

Nederman



Corporate governance report



2017

Corporate governance

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

As a listed company, Nederman applies the Swedish Code of Corporate Governance (the Code). The Corporate Governance Report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Companies Act, Nasdaq Stockholm's regulations for issuers, the Code, and other applicable Swedish laws and regulations. In addition to rules pursuant to law or other legislation, Nederman uses internal control instruments that are also the basis for the Group's corporate governance, including the Articles of Association, Rules of procedures for the Board of Directors and the Managing Director, policy documents and the Group's Code of Conduct.

Governance of the Nederman Group takes place through the shareholders via the General Meeting of Shareholders, the Board of Directors, the CEO and the senior executive management of Nederman in accordance with, among other things, the Swedish Companies Act, other laws 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 2017 the Company had 2,657 shareholders. Investment AB Latour was the largest shareholder with 29.98 percent of the shares, Ernström Kapitalpartner AB owned 10.03, and IF Skadeförsäkring AB owned 9.90 percent. The ten largest shareholders held a total shareholding equivalent to 81.57 percent of the shares. Foreign investors held 8.68 percent of the shares. For further information on shares and shareholders, see pages 42-43.

ANNUAL GENERAL MEETING

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 19 April 2017. The meeting was attended by 40 shareholders, representing 79.74 percent of the total shares and votes in the Company.

The meeting adopted the income statement and balance sheet, and the consolidated income statement and balance sheet, resolved to distribute the profit according to the proposal for the appropriation of profit entailing that a dividend of SEK 5.50 per share be paid for the 2016 financial year, and granted discharge from liability for the Directors and CEO.

The General Meeting granted authorisation to the Board to decide that the Company may issue new shares or repurchase the Company's own shares.

The meeting decided in accordance with the proposal in the notification of the meeting to elect seven Board members, that the fees to be paid to the Board would total SEK 1,575,000, of which SEK 450,000 to the Chairman and SEK 225,000 to each of the other Board members, except the CEO. It was also resolved that no fees be paid to the Compensation Committee and that the auditors be paid against account submitted. According to the Nomination Committee's proposal, it was decided to re-elect Jan Svensson as Chairman of the Board, and to re-elect Gunnar Gremlin, Per Borgvall, Ylva op den Velde Hammargren, Johan Menckel, Gunilla Fransson and Sven Kristensson as Board members.

NOMINATION COMMITTEE

The 2017 AGM adopted instructions for the Nomination Committee concerning the appointment of the Nomination Committee and its tasks. 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 AGM's guidelines for the Nomination Committee's work, Anders Mörck (Investment AB Latour, President), Göran Espelund (Lannebo Fonder), Fabian Hielte (Ernström & Co.) and Fredrik Ahlin (IF Skadeförsäkring AB) have been appointed to the Nomination Committee for the 2018 Annual General Meeting. Jan Svensson, Chairman of Nederman's Board, is adjunct to the Nomination Committee. For any questions concerning the Nomination Committee's work, please contact Anders Mörck at anders.morck@latour.se.

Overall structure of corporate governance in Nederman



BOARD OF DIRECTORS

The board of directors is the second highest decision-making body after the General Meeting of Shareholders. 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. 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 direct how the work, where appropriate, shall be divided among the Board members, the frequency of board meetings and the extent to which deputies shall participate in the work of the Board and attend 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 are held in connection 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 recent financial years, the Board had to consider many issues of strategic importance. Particular importance has been given in 2017 to the acquisition and continued adjustment of the Group's capacity and costs to the prevailing economic conditions, the Group's strategy for continued expansion and the Group's financial framework and objectives. The Board had five formal meetings in 2017 and has had one formal meeting so far in 2018. The 2017 AGM decided that the fees to the Board shall be a total of SEK 1,575,000 to be distributed with SEK 450,000 to the Chairman and SEK 225,000 to each of the other Board members, except for 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. Board members are elected annually at the AGM for the period until the next AGM. The Board members elected by the General Meeting are all independent in relation to major shareholders and all, with the exception of the CEO, are independent of the Company and its corporate management. The Board thus meets the Code's requirements for independent Board members. The Members of the Board of Directors are presented on page 54 and at nedermangroup.com.

The main shareholder and the Board members conduct a detailed evaluation of the Board annually. The evaluation regards among other things the board's composition, board members and the board's work and routines. The nomination committee has received the written evaluation done by the work of the board and has also obtained a report of the board's work from the chairman of the board.

Nederman's board consists of seven directors elected at the 2017 Annual General Meeting. The CEO is a member of the Board of Directors. 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 operational management of the Company.

Attendance at Board meetings

Jan Svensson	5 of 5 possible
Per Borgvall	5 of 5 possible
Gunilla Fransson	4 of 5 possible
Gunilla Gremlin	5 of 5 possible
Ylva op den Velde Hammargren	4 of 5 possible
Sven Kristensson	5 of 5 possible
Johan Menckel	5 of 5 possible

CHIEF EXECUTIVE OFFICER (CEO)

The division of work between the Board and the CEO is regulated in the rules of procedure for the Board and in the instructions for the CEO. The CEO 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 CEO is entitled to make decisions on issues that fall within the scope of the ongoing management of the Company. The CEO may also, without authorisation from the Board, take measures which, with regard to the scope and nature of the Company's operations, are of an unusual nature or of major significance and if the Board's decision cannot be waited for without significant disadvantage to the Company's operations. The instructions for the CEO also regulate his/her responsibilities for reporting to the Board. 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 CEO 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 CEO 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 chairman Jan Svensson. The chairman of the committee is Jan Svensson. The committee is a body within the Company's Board with the task of preparing matters concerning remuneration and other employment terms for senior executives and drawing up the guidelines for remuneration for senior executives which the Board shall propose to the AGM to decide on. The remuneration committee has had one meeting in which minutes were taken in 2017.

The 2017 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.

Nederman has determined that the entire Board of Directors shall constitute the Audit Committee. The Company's auditor informs the full Board of the results of his/her work by attending a Board meeting at least once a year to present an account of the year's audit and his/her view of the Company's internal control system without

the presence of any of the Company's senior executives. 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 2017 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 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 the auditor(s) for a period of one year. At the AGM held on 19 April 2017, Ernst & Young AB was elected with Staffan Landén as auditor in charge until further notice. Staffan Landén is an authorized public accountant and member of FAR (the institute for the accounting profession in Sweden). Staffan Landén has many years of experience auditing listed companies and major international audit assignments. He is currently the responsible auditor for, among other companies, Vattenfall AB, Polygon AB, Semcon AB, Thomas Concrete Group AB and National Electric Vehicle Sweden AB (NEVS). Staffan Landén is an exchange auditor appointed by Nasdaq Stockholm. 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. In addition to Nederman, Staffan Landén is the auditor of Oxeon AB in which Latour AB has a 31.08 percent shareholding. Independence in regard to Nederman is not affected. Staffan Landén does not otherwise have any assignments in companies over which Nederman's principal shareholders, board members or Chief Executive Officer have any material influence. Fees for services to Ernst & Young AB other than auditing amounted in 2017 to SEK 0.7 m and mainly relate to tax advice and audit-related services.

REMUNERATION TO THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

The 2017 AGM adopted a policy regarding remuneration and employment terms for 2017. The proposal for the 2018 AGM is that the policy remains unchanged. The following main principles are applied: A fixed salary for satisfactory work. In addition, there is the opportunity for variable compensation linked to the Company's earnings and capital tied up. The variable compensation can amount to a maximum of 30-50 percent of the fixed annual salary depending on the individual's position of employment with the Company.

The CEO's pension plan is a defined contribution plan with an annual premium equivalent to 35 percent of the annual basic 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 30 percent of basic salary, respectively. If the CEO resigns, the term of notice is six months. If the Company terminates the CEO's employment, the CEO will be entitled to a sum equivalent to 18–24 monthly salaries (the last six months with reservation for new employment). For other senior executives, a 12-month period of notice for termination by the Company and six-months for resignation by executives, will apply. No agreements exist between Board members or senior executives and Nederman or any of its subsidiaries in regard to benefits after the end of their terms or positions of employment.

The Annual General Meeting held on 19 April 2017 approved the Board's proposal that the annual programmes for variable remuneration shall be able to be supplemented by a programme for long-term bonuses (LTI). The 2017-2018 LTI programme has been adopted for a minimum period of two years, and objectives shall be set in such a way that there shall be a particularly favourable development for the Company's shareholders. The outcome of the LTI programme which accrues to the senior executive (net after income tax), shall be reinvested in options or Nederman shares bought on the stock exchange. Options or Nederman shares will only be possible on condition of approval by the relevant future Annual General Meeting of Nederman. The reinvested shares and options shall be retained by the senior executive during the employment, though for at least three years. The 2017-2018 LTI programme covers two years and amount in maximum to 35 percent of the annual salary for the CEO and 20 percent of annual salary for other senior executives.

INTERNAL CONTROLS

Control environment. Operational 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 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. Nederman has a simply legal and operative structure and has drafted a governing and internal control system. The board follows up on the organisation's assessment of the internal control function, by means of, among other things, being in contact with Nederman's auditors. For this reason, the board has chosen not to conduct any particular internal audit.

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 communication with external parties, there is a communication policy, which provides guidelines to ensure that the Company's information obligations are met in a correct and complete manner.

Follow-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. At its meetings, the Board has dealt with the Company's financial situation and has also received reports from the Company's auditors on their observations.

ARTICLES OF ASSOCIATION

The Articles of Association include establishment of the Company's activities, the number of Board members and auditors, how notice of the Annual General Meeting shall be made, treatment of matters at the Annual General Meeting and where the meeting shall be held. The current Articles of Association were adopted at the AGM on 26 April 2011 and are available on the Company's website www.nedermangroup.com and in the 2017 Annual Report on page 109.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 50-53 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Helsingborg 16 March, 2018
Ernst & Young AB

Staffan Landén
Authorized Public Accountant