

Corporate Governance Report

Group control

Beijer Alma AB is a Swedish public limited liability company listed on Nasdaq Stockholm (Stockholm Stock Exchange). 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.

Shareholders and the share

The shareholder register is maintained by Euroclear Sweden AB. The number of shareholders at year-end 2016 amounted to 10,967. The total number of shares was 30,131,100, of which 3,310,000 were Class A shares and 26,821,100 were Class B shares. Anders Wall, along with his family and companies, has a shareholding corresponding to 34.7 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 company's highest decision-making body, in which the shareholders make decisions on matters pertaining to Beijer Alma. The Annual General Meeting is 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 not more than six weeks and not less than four weeks prior to the Meeting 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 a maximum of two advisors. A total of 645 shareholders were represented at the Annual General Meeting on April 5, 2016, representing 65.1 percent of the total number of shares and 80.7 percent of the total number of votes. The minutes from the Annual General Meeting are available on Beijer Alma's website.

The following resolutions were passed at the Annual General Meeting:

- To approve a dividend of SEK 9.50 per share.
- To re-elect Directors Carina Andersson, Marianne Brismar, Anders G. Carlberg, Peter Nilsson, Caroline af Ugglas, Anders Ullberg and Johan Wall. Anders Wall had announced his decision to decline re-election to the Board.
- To elect Johan Wall as Chairman of the Board.
- 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.

Nomination Committee

The Nomination Committee is responsible for preparing motions regarding the Board of Directors, Chairman of the Board, Chairman of the Annual General Meeting, auditors and fees for resolution by the Annual General Meeting. A Nomination Committee was appointed by the 2016 Annual General Meeting to prepare motions in accordance with the above prior to 2017 Annual General Meeting. The individuals appointed were Anders Wall, in his capacity as principal owner, Chairman of the Board Johan Wall and three representatives of the next largest shareholders. These representatives were Mats Gustafsson (Lannebo Fonder), Hans Ek (SEB Fonder) and Henrik Didner (Didner & Gerge Fonder). In the event of a change in ownership 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.

In order to develop the work of the Board, an annual assessment is performed. Each director responded to a survey containing relevant questions regarding the work of the Board and how it can be improved. The Nomination Committee has been informed about the results of this survey and about the company's operations and other relevant circumstances. The Nomination Committee's motions will be presented in the notice of the 2017 Annual General Meeting. The Nomination Committee held six 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 the 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.

The Board is to comprise not fewer than seven and not more than ten regular directors and not more than two deputy directors

elected by the Annual General Meeting. The Board currently comprises seven regular directors. Salaried employees in the Group may also participate in Board meetings to present certain matters. Attorney Niklas Elofsson of Vinge law firm serves as Board secretary.

The composition of the Board is presented in the table below. Director Johan Wall represents shareholders controlling more than 10 percent of the votes and capital in the company. All other directors are independent in relation to the company's major shareholders.

In 2016, the Board held seven 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 Beijer Tech'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. At one of these meetings, the auditor also provided information concerning accounting changes and their impact on Beijer Alma. The Board and President are presented in Note 3 on page 58.

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

- A minimum of seven Board meetings per year 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

The Board's work plan is reviewed annually and updated when necessary. The terms of reference issued to the President clarify the division of duties between the Board and the President as well as the responsibilities and authorities of the President. The Board receives monthly information regarding the performance of the Group and the individual companies in the form of a monthly report containing key events and trends concerning order bookings, invoicing, margins, earnings, cash flow, financial position and the number of employees.

Remuneration Committee

The Board has appointed a Remuneration Committee comprising Anders G. Carlberg, Anders Ullberg and Johan Wall, with Anders Ullberg serving as Chairman. The Remuneration Committee prepares motions regarding the President's salary and other employment terms. 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 2, and the Board of Directors' recommendation to the Annual General Meeting is that these remain unchanged for 2017. The Remuneration Committee held two meetings in 2016, which were attended by all members.

Audit Committee

In autumn 2016, the Board appointed an Audit Committee comprising Anders Ullberg (Chairman), Caroline af Ugglas and Johan Wall. The Group's CFO reports to the Committee. In the past, the Audit Committee comprised the entire Board of Directors. The Committee's responsibilities include monitoring the financial reporting and discussing the company's risks and the scope of the audit with the auditor. The Committee is to hold four scheduled meetings per year and, during autumn 2016, the committee held one meeting, which was attended by all members.

Code of Conduct

The Group's work related to CSR continued during the year. The Group's values have been compiled in a Code of Conduct based on internationally accepted conventions. The company's 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. A brochure presenting and explaining Beijer Alma's Code of Conduct has been distributed to all employees. This brochure also contains e-mail addresses for reporting improprieties and other breaches of the Code of Conduct under the Group's whistleblower system. Additional information about the Group's CSR efforts is available on the website and on pages 10–11.

Operational control

Responsibility for the operational control of the Group rests with the CEO. Group management comprises the CEO, the presidents of the subsidiaries Lesjöfors, Habia Cable and Beijer Tech, the Group's CFO and the Group's 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 strategic and deliberate 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. The actual business operations are conducted in the 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 individuals from outside the Group. As in the Parent Company, the work of the subsidiaries' boards of directors and the division of duties between the boards and the presidents of the subsidiaries are governed by work plans and terms of reference. The subsidiaries are also governed by a number of policies and instructions that regulate their operations, including the Code of Conduct, which is a key policy.

Beijer Alma is a holding company that owns three separate businesses, in which daily operational decisions are made locally by the subsidiaries. Financial reporting in the Group is therefore very important from a corporate governance perspective. A large part of the communication and discussions in the Group are based on internal financial reporting.

Each week, the subsidiaries report their order bookings, invoicing and stock of orders for each profit center. 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. Monthly financial statements are presented and discussed at monthly meetings with Group management and the subsidiary management groups. The Group's financial statements are released to the market quarterly.

In a decentralized organization, it is important that reporting and monitoring systems are transparent and reliable. 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 Audit Committee 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, 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. Other key components of the control environment are policies, procedures, instructions and manuals. Standardized reporting instructions are applied by all units in the Group.

Beijer Alma's financial reporting complies with the laws and regulations in effect for companies listed on Nasdaq Stockholm as well as the local rules that apply in the countries where the Group operates.

An important part of the internal control process involves identifying and assessing material risks that could result in the Group's objectives with respect to its financial reporting not being fulfilled. 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 incorporated into the Group's reporting procedures 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. 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 are performed to ensure that adequate internal controls are conducted at all levels. 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 2016 Annual General Meeting, PricewaterhouseCoopers (PwC) was elected as auditor until the 2017 Annual General Meeting. PwC has audited the Group for more than 20 years. Leonard Daun serves as Chief Auditor.

PwC is the auditor for the Parent Company Beijer Alma AB, the Group and most of the Group companies. The Group's auditor reports his observations to the Audit Committee at the 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."