

Nederman

The Clean Air Company



2019

Corporate
Governance Report

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 on the Nasdaq Stockholm Mid Cap list since 1 January 2014.

As a listed company, Nederman applies the Swedish Corporate Governance Code (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 Rule Book for Issuers, the Code, and other applicable Swedish laws and regulations. In addition to rules pursuant to laws 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 procedure for the Board of Directors, the terms of reference for the CEO, 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 Group 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 boards of its operating subsidiaries, which often include representatives from Group management, constitute another element of governance for the Group.

Shareholders

At the end of 2019, the company had 3,928 shareholders. Investment AB Latour was the largest shareholder with 29.98 percent of the shares, while Lannebo Fonder owned 11.03 percent, Ernstrom Kapitalpartner AB owned 10.03 percent and IF Skadeförsäkring AB (publ) owned 9.90 percent. The ten largest shareholders had a total holding corresponding to 79.60 percent of the shares. Foreign investors held 6.27 percent of the shares. For further information about the share and shareholders, see pages 72-73.

Annual General Meeting

The General Meeting of Shareholders is the highest decision-making body, in which the shareholders can exercise their influence by voting on key issues, such as the adoption of the income statement and balance sheet, appropriation of the Company's profit, discharge from liability of Board members and the CEO, the election of Board members, the Chairman of the Board and auditors, and remuneration to the Board of Directors and auditors. The Annual General Meeting was held in Helsingborg on 29 April 2019. A total of 40 shareholders were in attendance at the Meeting, representing 74.60 percent of the 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 2.30 per share be paid for the 2018 financial year, and granted discharge from liability for the Board members and CEO.

The Meeting also authorised 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 six Board members, that the fees to be paid to the Board would total SEK 1,580,000, of which SEK 540,000 to the Chairman and SEK 260,000 to each of the other Board members, except the CEO. The fees to the Audit Committee were set at SEK 75,000 to the Chairman and SEK 50,000 to the other committee member. It was furthermore decided that no fees would be paid to the Remuneration Committee and that the auditors would be remunerated on a current account basis. In accordance with the proposal of the Nomination Committee, Johan Hjertonsson, Ylva op den Velde Hammargren, Gunilla Fransson, Johan Menckel and Sven Kristensson were re-elected to the Board, and Sam Strömerstén was elected as a new Board member. Johan Hjertonsson was elected Chairman of the Board.

Nomination Committee

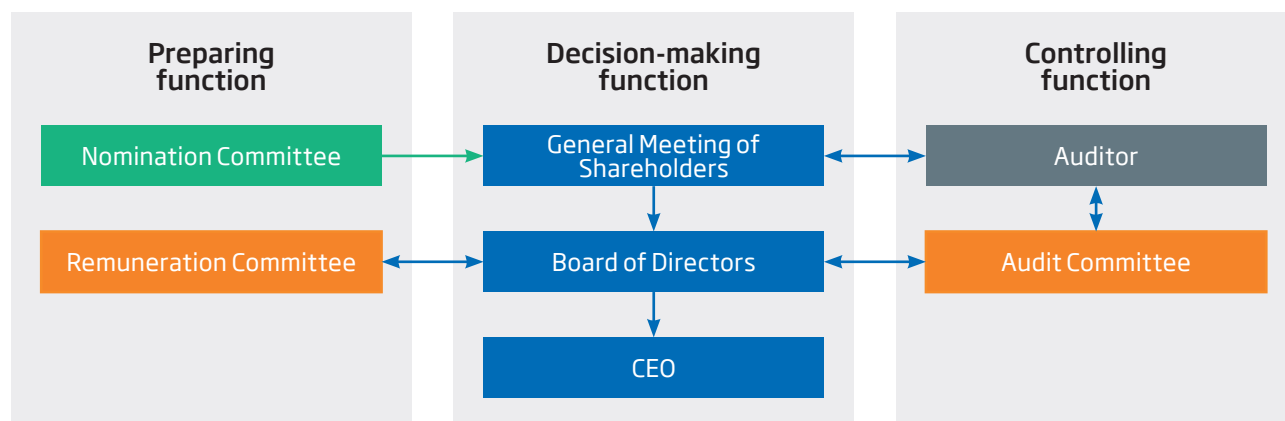
The 2019 Annual General Meeting decided to establish instructions for the Nomination Committee concerning the composition of the committee and its assignments. According to the instructions, the Nomination Committee is to consist of one representative from each of the four largest shareholders and the Chairman of the Board. If any of the four largest shareholders waives their right to appoint a representative to the Nomination Committee, the right will pass to the next largest shareholder. The Nomination Committee's tasks are to prepare proposals, ahead of the next Annual General Meeting, concerning the election of the Chairman of the Board and other Board members, the election of the Chairman of the Meeting, remuneration issues and related issues, and, where applicable, the election of auditors.

According to the guidelines approved by the Annual General Meeting concerning the work of the Nomination Committee, the following individuals have been appointed to the Nomination Committee ahead of the 2020 Annual General Meeting: Anders Mörck (Investment AB Latour), Chairman; Claes Murander (Lannebo Fonder); Henrik Forsberg Schoultz (Ernström & Co); and Fredrik Ahlin (IF Skadeförsäkring AB (publ)). Johan Hjertonsson, Chairman of Nederman's Board of Directors, is a co-opted member of the Nomination Committee. For questions concerning the work of the Nomination Committee, contact anders.morck@latour.se.

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

Overall structure of corporate governance in Nederman



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 overall issues such as the Company's strategy, acquisitions, major investments, divestments, the publication of annual reports and interim reports, and the appointment of the CEO, etc.

The Board of Directors follows written rules of procedure that are adopted annually at the first Board meeting following election. The rules of procedure stipulate how work is to be divided between Board members, how often the Board is to meet and to what extent deputies are to participate in the work of the Board and attend meetings. The rules of procedure also regulate the Board's obligations, the establishment of a quorum, the division of responsibilities between the Board and the CEO, etc. The Board meets according to an annual schedule that is decided in advance. Extraordinary meetings may be called to address events of unusual importance. In addition to Board meetings, the Chairman of the Board and the CEO conduct an ongoing dialogue with respect to the management of the Company.

Once a year, the entire Board conducts a systematic evaluation of the Company's senior executives. In this context, "senior executives" includes certain deputy managers, meaning a broader group of employees.

In recent financial years, the Board has made decisions concerning several matters of strategic importance. In 2019, special focus was devoted to acquisitions, continued adaptation of the Group's capacity, the Group's strategy for continued expansion and the Group's financial framework and objectives. In 2019, the Board held five minuted meetings. To date, one minuted meeting has been held in 2020. The 2019 Annual General Meeting resolved that a total of SEK 1,580,000 would be paid in directors' fees, with SEK 540,000

paid to the Chairman of the Board and SEK 260,000 to each of the other members elected by the Annual General Meeting, with the exception of the CEO. It was furthermore resolved that a fee of SEK 75,000 would be paid to the Chairman of the Audit Committee and SEK 50,000 to the other committee member, and that the auditors would be remunerated on a current account basis. No fees are paid to the Remuneration Committee.

The Annual General Meeting elects Board members annually for the period until the next Annual General Meeting is held. The Board of Directors is to consist of at least three and no more than eight ordinary members and may be supplemented with a maximum of three deputies. In addition, there may be employee representatives. The members elected by the Annual General Meeting are all independent in relation to the major shareholders and, with the exception of the CEO, in relation to the Company and Company management. The Board meets the requirements of the Code with respect to independent members. The members are presented on page 86 and at nedermangroup.com.

The main shareholders and Board members carry out a detailed annual evaluation of the Board. Among other things, the evaluation includes the Board's composition, individual Board members and the Board's work and procedures. The Nomination Committee has reviewed the written evaluation of the work of the Board and has received a report on the work of the Board from the Chairman of the Board.

Nederman's Board of Directors consists of six members elected by the 2019 Annual General Meeting. The CEO is a member of the Board. The CFO is not a member of the Board but, as a rule, participates in Board meetings by presenting information. The Chairman of the Board does not participate in the operational management of the Company.

Attendance at Board meetings

Johan Hjertzonsson	5 of 5
Ylva op den Velde Hammargren	4 of 5
Gunilla Fransson	5 of 5
Johan Menckel	5 of 5
Sam Strömerstén	3 of 3
Sven Kristensson	5 of 5

CEO

The division of activities between the Board and the CEO is regulated by the rules of procedure for the Board and in the terms of reference for the CEO. The CEO is responsible for implementing the business plan as well as the day-to-day management of the Company's affairs and the daily operations of the Company. This means that the CEO makes decisions on those issues that can be considered to fall under the day-to-day management of the Company. The CEO 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, which cannot await a decision by the Board without seriously compromising the Company's business activities. The terms of reference for the CEO also regulate the CEO's responsibility for reporting to the Board. The Board receives a monthly written report containing a follow-up of the Company's order statistics, sales, operating results, working capital developments, income statement, financial position and cash flow statement. The report also contains comments from the CEO and CFO, for example, regarding the various markets.

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 from the bottom up and based on the strategy adopted by the Board of Directors. The CEO and the CFO 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 and benefits for the CEO and management are addressed and approved by a Remuneration Committee. This committee consists of Johan Hjertzonsson and Johan Menckel. 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 Company management. The committee is also tasked with preparing guidelines regarding remuneration for senior executives, which the Board then presents as a proposal to the Annual General Meeting. The Remuneration Committee held one minuted meeting in 2019.

The 2019 Annual General Meeting resolved on principles for remuneration to the CEO and Company management, which is presented in greater detail in the section "Remuneration to the Board of Directors and senior executives" below.

The 2019 Annual General Meeting resolved that Nederman is to have an Audit Committee. The main purpose of the Audit Committee is to supervise the Group's financial accounting and reporting and the audit of the annual accounts. The Audit Committee's tasks

include, among other things, responsibility for the preparation of the Board's work to ensure the quality of the financial reporting by reviewing the interim reports, annual report and consolidated financial statements. The Audit Committee is also tasked with preparing matters regarding the procurement of audit services and other services from the auditor and preparing certain accounting and audit matters to be dealt with by the Board. The work of the Audit Committee is governed by rules of procedure adopted by the Board of Directors. The Committee convened on five occasions in 2019. The Company's auditor participated on these occasions. The Company's auditor informed the Board of the results of its work and presented report on the year's audit and its view of the Company's internal control system without the presence of any members of Company management. In 2019, the Audit Committee consisted of Board members Ylva op den Velde Hammargren and Sam Strömerstén. The Annual General Meeting resolved that the fees to the Audit Committee would be set at SEK 75,000 to the Chairman and SEK 50,000 to the other committee member.

The 2019 Annual General Meeting decided to establish instructions for the Nomination Committee concerning the composition of the committee and its assignments. The Nomination Committee is to comprise the Chairman of the Board and four representatives. Once a year the committee is to convene the major shareholders well in advance of the Annual General Meeting in order to gain support for proposals concerning the Annual General Meeting's election of a new Board of Directors.

Auditor

The auditor audits the Company's annual report and accounting as well as the management of the Board of Directors and the CEO. The auditor submits an audit report to the General Meeting of Shareholders after each financial year. From 2011, the Annual General Meeting appoints an auditor for a period of one year. At the Annual General Meeting on 29 April 2019, Ernst & Young AB was elected until the close of the 2020 Annual General Meeting, with Staffan Landén as lead auditor. Staffan Landén is an Authorised Public Accountant and member of FAR, the Swedish Institute of Authorised Public Accountants. Staffan Landén has many years of experience in auditing listed companies and major international assignments. He is currently lead auditor for Vattenfall AB, Alfa Laval AB, Ambea AB, Moment Group AB, Polygon AB and Thomas Concrete Group AB, among others. Staffan Landén is an appointed Exchange Auditor by Nasdaq Stockholm. The Company's auditor audits the annual accounts and financial statements and the Company's ongoing operations and procedures to provide an opinion on the accounting and management of the Board of Directors and the CEO. The annual accounts and financial statements are reviewed during January and February. Staffan Landén does not have any assignments in companies over which Nederman's principal shareholders, Board members or CEO have any material influence. Fees to Ernst & Young AB for assignments other than auditing amounted to SEK 0.3m in 2019 and pertains mainly to tax consultancy and auditing-related services.

Remuneration to the Board of Directors and senior executives

The 2019 Annual General Meeting adopted a policy regarding remuneration and employment terms for 2019. The following main principles are applied: Fixed salary is paid for work performed. In

addition, variable remuneration may be earned that is linked to the Company's performance and tied-up capital. Variable remuneration can amount to a maximum of 30 to 50 percent of the annual fixed salary, depending on the individual's position in the Company.

The CEO's pension plan is premium-based and the annual premium corresponds to maximum 35 percent of the pension based salary. Pension payments for other senior executives is based on a contractual ITP plan with exception for three member where the premiums corresponds to maximum 30 percent of the fixed salary, the individual concerned is subject to defined benefit pension or under mandatory collective agreement provisions. Variable remuneration shall qualify for pension benefits. If the CEO resigns, the term of notice is six months. If dismissed by the Company, the CEO has the right to receive an amount corresponding to 18 to 24 months' salary (the final six months are dependent on new employment). For others members of management, the term of notice is 12 months if the Company gives notice of dismissal, and six months if the employee resigns. There are no agreements between Board members or senior executives and Nederman or any of its subsidiaries concerning benefits after the end of their employment.

The Annual General Meeting held on 29 April 2019 approved the Board's proposal that the annual programmes for variable remuneration should be supplemented with a long-term incentive (LTI) programme. Consequently, the 2019-2020 LTI programme has been established for a period of two years and is targeted in a way that makes it particularly favourable for the Company's shareholders. The outcome of the LTI programme for senior executives (net of income tax) is to be reinvested in the warrants in Nederman or in Nederman shares on the stock exchange. Warrants or Nederman shares are subject to approval by the relevant future Annual General Meeting of Nederman. The reinvested shares and warrants are expected to be retained by the senior executive during his or her term of employment and for at least three years. The 2019-2020 LTI programme covers two years and may amount to a maximum of 35 percent of annual salary for the CEO and 20 percent of annual salary for other senior executives.

Internal control

Control environment. Operational decisions are made at the 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 within 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 of financial reporting consists of the comprehensive control environment and organisation, decision processes, authorisations and responsibilities which have been documented and communicated. In the Group, the most significant components are documented in the form of instructions and policies, including a financial manual, ethics policy (Code of Conduct), communication policy, IT policy, financial policy, privacy policy and authorisation lists. Nederman has a simple legal and operational structure and established management and internal control systems. The Board of Directors follows up on the assessment of the internal control, including through contacts with the Nederman's auditors. The Board of Directors has chosen not to have a special internal audit.

Control activities. To safeguard the internal controls, there are both automated controls, such as authorisation 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 follow-up of plans and forecasts are used to supplement the controls and give a comprehensive confirmation of the quality of the reporting.

Information and communication. Documentation of governing policies and instructions are continuously 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.

Follow-up. The CEO is responsible for ensuring that the internal controls are organised and followed up according to the guidelines decided on by the Board. Financial management and control is carried out by the Group's finance function. Financial reporting is analysed monthly and at a detailed level. The Board has addressed 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 stipulate the Company's activities, the number of Board members and auditors, how notification of the Annual General Meeting is to be made, the matters to be addressed at the Annual General Meeting and where the Meeting is to be held. The current Articles of Association were adopted at the Annual General Meeting on 26 April 2011, and can be found on the Company's website at www.nedermangroup.com and in the annual report for 2019 on page 146.