

Corporate Governance Report

GROUP CONTROL

Beijer Alma AB is a Swedish public limited liability company listed on NASDAQ OMX Stockholm AB (Stockholm Stock Exchange). Beijer Alma's corporate governance is based on Swedish legislation, rules and regulations, including the Swedish Companies Act, NASDAQ OMX Stockholm's rules for issuers, the Swedish Corporate Governance Code (the "Code"), the company's Articles of Association and other relevant rules and guidelines.

Beijer Alma makes every possible effort to apply standards and processes that ensure the operations create long-term value for the Group's shareholders and other stakeholders. In tangible terms, this entails that Beijer Alma's operations are organized in an efficient manner with clearly defined areas of responsibility and authority, that systems are in place for risk management and internal control, that financial reporting is characterized by transparency and openness and that the company acts in a responsible manner in all situations.

DEVIATIONS FROM THE CODE

Beijer Alma deviates from provision 2.4 of the Swedish Corporate Governance Code, which stipulates that the company's directors may not serve as the Chairman of the Nomination Committee. The Chairman of the company's Board of Directors is the principal shareholder, and the nomination procedure for the Nomination Committee approved by the Annual General Meeting states that the Chairman of the Nomination Committee shall represent the principal shareholder. Provision 2.4 also stipulates that not more than one of the directors on the Nomination Committee may be dependent in relation to the major shareholders. However, the Annual General Meeting, which appoints members of the Nomination Committee, resolved that the Nomination Committee must include two directors, both of whom are dependent in relation to the principal shareholder.

Beijer Alma also deviates from provision 4.2 of the Code, which stipulates that deputy directors may not be elected as directors by the Annual General Meeting. The Annual General Meeting elected the company's President as Deputy Director based on the Nomination Committee's motion.

SHAREHOLDERS

According to Euroclear Sweden AB's shareholder register, the number of shareholders at year-end 2013 amounted to 4,921. The total number of shares was 30,131,100, of which 3,330,000 were Class A shares and 26,801,100 were Class B shares. Anders Wall, along with his family and companies, has a shareholding corresponding to 34.6 percent of the company's total number of votes and the Anders Wall Foundation holds 13.5 percent. There are no other shareholders whose votes exceed 10 percent of the total number of votes. Each Class A share entitles the holder to ten votes and each

Class B share entitles the holder to one vote. The Class A share carries an obligation to offer shares to existing shareholders. The Class B share is listed on the Mid Cap list of the NASDAQ OMX Nordic Exchange Stockholm. All shares carry the same right to the company's assets and profit and entitle the holder to the same dividend.

ANNUAL GENERAL MEETING

The Annual General Meeting is the highest decision-making body in which the shareholders exercise their influence. The Annual General Meeting shall be held not more than six months after the end of the financial year. All shareholders who are registered in the shareholder register and provide timely notification of their intention to attend the Meeting are entitled to participate in the Annual General Meeting and vote in accordance with their total shareholdings. The notice of the Meeting is published in the Swedish Official Gazette (Post- och Inrikes Tidningar), Dagens Industri, Uppsala Nya Tidning and on the company's website. Shareholders who are unable to attend the Meeting may be represented by an authorized proxy. Each shareholder or proxy may be accompanied at the Meeting by up to two advisors. A total of 414 shareholders participated in the Annual General Meeting on March 19, 2013, representing 66.8 percent of the total number of shares and 82.0 percent of the total number of votes. The minutes from the Annual General Meeting are available on Beijer Alma's website.

The resolutions passed by the Annual General Meeting included the following:

- To issue a dividend of SEK 7.00 per share.
- To re-elect Directors Carina Andersson, Marianne Brismar, Anders G. Carlberg, Peter Nilsson, Anders Ullberg, Anders Wall and Johan Wall, as well as Deputy Director Bertil Persson.
- To re-elect Anders Wall as Chairman of the Board and Johan Wall as Deputy Chairman.
- To pay each director a fee of SEK 275,000. To pay the Chairman of the Board a fee of SEK 650,000, plus an assignment fee of SEK 250,000 for duties other than those involving normal Board work.
- Principles for remuneration and employment terms for senior executives.

- To re-elect the auditing firm Öhrlings PricewaterhouseCoopers AB for a period of one year. The auditing firm announced that it intended to appoint Authorized Public Accountant Leonard Daun as Beijer Alma's new Chief Auditor.
- Election of the Nomination Committee
- To authorize the Board to make decisions concerning share issues totaling not more than 3,000,000 Class B shares or convertible debentures corresponding to the same number of Class B shares.

NOMINATION COMMITTEE

The Nomination Committee is a preparatory body responsible for presenting motions regarding, for example, the Board, auditors and fees for resolution by the Annual General Meeting. A Nomination Committee was appointed by the 2013 Annual General Meeting. The task of the Nomination Committee is to submit motions concerning the Board of Directors, the Chairman of the Board of Directors, directors' fees, the Chairman of the Annual General Meeting, the auditors and auditors' fees ahead of the 2014 Annual General Meeting. The individuals appointed were Anders Wall, in his capacity as principal owner and Chairman of the Board, Director Johan Wall and three representatives of the next largest shareholders. These representatives were Mats Gustafsson (Lannebo Fonder), Henrik Didner (Didner & Gerge Fonder) and Hans Ek (SEB Fonder).

The Chairman of the Board held individual discussions with each director to assess the work and competence requirements of the Board. The Chairman of the Board provided the nomination Committee with information about this assessment, as well as the company's operations and other relevant circumstances. The Nomination Committee's motions will be presented in the notice of the 2014 Annual General Meeting. The Nomination Committee held two meetings during the year.

BOARD OF DIRECTORS

The Board of Directors is responsible for the organization and administration of the company, as well as the ongoing assessment of the financial situation of the company and the Group. The Board is also responsible for ensuring that the company is organized in a manner that enables its financial accounts, management of funds and other financial conditions to be adequately controlled. According to the Articles of Association, the Board shall comprise not fewer than seven and not more than ten regular members and not more than two deputy members elected by the Annual General Meeting. The Board currently comprises seven regular members and one deputy member. Salaried employees in the Group may also participate in Board meetings to present particular cases. The minutes of the Board meetings are taken by an independent legal counsel.

The composition of the Board is presented in the table below. Directors Anders Wall and Johan Wall represent shareholders controlling more than 10 percent of votes and capital.

In 2013, the Board held eight meetings during which minutes were taken. The attendance of the members of the Board at these meetings is presented in the Annual Report page 43. The following areas were addressed during the Board meetings: monitoring of the business operations and profitability trend, objectives and strategies for the operations, acquisitions and other key investments. One of the meetings was held at Habia's offices, where local management presented the company's operations. One of the Board meetings focused on strategy issues.

The Board discussed various matters in 2013, including the terms and conditions considered acceptable in major tenders, as well as the Group's preparedness in the event of fraud attempts and the procedures and internal regulations in place – for example, with regard to payments – in order to manage this type of risk. Beijer Alma's auditor reported his findings from the audit of the Group's accounts and internal control procedures at two Board meetings. The auditor also provided information concerning accounting changes and their impact on Beijer Alma. The Board is presented in Note 2 on page 58 of the Annual Report.

The Board of Directors has adopted a written work plan that governs the following:

- A minimum of seven (7) Board meetings in addition to the statutory meeting and when they are to be held;
- The date and content of notices of Board meetings;
- The items that are normally to be included in the agenda for each Board meeting;
- Minute-taking at Board meetings;
- Delegation of decisions to the President;
- The President's authority to sign interim reports.

This work plan is reviewed and updated annually. In addition, the division of duties between the Board and the President, as well as the President's responsibilities and authorities, are governed by a directive. The Board also has formal requirements pertaining to information about the performance of the Group and the individual companies. This has resulted in a monthly report that contains key events and trends concerning order bookings, invoicing, margins, earnings, cash flow, financial position and the number of employees.

REMUNERATION COMMITTEE

Directors Anders Wall, Anders G. Carlberg and Anders Ullberg were appointed from among the ranks of the Board to prepare motions regarding the President's salary, bonus, pension benefits and other remuneration. The Committee also prepares principles for remuneration to Group management and approves motions by the

President regarding remuneration to Group management within the framework of the guidelines adopted by the Annual General Meeting. The company's remuneration principles and guidelines are described in Note 1, and the Board of Directors' recommendation to the Annual General Meeting is that these remain unchanged for 2014. The Remuneration Committee held one meeting in 2013, which was attended by all members.

AUDIT COMMITTEE

The Audit Committee comprises the entire Board of Directors.

CODE OF CONDUCT

The Group's focus on corporate social responsibility (CSR) continued during 2013, and its values were compiled into a Code of Conduct. The Code of Conduct focuses on people, the environment and ethics. For each of these areas, the Code describes the approach and values that apply at Beijer Alma. Additional information about the Group's CSR efforts is available on the website and on pages 12–15 of the Annual Report.

OPERATIONAL CONTROL

The President of Beijer Alma, Bertil Persson, is also the company's CEO and is responsible for the operational control of the Group. In addition to the President, Group management comprises the presidents of the subsidiaries Lesjöfors, Habia Cable and Beijer Tech, the Group's Chief Financial Officer and Controller. Group management is responsible for conducting Beijer Alma's operating activities in accordance with the Board's instructions and guidelines, and ensures that the Board's decisions are executed.

Beijer Alma's business operations are conducted through its subsidiaries Lesjöfors, Habia Cable and Beijer Tech. Lesjöfors's operations are organized into two business areas, Habia's operations into four business areas and Beijer Tech's into two business areas. The total number of profit centers in Beijer Alma is approximately 50. The Group's business organization is based on decentralized responsibility and authority, combined with fast and efficient reporting and control systems.

The Boards of Directors of Lesjöfors, Habia Cable and Beijer Tech comprise individuals from Group management. Habia's Board also includes external members. Work plans similar to the Parent Company's work plan have been prepared for the subsidiaries' Boards of Directors and written instructions are in place for the presidents of the subsidiaries. The subsidiaries are also governed by a number of policies and instructions that regulate the companies' operations, including the Code of Conduct, which is a key policy.

Beijer Alma is a holding company that manages three separate businesses, in which daily operational decisions are made as necessary. Financial reporting in the Group is therefore very important from a corporate governance perspective. A major part of the communication and discussion in the Group is based on the internal financial reporting.

The subsidiaries report their order bookings, invoicing and order stocks for each profit center on a weekly basis, and monthly financial statements are prepared for each profit center. These financial statements are analyzed at different levels in the Group and consolidated at the subsidiary and Group levels. Reports are presented to Group management for each profit center, business area and subsidiary. This reporting is carried out within the system used for the consolidated financial statements. In addition to income statements and balance sheets, the monthly financial statements include key figures and other relevant information. In connection with the monthly financial statements, a meeting is held with the subsidiary management groups. The Group's quarterly financial statements are released every three months to the market.

The essence of the Group's reporting and monitoring systems is that the systems should be characterized by decentralization and transparency. In each subsidiary, considerable significance is given to improving and streamlining the company's processes. Extensive effort has been devoted to implementing and developing business systems to enhance the measurement of the profitability of individual businesses, customers, industries and geographic markets. The Group measures the costs for the various components of its production, administration and sales operations, and compares these with estimates as well as earlier results and targets. The information gathered in this manner is used for internal benchmarking.

INTERNAL CONTROL

The Board of Directors' internal control responsibilities are governed by the Swedish Companies Act and the Swedish Corporate Governance Code. The Code also contains requirements for external disclosure of information, which stipulate the manner in which the Group's internal control of financial reporting is to be organized.

The aim of the internal control of financial reporting is to establish reasonable security and reliability in the Group's external financial reporting, which comprises annual and interim reports. Internal control is also intended to provide reasonable assurance that these financial reports are prepared in accordance with any prevailing legislation, applicable accounting standards and other rules for listed companies.

The Board of Directors has overall responsibility for the Group's internal control of financial reporting. The division of duties is regulated by the Board through a work plan. The Audit Committee, which comprises the entire Board of Directors, is responsible for ensuring compliance with the policies for financial reporting and internal control, and that the required contact is maintained with the company's auditor.

Responsibility for the daily operational work involved in internal control of financial reporting is delegated to the President. Along with the Group's Chief Financial Officer and Controller, the President works together with the subsidiary management groups to develop and strengthen the Group's internal control. The basis of the internal control of financial reporting is the overall control environment. Having an organizational structure in which areas of responsibility and authority are clearly defined, conveyed and documented is a key component of the control environment.

For the Group's internal control to function, it is important to identify and evaluate the most significant risks to which the Group's companies, business areas and processes are exposed. This risk assessment results in control objectives and activities designed to ensure that the Group's financial reporting fulfills the basic requirements.

Control activities are implemented in all areas that impact financial reporting and follow the structures of the reporting process and accounting organization. The employees at every profit center are responsible for accurate reporting and financial statements.

These financial statements are analyzed at the profit center, business area, subsidiary and Group levels. Extensive analysis of deviations is performed as part of these analyses. Deviations from estimates and expected results are analyzed, as are deviations from historical data and forecasts. The operational follow-up that takes place at the Parent Company level is a key component of Beijer Alma's internal control.

Reviews take place at all levels to ensure that internal controls are performed. The Board is responsible for these reviews.

Taking into consideration the size, organization and financial reporting structure of the Group, the Board deems that no special internal audit function is warranted at present.

Excerpt from the Auditors' Report concerning the Corporate Governance Report: "A corporate governance report has been prepared. The statutory administration report and corporate governance report are consistent with the other parts of the annual accounts and consolidated accounts."