

# Corporate governance report

Nederman Holding AB (publ) is a Swedish public limited company with its registered office in Helsingborg, Sweden. Nederman is listed on the OMX Nordic Exchange Stockholm on the Small Cap list 2007.

Governance of the Nederman Group takes place via the Annual General Meeting, the board of directors and the Chief Executive Officer, as well as Nederman's executive management team, in accordance with the Swedish Companies Act, other rules and regulations, the Articles of Association, and the rules of procedure for the board of directors, among other things.

Considering Nederman's group structure, the composition of the board of directors in operating subsidiaries, often with representatives from the executive management team, constitutes yet another share of governance for the Group.

With effect from 1 July 2008, The Swedish Code of Corporate Governance shall be applied to all firms on the Nasdaq OMX Stockholm AB. In the past this only applied to companies with a market capitalisation exceeding SEK 3,000 m. Certain parts of the Code will not be applicable until the first Annual General Meeting, after which the new regulations come into force.

Considering that Nederman's market capitalisation is substantially less than SEK 3,000 m the Company has chosen to hold off on applying the code in its entirety. However, Nederman already uses several of the procedures that the code prescribes in order to benefit the shareholders' opportunities for corporate governance. The next Annual General Meeting will be held on 28 April 2009 and thereafter the Code will be applied in its entirety.

## Shareholders

At the end of 2008 the company had 3,755 shareholders. Investment AB Latour was the largest shareholder with 26.5 per cent of the shares. Foreign investors held 21.6 per cent of the shares. The ten largest shareholders had a total holding corresponding to 70.7 per cent of the shares.

## Annual General Meetings

The Annual General Meeting (AGM) is the highest decision-making body in which shareholders can exercise their influence by voting on key issues, such as adoption of income statements and balance sheets, allocation of the Company's profit, discharge from liability of board members and the Chief Executive Officer, election of board members and auditors, as well as remuneration to the board of directors and auditors. The AGM was held in Helsingborg on 29 April 2008.

- The AGM adopted the income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet, decided that the profit be dealt with in accordance with the proposed appropriation of profits meaning a dividend of SEK 2.50 per share for the 2008 financial year and discharged the board of directors and CEO from liability for the financial year.

- The AGM resolved, in accordance with the proposal in the notification to attend the AGM, to elect seven board members, that remuneration to the board should amount to SEK 650,000, of which SEK 150,000 to the Chairman of the board SEK 100,000 to other regular members, with exception to the CEO, that Gunnar Gremlin, Jan Eric Larson and Peter Möller, should be re-elected as board members, that Jan Svensson, Eric Hielte, Per Borgvall and Sven Kristensson should be elected as new members, and that Jan Svensson should be elected Chairman of the board.

## Nominations committee

Holders representing more than 51 per cent of the company's shares have appointed Jan Svensson (Investment AB Latour), Eric Hielte (Ernstströmgruppen) and Peter Rönström (Lannebo Fonder) to the nominations committee ahead of 2009's AGM. The AGM will also decide about the instructions for the nominations committee regarding appointments to the committee and the committee's assignments.

According to the proposal to the instructions, the nominations committee will consist of one representative from each of the three largest shareholders and the Chairman of the board. If any of the three largest shareholders decline from their right to appoint a representative to the committee, then the right will pass to the next largest shareholder.

The nominations committee's tasks will be to prepare proposals, before the next AGM, for electing the Chairman of the board and other board members, election of the Chairman of the meeting, remuneration issues and related issues, and where applicable, election of auditors.

## Board of directors

The board of directors is the second highest decision-making body after the Annual General Meeting. The overall assignment of the board is to decide on the Company's business direction, its resources and capital structure, as well as its organisation and management of urgent matters. The board's general obligations also include continuously evaluating the Company's financial situation and approving the Company's business plan. In its general undertaking, the board addresses issues such as the Company's strategy, acquisitions, major investments, divestments, issuing annual reports and interim reports, as well as appointing the Chief Executive Officer, etc.

The board of directors follows written procedures that are adopted annually at the statutory board meeting. The rules of procedure indicate how the work shall be allocated, where appropriate, among the board members, how often the board meets, and to what extent the deputies shall take part in the board and are called to meetings. In addition, the rules of procedure regulate the board's obligations, quorum, division of responsibilities between the board and the CEO, etc. The board meets according to an annual schedule that is decided in advance. In addition to these meetings, additional meetings may be arranged to deal with events of unusual importance. In addition to meetings, the Chairman of the board and the Chief Executive Officer conduct an ongoing dialogue with respect to managing the Company.

## Attendance at board meetings

	Number of meetings	Number of held meetings
Anders Scharp	2	2
Hans Stråberg	1	2
Caspar Callerström	1	2
Gunnar Gremlin	8	8
Peter Möller	8	8
Jan Eric Larson	7	8
Jan Svensson	6	6
Eric Hielte	6	6
Per Borgvall	5	6
Sven Kristensson	6	6

Once a year the board evaluates the Management team in a systematic fashion. In this context, the Management team includes certain non-senior managers i.e. broader group of employees than what in other parts of this annual report have been defined as senior executives.

Over the past few financial years the board of directors has had to address many issues of strategic importance. Special focus in 2008 was placed on the Group's continued expansion, including acquisitions, the Group's financial framework and objectives, as well as preparations for listing the Company's shares on the OMX Nordic Exchange Stockholm. In 2008 the board of directors held eight minuted meetings and to date in 2009 the board has held one minuted meeting. The 2008 AGM resolved that SEK 150,000 would be paid as directors' fees to the Chairman of the board and SEK 100,000 to each regular member. No board remunerations are paid to the CEO.

The AGM elects board members annually for the time until the next AGM is held. The board of directors shall consist of at least three and no more than eight ordinary members, as well as a maximum of three deputies. In addition, the board may also include employee representatives.

The main shareholders and board members carry out an annual, detailed, evaluation of the board. The evaluation regards among other things the board's composition, board members and the board's work and routines.

Nederman's board of directors consists of seven members elected by the 2008 AGM and two employee representatives. The Chief Executive Officer is a member of the board. The Chief Financial Officer is not a member of the board of directors but participates at meetings by presenting information. The Chairman of the board does not participate in the operating management of the Company.

#### **Chief Executive Officer**

The distribution of work between the board of directors and the Chief Executive Officer is regulated in the rules of procedure for the board of directors and in the guidelines for the Chief Executive Officer. The Chief Executive Officer is responsible for implementing the business plan as well as day-to-day management of the Company's affairs and the daily operations of the Company. This means that the Chief Executive Officer makes decisions on those issues that can be considered to fall under the day-to-day management of the Company.

The Chief Executive Officer may also take action without the authorisation of the board, in matters which, considering the scope and nature of the Company's business, are unusual or of great importance, and awaiting a decision from the Board would cause substantial trouble for the Company's business. Instructions to the Chief Executive Officer also regulate responsibilities for reporting to the board of directors. The board receives a monthly written report containing information following up the Company's sales, orders statistics, operating results and working capital's developments. Moreover, the material contains comments from the Chief Executive Officer and the Chief Financial Officer (e.g. brief comments on the different markets). During months when the board meets the monthly report is more extensive and also includes a balance sheet and cash flow statement, among other things.

Every year the senior executives formulate a strategy proposal, which is discussed and adopted at the board meeting held about halfway through the year. The work with the business plan (including the budget for the coming year) is usually carried out "bottom-up" and based on the strategy adopted by the board of directors. The Chief Executive Officer and the Chief Financial Officer present the business plan proposal to the board of directors. After the board discusses the business plan, it is usually adopted at the last meeting during the autumn. Moreover, the Company usually issues an updated forecast at the end of each quarter in conjunction with the quarterly reports.

#### **Committees**

Questions about salary structuring and benefits for the Chief Executive Officer and management are addressed and approved by a remuneration committee. This committee consists of Jan Svensson and Eric Hielte. Jan Svensson is Chairman of the committee.

The 2008 Annual General Meeting resolved on principles for remuneration to the Chief Executive Officer and senior executives, which is presented in greater detail under the subheading Remuneration to the board of directors and senior executives below. The Company's auditors inform the entire board about the results of their work by at least once a year participating at the board meeting to give an account of the year's audit and their view on the Company's control system without anyone from the management being present.

Therefore Nederman complies with the demand on having an audit committee within the framework of the Swedish Code for Corporate Governance. The principles for remuneration to the Company's auditors are resolved by the AGM. The Company appointed a formal nomination committee during the year, which besides the Chairman of the board consists of one representative and convenes the major shareholders annually well in advance of the AGM in order to gain support for proposals to the AGM's election of a new board of directors.

#### **Auditor**

The auditor audits the Company's annual reports and accounting, as well as the management of the board of directors and the Chief Executive Officer. The auditor submits an audit report to the AGM after each financial year. The AGM appoints auditors for a period of four years. At the AGM on 27 April 2007, KPMG AB and its auditor Alf Svensson as the person responsible, was elected for a period of four years.

The Company's auditor audits the annual accounts and accounting and the Company's current operations and routines, to make an opinion on the accounting and management of the board of directors and the Chief Executive Officer. The annual report and financial statements are reviewed during January and February.

Apart from Nederman, Alf Svensson does not have any assignments in companies over which Nederman's principle shareholders, board members or Chief Executive Officer have any material influence. Alf Svensson is an authorised public accountant and member of the Swedish Institute of Authorised Public Accountants. Remuneration to KPMG for assignments other than auditing amounted to SEK 900,000 in 2008 and related mainly to specific auditing assignments in connection with acquisitions.

Remuneration to the board of directors and senior executives  
The 2008 AGM adopted a policy relating to remuneration and terms of employment for 2008, applying the following underlying principles:

Fixed salary is paid for satisfactory work. In addition there is a potential for variable remuneration linked to the Company's performance and tied up capital. Variable remuneration can amount to a maximum of 30 to 50 per cent of the annual salary, depending on the individual's position in the Company.

The Chief Executive Officer's pension plan is a defined contribution plan with an annual premium equivalent to 30 per cent of the annual base salary. For others in the administration, pension payments follow the contractual ITP plan, except for one member, whose pension payments are made with 10 official "price base amounts" per year. If the CEO resigns, the term of notice is six months. If the Company gives notice of termination, the CEO is entitled to monthly pay for the equivalent of 18 to 24 months (the last six months with reservations for new employment).

For others in the management the term of notice is twelve months if the Company gives notice of dismissal, and six months if the employee resigns. There is no agreement between board members or senior executives and Nederman or any of its subsidiaries for benefits upon conclusion of their assignments. There are no shares or share price-related incentive schemes at this time for the board of directors or senior executives. Nederman's executive management team consists of seven people (including the CEO).

#### **Internal controls**

According to the Swedish Companies Act and the Swedish Code of Corporate Governance, the board of directors is responsible for the Company's internal controls. According to point 3.7.2. of the Code, the board shall annually prepare a report about how the internal control of financial reporting is organised and how well it has functioned over the past financial year. In accordance with the statement made by the Swedish Corporate Governance Board on 5 September 2006, this report has been produced for the first year, as the Company incorporates the Code, confining it to a description of how the internal controls for financial reporting are organised.

#### **Control environment**

Operative decisions are made at a company or business area level, while decisions about strategy, aims, acquisitions and comprehensive financial issues, are made by the parent company's board and management. The internal controls at the Group are designed to function in this organisation. The Group has clear rules and regulations for delegating responsibility and authority in accordance with the Group's structure. The platform for internal controls concerning financial reporting consists of the comprehensive control environment and organisation, decision processes, authority and responsibility that is documented and communicated. In the Group the most significant components are documented in the form of instructions and policies, e.g. financial manuals, ethics policy (Code of Conduct), communication policy, IT policy, financial policy and authorization lists.

#### **Control activities**

To safeguard the internal controls there are both automated controls, such as authorization controls in the IT system and approval controls, as well as manual controls such as auditing and stock-taking. Financial analyses of the results as well as following up plans and forecasts, complete the controls and give a comprehensive confirmation to the quality of the reporting.

#### **Information and communication**

Documentation of governing policies and instructions are constantly updated and communicated in electronic or printed format. For communications with external parties, there is a communication policy that contains guidelines for ensuring that the Company's information obligations are applied fully and correctly.

#### **Following-up**

The CEO is responsible for the internal controls being organised and followed up according to the guidelines that the board has decided on. Financial management and control is carried out by the Group's financial department. Financial reporting is analysed monthly and at a detailed level. The board has dealt with the Company's financial position at its meetings and has also received reports and observations from the Company's auditors.

#### **Articles of Association**

The Articles of Association include establishing the Company's activities, the number of board meetings, the auditors, how notification of the AGM will be made, how matters will be handled at the AGM and where the meeting will be held. The current Articles of Association were adopted at an Extraordinary General Meeting on 10 April 2007, and can be found on the company's website at [www.nederman.com](http://www.nederman.com) and in the annual report for 2008 on page xx.

#### **Review**

The corporate governance report has not been subject to review by the Company's auditors.