

## Corporate Governance Report 2017

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

The Corporate Governance Report for the financial year 2017 has been prepared in accordance with the Code's recommendations. Beijer Electronics Group has one instance of non-compliance to report. Point 7.2 of the Code stipulates that the Audit Committee should consist of at least three Board members. The Board's assessment is that two members is sufficient to deal with Beijer Electronics Group's most important matters in terms of risk and audit issues. The current members are independent of the company, management and major shareholders, and have long-term and extensive experience of these issues from other companies.

The company's Auditors have performed a statutory review of the Corporate Governance Report.

### Shareholders and Articles of Association

There were 3,456 (3,463) shareholders at the end of the year. The largest shareholder is Stena Sessan with some 29.8% of the votes. Of total share capital at year-end, some 19% (12) was held by foreign investors. Share capital is 9,533,793 SEK divided between 28,601,379 shares. Share capital should be a minimum of 5,000,000 SEK and a maximum of 20,000,000 SEK. Each share has a quotient value of approximately 0.33 SEK. The company has two share classes, ordinary shares and class C shares. The maximum permitted issue of class C shares is 5% of all the shares of the company, and they carry 1/10 of a vote per share. For more information on the share and shareholders, see pages 8–9. Information on shareholders is updated quarterly and is also available at the Group's website, [www.beijergroup.com](http://www.beijergroup.com).

Beijer Electronics Group's 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 2017

Beijer Electronics Group's AGM was held on 27 April 2017. 77 shareholders attended the Meeting personally or by proxy, representing some 58% of the votes. Chairman of the Board Anders Ilstam was elected Chairman of the Meeting. All ordinary Board members apart from Ulrika Hagdahl and the company's Auditors attended the Meeting.

Chairman of the Board Anders Ilstam reported on the work of the Board of Directors in the financial year 2016. Beijer Electronics Group's President and CEO Per Samuelsson reviewed significant events in the Group in 2016 and the company's progress in the first quarter of 2017. The Auditors reported their observations of the company's accounting records and administration to the Meeting, and presented a review of their work over the past year.

The minutes of the Meeting are available from Beijer Electronics Group and have been published on the company's website.

Some of the resolutions of the meeting follow:

- Not to pay a dividend for the financial year 2016, in accordance with the Board of Directors' proposal.
- The Board of Directors shall consist of five members with no deputies.
- To re-elect the Board members Ulrika Hagdahl, Maria Khorsand, Bo Elisson, Christer Öjdemark and Johan Wester in accordance with the Nomination Committee's proposal.
- To re-elect Bo Elisson as Chairman of the Board in accordance with the Nomination Committee's proposal.
- To appoint registered public accounting firm Pricewaterhouse Coopers, Malmö, Sweden as the company's auditor for the period until the end of the AGM 2018.
- That fees to the Chairman of the Board and other Board members are 1,400,000 SEK, and fees to each Board member for work in the Remuneration or Audit Committee of 50,000 SEK to the Chairman and 30,000 SEK to other members.
- To adopt the Board of Directors' proposed guidelines for remunerating senior executives.
- 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.
- To resolve on the creation of a long-term share-based incentive plan, LTI 2017/2020, and the associated hedging measures.

### Nomination Committee for the AGM 2018

The Nomination Committee was presented on 21 September 2017 and has five members, with one representative of each of the four largest shareholders before publication (holdings on the last business day of August 2017), and the Chairman of the Board. Martin Svalstedt, representing Stena Sessan, 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 four meetings where minutes were taken. A number of informal telephone and email discussions were also held. All Board members have been interviewed by the Nomination Committee and responding to a survey on the Board's work.

Nomination Committee Namn	Owner's representative of	Holdings as of 31 Aug. 2017
Martin Svalstedt	Stena Sessan	29.79%
Per Trygg	SEB Fonder	13.63%
Bengt Belfrage	Nordea Fonder	12.43%
Ulf Hedlundh	Svolder	8.39%
Bo Elisson, Chairman of the Board		
<b>Total</b>		<b>64.24%</b>

In its work on appointing the Board of Directors for the forthcoming term of office, the Nomination Committee appraised the work of the Board. The findings of this appraisal included that Board members are highly committed, and their attendance was high. Generally, the Nomination Committee was able to conclude that Board work was effective, and that the members of the Board of Directors represent broad competence, with thorough industrial and financial knowledge, as well as knowledge of international conditions and markets.

When preparing its proposal for the Board of Directors, the Nomination Committee especially considered the stipulations of rule 4.1 of the Swedish Code of Corporate Governance, i.e. that the Board of Directors should have an expedient composition in terms of the company's operations, developmental phase and other circumstances, featuring diversity and breadth in terms of members' competence, experience and backgrounds, and that an even gender balance should be pursued.

The Nomination Committee's proposal for the Board of Directors to the AGM was presented on 22 January 2018.

The Nomination Committee proposes that the Board of Directors consists of five members. The Nomination Committee is proposing re-election of Ulrika Hagdahl, Bo Elisson and Johan Wester, and election of Karin Gunnarsson and Lars Eklöf. Maria Khorsand and Christer Öjdemark have declined re-election. The Committee also proposes that the Board of Directors' current Chairman, Bo Elisson, remains as Chairman.

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 independent of Beijer Electronics Group's major shareholders. All Board members are independent of Beijer Electronics Group.

### **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 2017, Beijer Electronics Group's Board of Directors had five members appointed by the AGM.

Beijer Electronics Group 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 87.

### **The role of the Chairman of the Board**

Apart from leading the Board of Directors' work, the Chairman of the Board of Beijer Electronics Group 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 Group, 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. In addition, a formal appraisal is conducted led by the Chairman of the Board. In 2017, the appraisal was completed in the form of a survey presented to each Board member. Board members sent their responses to an external party, independent of the Board of Directors and the company, who collated the responses. The appraisal was then presented to the Chairman and to other Board members in connection with the Board meeting in December 2017.

### **Work of the Board in 2017**

In the financial year 2017, the Board of Directors held ten (eight) 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 two other occasions.

### **Remuneration Committee**

The Remuneration Committee is appointed yearly by 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 executives 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 2017, the members of the Remuneration Committee were Bo Elisson and Johan Wester,

## Work of the Board of Directors in 2017

Board member	Elected yr.	Position	Attendance			Affiliation to		
			Audit Committee	Remuneration Committee	Board meetings	Fees, SEK	Beijer Electronics Group	Major shareholders
Anders Ilstam <sup>1</sup>	2002	Chairman			3/11	550,000	no	no
Bo Elisson <sup>1*</sup>	2013	Member/ Chairman		1/1	11/11	225,000	no	no
Ulrika Hagdahl*	2006	Member			10/11	225,000	no	no
Maria Khorsand***	2010	Member	2/2		11/11	255,000	no	no
Christer Öjdemark**	2013	Member	2/2		11/11	275,000	no	no
Johan Wester***	2015	Member		1/1	11/11	255,000	no	yes

<sup>1</sup> Chairman of the Board Anders Ilstam left in April 2017 and was succeeded by Bo Elisson.

\* Board member Ulrika Hagdahl received 375,000 SEK for consulting assignments in the sub-group Westermo.

\*\* Board members Anders Ilstam and Christer Öjdemark received 50,000 SEK each for committee work included in the above table.

\*\*\* Board members Maria Khorsand and Johan Wester received 30,000 SEK each for committee work included in the above table.

with Bo Elisson serving as Chairman. In the financial year 2017, the Remuneration Committee held one (1) meeting. Remuneration for committee work was paid in accordance with the resolution of the Annual General Meeting 2017. Guidelines for remunerating senior executives for the financial year 2017 will be approved at the AGM in April.

### Audit Committee

The Audit Committee members are Maria Khorsand and Christer Öjdemark, with Christer Öjdemark serving as Chairman. The duty of the Committee is to analyze and discuss the company's risk management, governance 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 for committee work was paid in accordance with the resolution of the Annual General Meeting 2017.

### Remuneration to the Board and Management in 2017

In 2017, the Chief Executive Officer of the parent company, also President of the Group, and other senior executives drew basic salary and other benefits that are reported in Note 7, page 62–63. Other senior executives mean the six people that made up Group management in 2017 alongside the Chief Executive Officer.

### Remuneration to the CEO

Apart from contracted basic salary, from the financial year 2017 onwards the Chief Executive Officer is also entitled to variable remuneration. Variable remuneration is based on the Group's EBIT 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.

### Remuneration to other senior executives

Other senior executives have basic salary with a variable component. The variable component is based partly on the Group's and partly on each business area's EBIT and sales growth. Yearly variable remuneration is a maximum of six months' salary. Other senior executives 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 executives. 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. The AGM 2017 resolved to create a long-term share-based incentive plan, LTI 2017/2020 for management and a number of key individuals within the Group. The plan measures performance in 2017, but has a three-year term, and involves up to 20 employees of the Group. Participants in the plan undertake to acquire shares of the company themselves, to then receive what are termed performance shares on satisfying or exceeding performance targets in 2017.

### Directors' fees

The Directors' fees resolved by the AGM in April 2017 were 1,400,000 (1,625,000) SEK in 2017 and are allocated according to the table above, and on page 63.

### Management and corporate structure

The Chief Executive Officer is responsible for Beijer Electronics Group's 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.

Senior executives currently consist of the Chief Executive Officer, the EVP/CFO, HR Director and presidents of the three business entities Beijer Electronics, Westermo and Korenix. 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 senior executives, see the Group's website and page 92.

### **Business entities**

Beijer Electronics Group's operations are organized into three business entities. The Presidents of each business entity are members of Group management, and are responsible for the Income Statement and Balance Sheet of each entity.

### **Internal controls 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. The company's Auditors participate in Board meetings and special meetings with the Audit Committee, which enables Board members to ensure that internal control is satisfactory and that reporting to the Board is effective.

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 assure quality. This implies that financial reporting should be expedient by applying applicable accounting standards and other requirements of listed companies. The CEO presents a financial report to the Board of Directors at least once monthly, presented in a manner specified by the Board of Directors in advance. This enables the Board of Directors to monitor any divergences in terms of reporting or content.

### **Control environment, risk assessment and control structures**

Beijer Electronics Group 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 reporting manual and audit manual, including instructions for each financial statement. Beijer Electronics Group has an established control structure to manage the risks the Board of Directors 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 targets set, 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 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 Group's 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 Group's 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 black-out periods for trading in financial instruments. The complete insider policy is available from the company's website.

### **Code of Conduct**

Beijer Electronics Group's 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 guidelines for the Group's conduct in society in order to ensure its long-term value-creating ability. The document is available in full on the Group's website.

### **Values**

Beijer Electronics Group's 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, collaborative partners and employees. 'Drive' illustrates proactivity and a go-ahead approach in attitudes and technology development. 'Trust' represents honesty and conduct that inspires trust.