

# Corporate governance report

Nederman Holding AB (publ) is a Swedish public limited company with its registered office in Helsingborg, Sweden. Nederman was listed on the NASDAQ OMX Stockholm, Small Cap list in 2007 and since 1 January 2014 the company is registered on the Nasdaq OMX Stockholm Mid Cap list.

Governance of the Nederman Group is performed through shareholders via the Annual General Meeting, the board of directors, the Chief Executive Officer and Nederman's executive management team in accordance with, amongst others, the Swedish Companies Act, other rules and regulations, the Articles of Association, and the rules of procedure for the board of directors. 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.

## SHAREHOLDERS

At the end of 2014 the company had 2,403 shareholders. Investment AB Latour was the largest shareholder with 29.98 per cent of the shares, Lannebo Fonder owned 13.29 per cent and Ernström Kapitalpartner AB owned 10.03 per cent. The ten largest shareholders had a total holding corresponding to 82.59 per cent of the shares. Foreign investors held 10.4 per cent of the shares. For further information about the share and shareholders, see pages 34-35.

## 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, Chairman of the Board and auditors, as well as remuneration to the board of directors and auditors. The AGM was held in Helsingborg on 23 April 2014. At the meeting 34 shareholders were in attendance, representing 61.07 per cent of shares and votes.

- The AGM adopted the income statement and balance sheet for the parent company as well as the consolidated statements of comprehensive income and fi-

ancial position, decided that the profit be dealt with in accordance with the proposed appropriation of profits, and that the dividend to be paid for the 2013 financial year be SEK 4.00 per share. The AGM 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 1,400,000, of which SEK 400,000 to the Chairman of the board SEK 200,000 to other regular members, with exception to the CEO. It was further decided that no remuneration be paid to the remuneration committee and that the auditors be paid on current account. In line with the proposal of the nominations committee, Jan Svensson, Gunnar Gremlin, Per Borgvall, Sven Kristensson, Ylva Hammargren, Fabian Hielte and Susanne Pahlén Åklundh should be re-elected as board members, and that Jan Svensson should be re-elected Chairman of the board.

## NOMINATIONS COMMITTEE

The 2014 AGM adopted instructions for the nomination committee concerning its composition and assignments. According 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.

In accordance with the Annual General Meeting's instructions, Göran Espelund (chairman), Lannebo Fonder, Anders Mörck, Investment AB Latour, Sophia Pettersson, Ernström & C:o AB, and chairman of the board Jan Svensson have been appointed members of the nominations committee before the 2015 Annual General Meeting.

## 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 organization and management. 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 first 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.

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.

In the most recent business year, the Board made decisions concerning several matters of strategic importance. In 2014 special focus was placed on continued adaption of the Group's capacity and cost levels to the current business climate, the strategy and continued expansion of the Group and the financial framework and objectives. In 2014 the Board held five minuted meetings. To date, one minuted meeting has been held in 2015. The 2014 AGM resolved that SEK 1,400,000 would be paid as directors' fees, with SEK 400,000 to the Chairman of the board and

SEK 200,000 to each regular member. No board remuneration is paid to the CEO. It was further decided that no remuneration be paid to the remuneration committee and that the auditors be paid on current account.

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 and may be supplemented with a maximum of three deputies. In addition to this there may be 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 2014 AGM and one employee representative. 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.

#### Attendance at Board meetings

Jan Svensson	5 of 5 possible
Gunnar Gremlin	5 of 5 possible
Fabian Hielte	5 of 5 possible
Per Borgvall	5 of 5 possible
Ylva Hammargren	5 of 5 possible
Sven Kristensson	5 of 5 possible
Jonas Svensson	5 of 5 possible
Susanne Pahlén Åklundh	5 of 5 possible

#### 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 statements of the financial position 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. Work on 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 discussions of 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 Fabian Hielte. Jan Svensson is Chairman of the committee. The committee is a body within the company's Board assigned to draft matters for the Board related to remuneration and other terms of employment for senior executive management. The committee also has the task of preparing guidelines regarding remuneration for other executive management, which the Board will present as a proposal to the Annual General Meeting.

The 2014 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 auditor informs the entire board about the results of the 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 auditor are resolved by the AGM. The 2014 AGM agreed to establish instructions for the nominations committee concerning the composition of the committee and its assignments. The nominations committee shall comprise the Chairman of the board and two representatives. Once a year the committee shall convene 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. From 2011, the AGM appoints an auditor for a period of one year. At the AGM on 23 April 2014, KPMG AB with Dan Kjellqvist as lead auditor, was elected for a period of one year. A new auditor will therefore be elected at the 2015 AGM.

The Company's auditor audits the annual accounts and financial statements 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 accounts and financial statements are reviewed during January and February.

Apart from Nederman, Dan Kjellqvist does not have any assignments in companies over which Nederman's principal shareholders, board members or Chief Executive Officer have any material influence. Dan Kjellqvist 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 0.4m in 2014 and related mainly to specific auditing assignments in connection with mergers.

#### REMUNERATION TO THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

The 2014 AGM adopted a policy relating to remuneration and terms of employment for 2014, 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 35 per cent of the annual base salary. Pension payments for other senior executives follow the ITP collective agreement, except for two executives for whom pension payments amount to 8 times the basic index amount per year and maximum 30 per cent of basic salary, respectively.

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. The AGM on 29 April 2013 agreed to the Board's proposal to introduce a share savings scheme that initially concerns seven individuals comprising key decision makers and executives in the senior management team of the Group. In summary, the scheme means that participants, provided they invest in Nederman shares, shall receive at the earliest on the day after publication of Nederman's Q1 report in 2016, and at the latest 30 days afterwards, shares in Nederman. These shares shall be free of charge and shall be in part so-called matching shares and in part so-called performance shares. To receive matching shares, participants must still be employed by Nederman and their own investment in Nederman shares shall have continued up to the allocation of matching shares. Allocation of performance shares is

dependent on the Group achieving specific financial performance targets in 2013, 2014 and 2015. The AGM decided that the share savings scheme may involve the allocation of a maximum of 75,000 shares in Nederman. To secure the share allocation the AGM agreed to a buy back of the company's shares. Nederman's executive management team currently consists of eight people (including the CEO).

#### INTERNAL CONTROLS

**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 Group management. The internal controls at the Group are designed to function in this organization. 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 organization, 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, com-

plete 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 auditor.

#### 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 26 April 2011, and can be found on the company's website at [www.nederman.com](http://www.nederman.com) and in the annual report for 2014 on page 86.

#### REVIEW

The corporate governance report has been subject to review by the Company's auditors.

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### AUDITORS' REPORT OF THE CORPORATE GOVERNANCE STATEMENT

To the annual meeting of the shareholders in Nederman Holding AB (publ.)  
Corporate identity number 556576-4205

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2014 on pages 37-39 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Statement and based on it and our knowledge of the company and Group, we consider that we have sufficient grounds for our declaration. This means that our statutory review of the Corporate Governance Statement has another focus and scope than an audit in accordance with International Standards on Auditing and good auditing practices in Sweden would have.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Malmö 11 March 2015

KPMG AB

**Dan Kjellqvist**  
Authorised Public Accountant