

Corporate Governance Report

GROUP CONTROL

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

DEVIATIONS FROM THE CODE

Beijer Alma deviates from provision 2.4 of the 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 is to 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 the members of the Nomination Committee, resolved that the Nomination Committee was to include two directors, both of whom are dependent in relation to the principal shareholder.

Beijer Alma makes every possible effort to apply standards and processes that ensure that its operations create long-term value for the Group's shareholders and other stakeholders. Strong, effective corporate governance within Beijer Alma includes a number of related components, which are described below.



SHAREHOLDERS AND THE SHARE

According to Euroclear Sweden AB's shareholder register, the number of shareholders at year-end 2015 was 8,443. The total number of shares was 30,131,100, of which 3,325,000 were Class A shares and 26,806,100 were Class B shares. Anders Wall, along with his family and companies, has a shareholding corresponding to 34.6 percent of the total number of votes in the company and the Anders Wall Foundation holds 18.4 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 Nasdaq Stockholm. All shares carry the same right to the company's assets and profit, and entitle the holder to the same dividend.

Beijer Alma's dividend policy is to distribute a minimum of one-third of its net earnings, always taking into consideration the Group's long-term financing needs.

ANNUAL GENERAL MEETING

The Annual General Meeting is the Group's highest decisionmaking body, in which the shareholders are entitled to make decisions on matters pertaining to Beijer Alma. The Annual General Meeting is to 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, Upsala 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 516 shareholders participated in the Annual General Meeting on March 19, 2015, representing 55.8 percent of the total number of shares and 75.1 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 8.50 per share.
- To re-elect Directors Carina Andersson, Marianne Brismar, Anders G. Carlberg, Peter Nilsson, Anders Ullberg, Anders Wall and Johan Wall, and to elect Caroline af Ugglas as a new director.
- To re-elect Anders Wall as Chairman of the Board and Johan Wall as Deputy Chairman.
- To pay each director a fee of SEK 300,000. To pay the Chairman of the Board a fee of SEK 900,000.
- Principles for remuneration and employment terms for senior executives.
- To re-elect the auditing firm Öhrlings PricewaterhouseCoopers AB for a period of one year.
- 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.
- To permit Class A shareholders to convert their Class A shares to Class B shares.

NOMINATION COMMITTEE

The Nomination Committee prepares motions regarding, for example, the Board of Directors, auditors and fees for resolution by the Annual General Meeting. A Nomination Committee was appointed by the 2015 Annual General Meeting. The task of the Nomination

Committee is to submit motions concerning the Board of Directors, the Chairman of the Board, directors' fees, the Chairman of the Annual General Meeting, the auditors, auditors' fees and the Nomination Committee ahead of the 2016 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), Hans Ek (SEB Fonder) and Vegard Söraunet (Odin Fonder). If a change in ownership occurs or if one of the aforementioned individuals resigns from his or her position, the Nomination Committee may replace the committee member with a representative of the next largest owner.

The Chairman of the Board held individual discussions with each director to assess the work and competence requirements of the Board. These discussions were based on the directors' individual written responses to an in-depth survey presented in advance to each director by the Chairman 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 2016 Annual General Meeting. The Nomination Committee held two meetings during the year.

BOARD OF DIRECTORS

According to the Swedish Companies Act, the Board of Directors is responsible for the organization and administration of the company, as well as for control of the Group's financial reporting, the management of funds and the company's financial conditions. The Board of Directors determines the Group's overall strategy, targets and policies. The Board also makes decisions regarding acquisitions, disposals and major investments. The Board approves the Group's annual reports and interim reports, and proposes dividends and guidelines for remuneration to senior management for resolution by the Annual General Meeting.

According to the Articles of Association, the Board is to 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 eight regular members. Salaried employees in the Group may also participate in Board meetings to present certain matters. 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 the votes and capital in the company.

In 2015, the Board held ten meetings during which minutes were taken. The attendance of the members of the Board at these meetings is presented in the table below. The following areas were addressed during the Board meetings: sales and profitability trend, objectives and strategies for the operations, acquisitions and other key investments. One of the meetings was held at one of Habia Cable's units, where local management presented the company's operations. One of the Board meetings focused on strategy issues. 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 and President are presented in Note 2 on page 54 and on page 74 of the Annual Report.

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

- A minimum of seven 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 their responsibilities and authorities, are governed by a directive. The Board 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.

Styrelsens ledamöter	Invald år	Oberoende i förh till större ägare	Oberoende i förh till bolaget	Ersättningsutskott	Revisionsutskott	Deltagande på styrelsemöten	Aktieinnehav A-aktier	Aktieinnehav B-aktier
Anders Wall ordförande	1992		X	X	X	10(10)	1 921 600	1 591 520
Johan Wall vice ordförande	1997		X		X	10(10)		3 000
Carina Andersson ledamot	2011	X	X		X	9(10)		2 000
Marianne Brismar ledamot	2010	X	X		X	10(10)		10 000
Anders G Carlberg ledamot	1997	X	X	X	X	10(10)		3 000
Peter Nilsson ledamot	2008	X	X		X	9(10)		3 000
Caroline af Ugglas ledamot	2015	X	X		X	7(8)		700
Anders Ullberg ledamot	2007	X	X	X	X	10(10)		15 000

REMUNERATION COMMITTEE

Directors Anders Wall, Anders G. Carlberg and Anders Ullberg were appointed to the Remuneration Committee from among the ranks of the Board. The Remuneration Committee prepares 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 2016. The Remuneration Committee held two meetings in 2015, which were attended by all members.

AUDIT COMMITTEE

The Audit Committee comprises the entire Board of Directors.

CODE OF CONDUCT

The Group's focus on CSR continued during the year. The Group's values have been compiled in a Code of Conduct based on internationally accepted conventions. An updated brochure concerning the Group's Code of Conduct was distributed to all employees in 2015. This brochure contains e-mail addresses for reporting improprieties and other breaches of the Code of Conduct under the Group's whistleblower system.

The Code of Conduct focuses on people, the environment and ethics. For each of these areas, it 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 10–11 of the printed 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, as well as 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 for ensuring that the Board's decisions are executed. Beijer Alma's organization is decentralized. This is a conscious, strategic decision based on the fact that the Group's businesses are often local in nature and a conviction that it is best that decisions be made locally, near the issue in question. 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 into two 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 subsidiaries' Boards of Directors 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, which makes it necessary for daily operational decisions to be made locally by the subsidiaries. Financial reporting in the Group is therefore very important in terms of corporate governance. A large part of the communication and discussions in the Group are based on internal financial reporting. The subsidiaries report their order bookings, invoicing and stock of orders for each profit center on a weekly basis. 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 in 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 financial statements are released to the market quarterly.

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 focus is given to improving and streamlining the company's processes. The business systems are developed to make it easier to measure the profitability of individual businesses, customers, industries and geographic markets. The Group measures the efficiency of 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 to the market. 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, meaning the 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. The Board of Directors also conducts an ongoing, thorough review in which each subsidiary evaluates its own internal control. Responsibility for the daily operational work involved in internal control of financial reporting is delegated to the President, who together with the Group's Chief Financial Officer and Controller, works 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. A well-functioning decentralized structure in which areas of responsibility and authority are clearly defined, conveyed and documented is a key component of the control environment. Standardized reporting instructions are applied by all units in the Group.

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 analysis results in control objectives and activities designed to ensure that the Group's financial reporting fulfills the basic requirements. Control activities are implemented during 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.

The 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 Group 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

EXTERNAL AUDIT

At the 2015 Annual General Meeting, PricewaterhouseCoopers (PWC) was elected as auditor until the 2016 Annual General Meeting. PWC has audited the Group for more than 20 years. Leonard Daun was appointed as Chief Auditor. PWC is the auditor for the Parent Company Beijer Alma AB, the Group and most of the other companies in the Group. The Group's auditor reports his observations at the Board meetings held to discuss the annual and interim financial statements. The external audit is conducted in accordance with the International Standards of Auditing (ISA).

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