainability Report encompasses the ÅF Group's companies according to the same principles as in the financial statements. The report relates to the 2016 financial year. The report is published annually; the most recent report was produced in 2015 and published in April 2016. The stand-alone sustainability report is designed in accordance with GRI G4 "Core". The report has not been reviewed by any third parties. The reporting principles in accordance with GRI G4 have been used in order to define the contents of the report.

The number of employees increased from 7,852 in 2015 to 9,133 in 2016; three essential aspects have been deprioritised and a new method to calculate our carbon footprint has been introduced. Otherwise, no major changes regarding the report's parameters or recalculations have taken place. Questions about the sustainability report should be directed to: Nyamko Sabuni, Sustainability Director, tele: +46 (0)10 505 00 00.

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2016

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January–June 2017

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Interim Report
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AGM

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GRI Index

The report has not been reviewed by a third party.

Abbreviations:

ÅR ÅFs Annual report

HBR ÅF Sustainability report

GRI GRI Index 2016

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G4-20	Aspect Boundaries within the organization	All identified aspects are relevant to the entire ÅF internal business.	16
G4-21	Aspect Boundaries outside the organization	The following aspects are also essential outside the organization: • Equality between the sexes By working on gender issues, such as Ladies' Month, we attract more women to search for a job at ÅF. It also inspires other companies to raise the issue. • Anti-corruption The anti-corruption work controls ÅF's choice of assignments, customers, partners and suppliers. Impact can be made among corporate cultures in countries where corruption is widespread. • Future skills supply Through different targeted projects and initiatives ÅF tries to increase the engineering sector's status and attract high school and high school students in general and girls in particular to become engineers. • Development of ÅF's offer with regard to sustainability By developing and offering more sustainable services ÅF's customers and the society as a whole are moving towards a more sustainable society.	16
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Equality	G4-LA12	Composition of Board and Management and Division of Employees per person category according to gender, age, minority group, and other diversity indicators	22 Partially omitted because, according to PUL, no registered employee's ethnicity / minority group membership can be registered
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	G4-SO5	Confirmed cases of corruption and measures taken	19
Human rights	G4-SO1	Total number and share of operations that have been subject to review or impact of human rights	Omitted because we have not followed up this indicator
CO2-emissions	G4-EN16	Total amount of indirect greenhouse gas emissions	20
	G4-EN17	Other relevant internal greenhouse gas emissions	20
	G4-EN18	Intensity of greenhouse gas emissions	20
Impact on the local community	G4-SO1	Percentage of activities with local involvement.	24
Psychosocial work environment	G4-HR3		Omitted because we have not followed up this indicator
Develop ÅF's service offering in terms of sustainability	Company-specific indicator	ÅF's contribution to UNs SDGs in our assignments	13



INNOVATION
BY EXPERIENCE

ÅF is an engineering and consulting company with assignments in the energy, industrial and infrastructure sectors, creating progress for our clients since 1895.

By connecting technologies and skills, we provide profitable, innovative, and sustainable solutions to shape the future and improve people's lives. Building on our strong base in Europe, our business and clients are found all over the world.

ÅF – Innovation by experience.

