

## Corporate Governance Report 2014

Beijer Electronics AB is a Swedish public limited company quoted on NASDAQ OMX Nordic Exchange Stockholm Small Cap List, with ticker BELE. Beijer Electronics applies the Swedish Code of Corporate Governance. The complete version of the Code is available at [www.bolagsstyrning.se](http://www.bolagsstyrning.se).

The Corporate Governance Report for the financial year 2014 has been prepared in accordance with the Code's recommendations, and Beijer Electronics is not reporting any instances of non-compliance with the Code for 2014. The company's Auditors have performed a statutory review of the Corporate Governance Report.

### Shareholders and Articles of Association

There were 3,379 (3,488) shareholders at the end of the year. The largest shareholder is Stena Sessan Rederi AB with 29.8% of the votes. Of total share capital at year-end, some 12% (15) was held by foreign investors. Share capital is 6,355,862 SEK divided between 19,067,586 shares. Share capital shall be a minimum of 2,000,000 SEK and a maximum of 8,000,000 SEK. Each share has a quotient value of approximately 0.33 SEK. All shares have one vote and equal entitlement to the company's assets and profits. For more information on the share and shareholders, see pages 74–75. Information on shareholders is updated semi-annually and is also available at the group's website, [www.beijerelectronics.se](http://www.beijerelectronics.se).

Beijer Electronics' Articles of Association have no special stipulations regarding the appointment or dismissal of Board members or amendments to the Articles of Association. For such resolutions at shareholders' meetings, the majority requirements stated in the Swedish Annual Accounts Act apply.

### AGM 2014

Beijer Electronics' AGM was held on April 23, 2014. 82 shareholders attended the Meeting personally or by proxy, representing some 64% of the votes. Chairman of the Board Anders Ilstam was elected

Chairman of the Meeting. All ordinary Board members and the company's Auditors attended the Meeting.

Chairman of the Board Anders Ilstam reported on the work of the Board of the Directors in the financial year 2013. In his presentation, Beijer Electronics' CEO and President Fredrik Jönsson reviewed operations in 2013 and progress in the first quarter of 2014. The Auditors reported their observations of the company's accounting records and administration to the Meeting, and reviewed their work over the past year. The minutes of the Meeting are available from Beijer Electronics and have been published on the company's website.

Some of the resolutions of the meeting follow:

- To pay 1.25 SEK per share as dividend for the financial year 2013, in accordance with the Board of Directors' proposal.
- The Board of Directors shall consist of seven (7) members with no deputies.
- To re-elect the Board members Bert-Åke Eriksson, Ulrika Hagdahl, Anders Ilstam, Maria Khorsand, Bo Elisson, Christer Öjdemark and Fredrik Jönsson in accordance with the Nomination Committee's proposal.

- To re-elect Anders Ilstam as Chairman of the Board in accordance with the Nomination Committee's proposal.
- That fees to the Chairman of the Board and other Board members are 1,625,000 SEK.
- To adopt procedures for appointment and work of the Nomination Committee.
- To adopt the Board of Directors' proposed guidelines for remunerating senior managers.
- To authorize the Board of Directors to decide to increase the company's share capital by a maximum of 635,334 SEK through the new issue of a maximum of 1,906,002 shares on one or more occasions in the period until the next AGM.

### The Nomination Committee for the AGM 2015

The Nomination Committee was presented on September 29, 2014 and has five members, with one representative of each of the four largest shareholders at the time of publication (holdings on the last business day of August 2014), and the Chairman of the Board. Martin Svalstedt, representing Stena Sessan Rederi AB, leads the work of the Nomination Committee. The Nomination Committee's duty is to prepare proposals for Board members, the Chairman of the Board, fees to Board members and Auditors, and Chairman of the next AGM. The Nomination Committee remains in place until a new Committee is appointed. The Nomination Committee held one meeting where minutes were taken. A number of informal telephone and email discussions were also held. In addition, all Board members have been interviewed by the Nomination Committee.

Name	Owner's Representative Of	Share of Votes Aug. 29, 2014
Martin Svalstedt	Stena Sessan	29.79%
Claes Murander	Lannebo Fonder	11.12%
Per Trygg	SEB Fonder (SEB Asset Management + SEB Investment Management)	13.87% (7.44% + 6.43%)
Arne Lööv	Fjärde AP-fonden	5.78%
Anders Ilstam, Chairman of the Board		
<b>Total</b>		<b>60.56%</b>

In its work on appointing the Board for the forthcoming term of office, the Nomination Committee appraised the work of the Board. The Nomination Committee judges that members are highly committed, their attendance was high and that the members of the Board represent broad competence, with thorough industrial and financial knowledge, as well as knowledge of international circumstances and markets.

When preparing its proposal for the Board of Directors, the Nomination Committee especially considered the requirements set by the company's strategic development, international operations, governance, control and monitoring for the Board's competence and composition. The Board of Directors' requirements for versatility

and breadth in terms of competence, experience and background, and the Board of Directors' ongoing need for regeneration was also considered. The Nomination Committee's proposal for the Board of Directors to the AGM was presented on January 19, 2015. The Nomination Committee is proposing that Maria Khorsand, Ulrika Hagdahl, Bo Elisson, Christer Öjdemark and Anders Ilstam are re-elected as Board members. As Bert Åke Eriksson declined re-election, the Nomination Committee proposes that Johan Wester takes his place. The Nomination Committee is also proposing that current Chairman Anders Ilstam remains as Chairman of the Board.

The Nomination Committee judges that the proposed Board of Directors has an expedient composition in terms of the company's operations, development work and other circumstances to be able to address the needs the company's operations will set.

The rules stipulating independence of Board members in accordance with the Swedish Code of Corporate Governance have been observed. According to the Nomination Committee, all proposed Board members, apart from Johan Wester, are not affiliated to Beijer Electronics' major shareholders. All Board members are not affiliated to Beijer Electronics.

#### **The Board of Directors**

The Board of Directors has the ultimate responsibility for the company's organization and administration and reaches decisions on strategic matters. In the financial year 2014, Beijer Electronics AB's Board of Directors had seven members appointed by the AGM.

Beijer Electronics has not set any specific age limit for Board members, nor any time limit for how long a Board member can serve on the Board of Directors. For detailed information on Board members, see the group's website and page 69.

#### **The Role of the Chairman of the Board**

Apart from leading the Board of Directors' work, the Chairman of the Board of Beijer Electronics AB continuously monitors progress by maintaining ongoing contact with the Chief Executive Officer on strategic matters. The Chairman of the Board represents the group on ownership-related matters.

#### **The Board of Directors' Working Methods**

The Board of Directors' work conforms to a yearly plan. Decisions are taken by the Board after an open discussion led by the Chairman. The Chief Financial Officer of Beijer Electronics AB, also Compliance Officer for the Code of Corporate Governance, serves as Secretary of the Board of Directors. Apart from the Board meeting following election, which is held coincident with the AGM, the Board normally meets five times per year (scheduled meetings). Extra meetings are convened when necessary. The Board of Directors' and Chief Executive Officer's rules of procedure are adopted yearly at the Board meeting following election. Each meeting follows an agenda, with supporting documentation provided to Board members in good time before each Board meeting.

The Annual Accounts, proposed appropriation of profits and the financial statement are considered each financial year in the first

scheduled Board meeting of the financial year. Coincident with this process, the company's Auditors submit a report to the Audit Committee regarding the Auditors' observations and judgments of the audit conducted. The Chief Executive Officer is assigned to submit Interim Reports approved by the Board of Directors at scheduled meetings later in the financial year. Each scheduled meeting also includes several other matters on its agenda, including a report on the current results of operations.

The Board of Directors appraises its own work and that of the Chief Executive Officer on an ongoing basis. Previously, a formal appraisal was conducted at the October Board meeting, led by the Chairman of the Board. This year, as in 2013, a decision was taken to delegate conducting in-depth interviews with all members to the Nomination Committee instead.

#### **Work of the Board in 2014**

In the financial year 2014, the Board of Directors held nine (9) Board meetings in addition to the Board meeting following election. Extensive contact was maintained between the company, the Chairman of the Board and other members between Board meetings. The company's Auditors attended the first Board meeting of the year, reporting their observations on the group's internal controls and financial statement. The Auditors met the Board of Directors' Audit Committee on one other occasion.

#### **Remuneration Committee**

The Remuneration Committee is appointed yearly by the Board of Directors. The Remuneration Committee consults on the Board of Directors. The Remuneration Committee consults on the Board of Directors' decisions on remuneration of the Chief Executive Officer, decides on remuneration to other senior managers and consults on proposals for potential incentive plans. The Remuneration Committee collects decision support data and views from other Board members, the CEO and CFO. The Committee also collects comparative decision support data externally. In 2014, the members of the Remuneration Committee were Anders Ilstam and Bert Åke Eriksson. In the financial year 2014, the Remuneration Committee held two (2) meetings where minutes were taken. No special remuneration for Committee work was paid. Guidelines for remunerating senior managers for the financial year 2015 will be approved at the AGM in April.

#### **Audit Committee**

All Board members serve on the Audit Committee apart from the Chief Executive Officer. The Chairman of the Board is also Chairman of the Audit Committee. No special remuneration for committee work was paid. The duty of the Committee is to analyze and discuss the company's risk management, controlling and internal controls, and financial reporting. The Committee maintained contact with the company's Auditors to discuss matters including the orientation and scope of audit work. The Audit Committee has adopted guidelines for other services apart from auditing the company can purchase from the company's auditors. The complete guidelines are available at the company's website.

#### Remuneration to the Board and Management in 2014

In 2014 the Chief Executive Officer of the parent company, also President of the group, and other senior managers drew basic salary and other benefits that are reported in Note 7, page 44–45. In the table, other senior managers mean the nine people that made up group management in 2014 alongside the Chief Executive Officer.

#### Remuneration to the CEO

Apart from contracted basic salary, the Chief Executive Officer is also entitled to performance-related pay. Performance-related pay is based on the group's operating profit and is a maximum of six months' salary. Pension and other customary benefits are additional.

Each year, 35% of gross salary including bonus is provisioned as pension assurance for the CEO. This pension is defined contribution and becomes payable at age 65. According to agreement, the CEO has a notice period from the company's side of 18 months, which cannot be claimed for termination initiated by the CEO. The notice period from the Chief Executive Officer's side is six months. No other remuneration upon termination has been agreed. The above information indicates the terms that applied to the company's former CEO, Fredrik Jönsson. Fredrik Jönsson resigned in September 2014, and in accordance with the terms of his employment contract, the company has provisioned an amount corresponding to 18 months' salary and benefits.

#### Remuneration to Other Senior Managers

Other senior managers have basic salary with a performance-related component. The performance-related component is based partly on the group's and partly on each business area's operating profit and sales growth. Yearly performance-related pay is a maximum of six months' salary. Other senior managers have defined contribution pension agreements on market terms. Other customary benefits are additional. Maximum notice periods of 12 months for termination from the company's side have been agreed for other senior managers. This applies to all apart from one, who has a six month notice period and nine months' severance pay on termination from the company's side.

#### Incentive Plans

The purpose of incentive plans is to promote senior management's commitment to the group's progress and thus increase value for the group's shareholders. In recent years, the group offered senior managers the opportunity to acquire warrants, as well as participation in a long-term incentive program where 3% of group profit is set aside to be distributed to the 30 individuals included in the program after three years. Both programs have now been terminated, and no new incentive schemes were introduced in 2014.

#### Directors' Fees

The Directors' fees resolved by the AGM in April 2014 were 1,625,000 (1,620,000) SEK in 2014 and are allocated according to the table on page 67.

#### Management and Corporate Structure

The Chief Executive Officer is responsible for Beijer Electronics' ongoing administration, which covers all matters that are not reserved for the Board and administered by management. Instructions approved by the Board of Directors formalize the Chief Executive Officer's authorization to make decisions regarding investments, company acquisitions and divestments and finance matters.

Group management currently consists of the Chief Executive Officer, the Business Area Director of IDC, four Regional Directors, one Operations Director, the CFO and HR Director. The CEO also serves as Business Area Director of IAS, the largest business area.

Group management meetings are held regularly to discuss the group's strategic and operational progress and to monitor results of operations. For more information on the members of group management, see the group's website and page 71.

From September 15, 2014, Anna Belfrage holds the position as acting President and CEO.

In connection with the changes to the executive management and the Board resolution to invest close to 176 MSEK in Westermo, the Board of Directors decided to appoint an Executive Board for Westermo until further notice. Westermo's Executive Board includes two members of Beijer Electronics' Board of Directors and the CEO.

#### Business Areas

Beijer Electronics' operations are organized into two business areas. The Business Area Directors are members of the Executive Management Team and are responsible for the Income Statement and Balance Sheets of their respective areas. In terms of external reporting, the group's operations are divided into two business areas: IAS and IDC.

#### Internal Control over Financial Reporting

In tandem with adopting the Interim Report for the third quarter and annual Financial Statement, the company's Auditors report their observations from auditing and evaluating the company's internal controls. According to the Swedish Companies Act, the Board is responsible for internal controls. This responsibility includes issuing annual financial reports. The Board of Directors receives the reports and sets standards on their content and presentation to ensure quality each year. This implies that financial reporting should be expedient by applying applicable accounting standards and other requirements of listed companies.

#### Control Environment, Risk Assessment and Control Structures

Beijer Electronics structures and organizes its operating activities proceeding from decentralized responsibility for profitability. The base of internal controls in a decentralized operation consists of a well-secured process intended to define targets and strategies for each business.

Defined decision-paths, authorizations and responsibilities are communicated through internal instructions, regulations and policies adopted by the Board of Directors. The group's primary financial controlling documents are the overarching 'Corporate Manual', a

## Work of the Board of Directors in 2014

Ordinary Board member	Elected Yr.	Position	Attendance			Affiliation to		
			Audit Committee	Remuneration Committee	Board Meetings	Fees, SEK	Beijer Electronics	Major Shareholders
Anders Ilstam	2002	Chairman	2/2	2/2	10/10	500,000	no	no
Bo Elisson	2013	Member	2/2		10/10	225,000	no	no
Bert Åke Eriksson	2002	Member	1/2	2/2	9/10	225,000	no	yes
Ulrika Hagdahl	2006	Member	2/2		10/10	225,000	no	no
Fredrik Jönsson	2008	CEO	1/2		6/10		yes	no
Maria Khorsand	2010	Member	2/2		10/10	225,000	no	no
Christer Öjdemark	2013	Member	2/2		10/10	225,000	no	no

\* Board members Ulrika Hagdahl and Bo Elisson received 93,750 SEK and 125,000 SEK respectively for Board assignments in the subsidiary Westermo. Fredrik Jönsson resigned on September 15, 2014.

reporting manual and audit manual, including instructions for each financial statement. Beijer Electronics has an established control structure to manage the risks the Board and management consider significant to internal controls regarding the group's accounting organization.

Accounting managers at all levels play a key role in terms of integrity, skills and the ability to create the environment necessary to achieve transparent and accurate financial reporting. Another important overall control activity is the monthly update on results that is conducted via the internal reporting system, and analyzed and subject to comment in reports to the Board. Monitoring the results of operations includes reconciliation against previously determined targets, the most recent forecast and monitoring established key financial ratios.

In accordance with the Code's stipulations, the Board of Directors has taken a view on the need for a dedicated internal audit function, and concluded that at present, there is no need to create such resources within the Beijer Electronics group. Coincident with its evaluation of this need, the Board of Directors considered the group's size, risk outlook and the control functions already established within the group, which include regular internal audits operated by the central finance function.

### Financial Reporting and Information

Beijer Electronics' communication processes are intended to supply the market with relevant, reliable, accurate and up-to-date information on the group's progress and financial position.

Financial information is regularly submitted in the form of financial statements, interim reports, annual reports and press releases on important news and events that can materially affect the share price. Presentations and teleconferences for financial analysts, investors and the media are held on the day of publication of annual and quarterly reports. All reports, presentations and press releases are published on the group's website and intranet.

### Insider Policy

Beijer Electronics' Board of Directors has adopted an insider policy supplementing Swedish market abuse legislation. This policy states the rules on registering insiders, their holdings and reporting, alerts and prohibition of trading in financial instruments. The complete insider policy is available from the company's website.

### Code of Conduct

Beijer Electronics' operations should be conducted with high standards of integrity and ethics. The group has adopted a number of values that function as a framework for employees and promote good judgment and consistent decision-making. The company's Board of Directors approves the Code of Conduct each year for the group's operations, which also includes ethical guidelines. The document is available in full on the group's website.

### Values

Beijer Electronics' values – Commitment, Drive and Trust – constitute a long-term commitment linked to its business concept, goals and strategy, guiding employees in daily activities. 'Commitment' reflects commitment to maximize customer benefit and closeness in relationships with customers, collaboration partners and employees. 'Drive' illustrates proactivity and a go-ahead approach in attitudes and technology development. 'Trust' represents honesty and conduct that inspires trust.