Consilium’s shares are listed on NASDAQ OMX Stockholm. Consilium adopted the Swedish Corporate Governance Code (the Code) on 1 July 2008 in accordance with the stock exchange rules. This corporate governance report constitutes part of the formal annual report and has been reviewed by the Company’s auditor. The Board’s internal control report can be found at the end of this corporate governance report.

The main purpose of the corporate governance report is to describe the bodies, control & management resources and principles Consilium applies in order to achieve the Group’s overall goal of creating value for shareholders. Consilium did not derogate from the Code during 2012.

General meeting of shareholders
Shareholders’ influence in the Company is exercised at the shareholders’ meeting, which is Consilium’s highest decision-making body. Shareholders wishing to participate in a shareholders’ meeting and vote their shares must be listed in the register of shareholders no later than 5 working days before the meeting, and must notify the Company of their intention to participate in the meeting, indicating any advisors attending, as instructed in the notice of the meeting. Shareholders unable to attend may exercise their rights through a proxy, in accordance with the Swedish Companies Act.

Annual general meeting
The annual general meeting of shareholders is held within six months of the end of the financial year. The annual general meeting deals with the election and remuneration of Board members and auditors, establishment of guidelines for remuneration of key management personnel, adoption of the income statement and balance sheet, allocation of profit and discharging of Board members and the CEO from liability for the financial year.

If there is reason to convene a shareholders’ meeting before the next annual general meeting, the shareholders are called to an extraordinary general meeting. Consilium did not hold any extraordinary general meetings in 2012.

2012 AGM
The annual general meeting of the shareholders of Consilium for the 2011 financial year was held in Nacka on 22 May 2012. In addition to the business described above, the meeting adopted resolutions as follows: no dividend to be paid to shareholders, Board mandate to issue new shares or convertible bonds (with a derogation from preferential rights for shareholders) for financing of possible acquisitions and authorisation to decide on the purchase of treasury shares to develop the Company’s capital structure.

All serving Board members were re-elected and Carl Rosenblad was re-elected as Chairman. In addition, Erik Lindborg was elected a new Board member. Shareholders present at the meeting represented 80 percent of the votes and 66 percent of the capital.

Nomination committee
The task of the nomination committee is to propose candidates for election to the Board prior to the annual general meeting. In 2012, the nomination committee consisted of Lennart Norling (Chairman, independent of the Company and major shareholder), Chairman of the Board Carl Rosenblad and Rasmus Palmqvist (independent of the Company, representing one of the major shareholders, Sound Invest). The nomination committee held one (1) meeting in 2012.

The nomination committee is also responsible for the composition and working procedures of the Board. At the 2012 annual general meeting, the nomination committee reported on its work and also presented and explained its proposals regarding election of the Board and auditor. The committee’s members have received compensation of SEK 10,000 per person, and reimbursement for expenses, in accordance with the decision of the 2011 annual general meeting.

Board
Consilium’s Board has ultimate responsibility for managing the Company’s affairs between the annual general meetings. The Board appoints the President and CEO, and makes decisions on issues concerning the strategic direction of the business and the Company’s overall organisation. Since the annual general meeting in May 2012, Consilium’s Board has consisted of six members.

The Board is composed of persons
representing the Company’s major shareholders and persons who are independent of the major shareholders. The CEO does not serve on the Board, but is always present at Board meetings. The CFO also normally attends the meetings and acts as Minutes Secretary. Other employees in the Group may also attend Board meetings in a reporting capacity.

The Board held seven meetings at which minutes were taken during 2012. Matters dealt with at the meetings included the year-end report, interim financial reports, the market situation and outlook, business plans, goals and strategies, financial risk management, budgets, long-term financing, organisational changes and strategic cooperation and acquisitions. The attendance and independence of the Board and co-opted members is shown in the table below.

**Chairman of the Board**
The Chairman is responsible for ensuring the work of the Board is conducted efficiently and that the Board performs its tasks. The Chairman organises and leads the work with the aim of creating the best possible conditions for the Board’s members. The Chairman also remains in regular contact with the Company’s CEO in order to ensure the Board has access to sufficient information to allow it to follow the Company’s performance and financial position, and to plan accordingly. Carl Rosenblad is Chairman of the Board.

**Work of the Board**
The Board of Directors has adopted a formal work plan which defines the division of work between the Board and CEO. The formal work plan also regulates the Board’s areas of responsibility, duties and decision-making powers. The main duties involve making decisions on strategic issues, assuming responsibility for the Company’s capitalisation and capital structure, ensuring the Company is efficiently managed and making decisions on other matters of importance such as large investments and acquisitions. The Board’s formal work plan also contains rules on information management and on evaluation of the work of the Board and the CEO. A written set of instructions for the CEO defines the division of work between the Board and CEO, and regulates the powers of the CEO.

An important task is to ensure correct and timely reporting in the Company, and to the Board and share market. Accordingly, the Board receives regular reports detailing significant events, order intake trends, invoicing, results, cash flow, financial position and the number of employees in the Group and its companies. During the year, the Board has at least one meeting with the chief auditor who also maintains regular contact with the Chairman of the Board.

**Committees**
The Board of Consilium has decided that the size of the Company does not warrant the appointment of an audit committee. Audit matters are dealt with by the full Board. On at least one occasion during the year, Consilium’s auditors report in person to the Board on their observations from the audit and their evaluation of the Group’s internal control. Matters concerning exchange rate movements, investments, acquisitions and strategic direction are also dealt with.

For the reason mentioned above, Consilium has decided the full Board will deal with remuneration matters rather than establishing a special remuneration committee. The main work involves defining the CEO’s employee benefits, and preparing share-based payment programmes, such as option schemes, for adoption by the annual general meeting.

**President and Group management**
The President and Chief Executive Officer of Consilium is Ove Hansson. The division of work between the CEO and Board and the CEO’s powers are regulated in the instructions for the CEO, which are defined and revised on an annual basis. Group management consists of the President and CEO, the CFO and the managers of Consilium’s business areas. More information about Group management can be found on page 61.

**Operational control**
Consilium’s operations are organised into a number of divisions in the two business areas, Marine & Safety and Fire Safety & Automation, which are responsible for Consilium’s offering and global
The Group’s reporting and follow-up systems is that they are characterised by transparency and decentralisation. The management of each subsidiary is strongly committed to developing and rationalising these processes. A key to success is having access to relevant and correct information, which is measured and followed up. Much effort has been devoted to the implementation and development of business systems for measuring the profitability of individual transactions, customers, sectors and geographical markets. Individual costs are monitored and measured at critical stages in production, administration and sales. These are then compared with previous results and targets.

Remuneration of the Board and key management personnel
The 2012 annual general meeting adopted Board fees of SEK 550,000 for the period up to the next annual general meeting, distributed as follows: Chairman of the Board SEK 150,000, other Board members SEK 100,000 each.

The meeting also adopted guidelines relating to the compensation of key management personnel, which are essentially in line with market salaries and other terms of employment. Key management personnel’s remuneration consists of the basic salary, annual variable compensation, any long-term share-based incentive schemes, retirement benefits, other benefits and conditions for termination and severance pay. The annual variable compensation is always capped at a maximum of 3 monthly salaries. None of the key management personnel has a period of notice exceeding 12 months. Annual variable compensation and long-term share-based incentive schemes must primarily be linked to the earnings and value development of the Company/Group. Retirement benefits are always contribution-based.

Auditor
The auditor’s task is to examine Consilium’s financial statements and accounting records and the administration of the Board and CEO. The chief auditor also submits an audit report to the annual general meeting. Shareholders have the opportunity to put questions to the auditor at the meeting.

Consilium’s auditor is elected by the annual general meeting. The 2010 annual general meeting elected Sten Häkansson from Öhrlings PricewaterhouseCoopers AB as auditor for a period of three years. At the 2012 annual general meeting, it was decided that auditors would be paid against invoice in accordance with approved purchasing principles.

Fees paid to Öhrlings PricewaterhouseCoopers AB in 2012 amounted to SEK 0.8 million (auditing services 0.8 million, other services 0.0 million).

Consilium’s stakeholders
Consilium is dependent on a number of external parties. Cooperation and contacts with these parties may take the form of contractual and informal relationships or partnerships. The Company’s stakeholders are parties who affect Consilium or can be affected by Consilium. The simplified stakeholder model above does not show fragmented stakeholders such as competitors with whom the Company does not have any clear relationship. Added to the model are phrases expressing values which are inherent in the relationships or which Consilium seeks to establish.

Sustainability
It is Consilium’s ambition to embrace the principles of sustainable development in its operations. Consilium sees sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (UN 1987). The Group’s sustainable development work will also focus on The Natural Step’s four sustainability principles and the environmental quality objectives adopted by the Swedish parliament.
It is Consilium’s goal that all product companies and production units will have an environmental management system according to ISO 14000. It is important that the Company’s operations are planned, implemented, monitored and improved according to this standard in order to reduce adverse environmental impacts. Consilium sees this work as a natural part of its commitment to the Company’s stakeholders. In addition, it is Consilium’s firm belief that a successful environmental programme also generates economic benefits, both in the short and long term.

Environmental policy
Based on the Company’s own requirements and the expectations of the outside world, Consilium works for a better environment and endeavours to offer environmentally-friendly products and solutions that promote sustainable development. Consilium regards legislation and regulations as a minimum requirement and, as in all its operations, aims for constant improvement and reduction of the Group’s environmental impacts. In order to achieve this, Consilium will:

• allocate sufficient resources for environmental work
• integrate environmental issues into its quality management system
• in an overall perspective, treat environmental measures as a long-term investment
• encourage and develop environmental awareness among employees, and
• cooperate with environmentally-aware suppliers and partners.

The Board’s internal control report for 2012
Consilium’s Board is responsible for ensuring internal control is conducted in accordance with the Swedish Companies Act and the Swedish Corporate Governance Code. Consilium’s financial reporting follows the legislation and regulations for companies listed on NASDAQ OMX Stockholm and the local regulations in the Company’s countries of operation. Consilium’s financial reporting will:

– be correct and complete, and prepared in accordance with current laws, standards and recommendations
– provide a true and fair description of the Company’s operations, and
– support a rational and well-informed valuation of the Company’s operations.

In addition to these goals, internal financial reporting must support correct business decisions at all levels in the Group.

The Board’s description of internal control is based on the structure of COSO’s (Committee of Sponsoring Organisations of the Treadway Commission) framework for internal control.

Control environment
In order to create and maintain a functioning control environment, the Board has adopted a number of fundamental documents of key importance to financial reporting. These include the Board’s formal work plan and the instructions for the CEO. The CEO is primarily responsible for ensuring the control environment adopted by the Board is upheld in the day-to-day operations and reports regularly to the Board in accordance with defined procedures. Reports are also submitted by the Company’s auditor. The internal control structure is also based on a management system which reflects the company’s organisation and method of operating, with clearly defined roles, areas of responsibility and delegation of authority.

The Group’s control documents, such as policies, guidelines and code of business ethics, also play an important role in the control structure. Control documents dealing with financial reporting are the most important components of the financial reporting control environment. These documents are regularly updated to reflect amendments to reporting standards, legislation and listing regulations.

Risk assessment
The Group carries out regular risk assessment in order to identify significant risks associated with financial reporting. The main risk associated with financial reporting relates to material misstatements and insufficient disclosure in the financial statements, which can occur during recognition and measurement of assets, liabilities, income and expense. Other risks include fraud, loss or embezzlement of assets. Risk management is incorporated into each process, and different methods are used to assess and limit risks and to ensure the risks to which Consilium is exposed are managed in accordance with adopted policies, instructions and established monitoring procedures, and that these minimise potential risks and support correct accounting, reporting and disclosure.

Control activities
Control activities are designed to manage what the Board and management consider to be significant risks, and in doing so to prevent, identify and correct any errors in financial reporting. These control activities may be clear decision-making procedures and processes for important decisions such as acquisitions, other major investments, disposals, agreements and analytical monitoring. An important task for Consilium’s staff functions is to implement, develop and maintain the Group’s control routines and carry out internal controls focusing on business-critical areas. Process managers at different levels are responsible for carrying out the necessary controls relating to financial reporting.

Accounting and reporting processes have controls relating to measurement,
accounting policies and accounting estimates. All entities in the Group have their own controllers/financial managers who participate in the evaluation of their own reporting. Continuous analysis of financial reporting at both entity and Group level represents an important way of ensuring financial reports do not contain material misstatements. The Group’s control organisation plays a key part in the internal control process and is responsible for ensuring each entity submits correct, complete and timely financial reports.

**Information and communication**

Consilium has internal information and communication paths which support complete and correct financial reporting. These include control documents such as internal directives, guidelines and policies on financial reporting. Regular updates and briefings about changes in accounting policies and reporting and disclosure requirements are communicated and made available to all employees concerned. The Group’s intranet gives the organisation access to policies and guidelines. The Board receives regular financial reports. External information and communication is governed by the Company’s information policy which describes Consilium’s general principles for information-sharing.

**Monitoring**

The Group’s compliance with adopted policies and guidelines is monitored by the Board and Company management. The Company’s financial situation is dealt with at each Board meeting. Consilium’s management monitors the financial results on a monthly basis by analysing deviations from the budget, forecast and previous year. All monthly accounts are discussed with the management of each business area. Financial reporting is reviewed by the Board prior to publication of quarterly and annual reports.

The auditors also examine internal control in the Group as part of their annual audit. The Board meets the auditors in order to review internal control and, if applicable, to give the auditors special internal control assignments. It is the auditors’ opinion that internal control is good.

**Internal control**

Consilium has an internal risk assessment function which reports directly to the CFO. The function reports implemented control measures to the Group President. Where control measures include visits to subsidiaries or their divisions, the activity is carried out in accordance with a specially created control process. This process has been developed in order to optimise working methods and delivery of value-creating reports. Internal control has also developed a uniform risk management process for areas such as customer credit policy and insurance solutions, which will further strengthen corporate governance in the Group.

Consilium does not have a special internal audit function. It is the Board’s opinion that there are no special circumstances in the Company or its operations which warrant the establishment of such a function.

Stockholm, 22 April 2013

Carl Rosenblad
Chairman of the Board

Peter Carlberg
Erik Lindborg
Fredrik Nygren
Board Member
Board Member
Board Member

Carl Adam Rosenblad
Ann-Marie Åström
Board Member
Board Member

Ove Hansson
President and CEO

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**Auditor’s statement on the corporate governance report**

To the annual meeting of the shareholders of Consilium AB (publ), corporate identity number 556480-3327

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2012 on pages 55-59 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, 23 April 2013

Öhlings PricewaterhouseCoopers AB

Sten Håkansson
Authorized Public Accountant