



**Nederman**

# Corporate Governance Report



2018

# 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 another element of governance for the Group.

## SHAREHOLDERS

At the end of 2018 the company had 3,373 shareholders. Investment AB Latour was the largest shareholder with 29.98 percent of the shares, Ernström 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 80.30 percent of the shares. Foreign investors held 7.05 percent of the shares. For further information about the share and shareholders, see pages 46-47.

## 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, Chair 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 2018. At the meeting 44 shareholders were in attendance, representing 79.61 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 6.00 per share be paid for the 2017 financial year (equivalent to SEK 2.00 after the share split), and granted discharge from liability for the Board members and CEO.

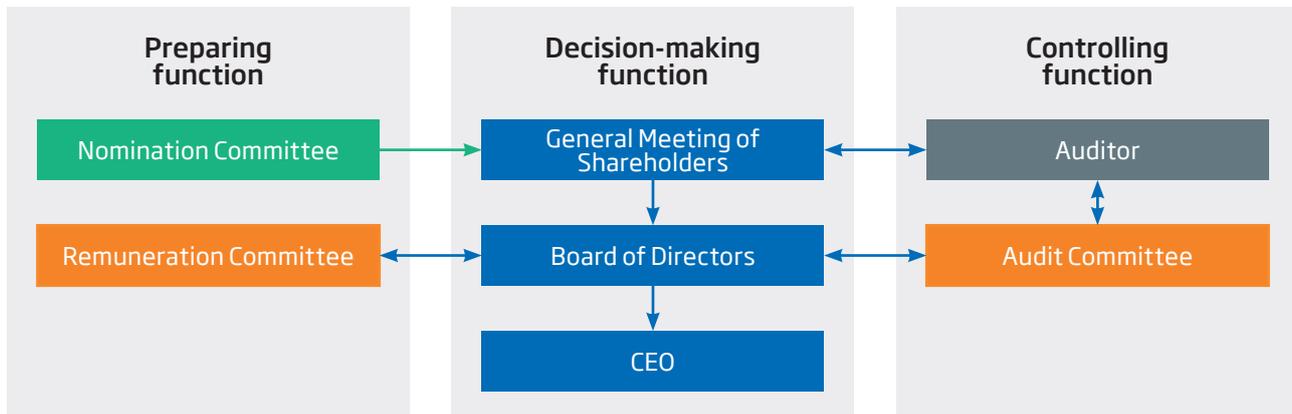
The General Meeting granted authorisation to the Board to decide that the Company may issue new shares or repurchase the Company's own shares. The meeting decided in accordance with the proposal in the notification of the meeting to elect six Board members, that the fees to be paid to the Board would total SEK 1,500,000, of which SEK 500,000 to the Chair and SEK 250,000 to each of the other Board members, except the CEO. It was decided that remuneration to the Audit Committee Chair should be SEK 75,000 and SEK 50,000 to other audit committee members and that the auditors be paid according to a running total. It was further decided that no remuneration be paid to the remuneration committee. According to the proposal of the Nomination Committee, Jan Svensson, Ylva op Velde Hammargren, Gunilla Fransson, Johan Menckel and Sven Kristensson were re-elected, and Johan Hjertensson was newly elected. Jan Svensson was re-elected Chair of the board. Gunnar Gremlin and Per Borgvall declined re-election.

The AGM also decided to carry out a share split (3:1) meaning that the number of shares in Nederman increased by 23,430,680. On 31 December 2018, the total number of shares and votes in the company amounted to 35,146,020. The company's share capital is unchanged at SEK1,171,534, and the par value of the share was changed from SEK 0.1 to SEK 0.03.

## NOMINATION COMMITTEE

The 2018 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 Chair 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,

### Overall structure of corporate governance in Nederman



for electing the Chair of the board and other board members, election of the Chair of the meeting, remuneration issues and related issues, and where applicable, election of auditors.

In accordance with the AGM's guidelines for the work of the nomination committee, Anders Mörck, Investment AB Latour, Chair; Claes Murander, Lannebo Fonder; Henrik Forsberg Schoultz, Ernström & Co; Fredrik Ahlin, If Skadeförsäkring AB (publ) have been appointed to the nomination committee for the Annual General Meeting 2019. Jan Svensson, President of Nederman's Board of Directors, is a co-opted member of the Committee. For questions concerning the work of the nominations committee, please contact: anders.morck@latour.se.

#### 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. 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 procedures

state how assignments shall be divided between Board members, how often the Board shall meet and to what extent deputies shall participate in the work of the Board and attend meetings. Further, 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. Extra meetings may be called to address events of unusual importance. In addition to meetings, the Chair 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 less-senior managers, i.e. broader group of employees.

In the most recent business years the Board made decisions concerning several matters of strategic importance. In 2018 special focus was placed on acquisitions, continued adaptation of the Group's capacity, the strategy for continued expansion of the Group and the financial framework and objectives. In 2018, the Board held five minuted meetings. To date, one minuted meeting has been held in 2019. The 2018 AGM resolved that SEK 1,500,000 would be paid as directors' fees, with SEK 500,000 to the Chair of the board and SEK 250,000 to each regular member. No board remuneration is paid to the CEO. It was furthermore resolved that the fee paid to the audit committee is SEK 75 000 to the Chair and SEK 50,000 to the board member, and the auditors are remunerated according to a running total. No fees are paid to the remuneration committee.

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, there may be employee representatives. The members elected by the Annual General Meeting are all independent in relation to the major shareholders and all, with the exception of the Executive Director, is independent of the Company and Company management. The Board meets the requirements of the Code on the independent members. The members are presented on page 59 and at [nedermangroup.com](http://nedermangroup.com).

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. The nomination committee has taken note of the written evaluation of the work of the Board of Directors, and has received a report on the work of the board from the Chair of the Board of Directors.

Nederman's Board of Directors consists of six members elected by the 2018 AGM. 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 Chair of the Board does not participate in the operational management of the Company.

#### Attendance at Board meetings

Jan Svensson	5 of 5 possible
Gunilla Fransson	5 of 5 possible
Johan Hjertonsson	3 of 3 possible
Sven Kristiansson	5 of 5 possible
Johan Menckel	5 of 5 possible
Ylva op den Velde Hammargren	5 of 5 possible

#### CHIEF EXECUTIVE OFFICER (CEO)

The division of activities between the Board and the CEO is regulated by the working procedures of the Board and in the instructions to the CEO. 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 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 instructions to the CEO also regulate the CEO's responsibility for reporting to the Board. The board receives a monthly written report containing information following up the Company's sales, incoming orders, oper-

ating results and working capital's developments. In addition, the material contains comments on the various 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 Johan Hjertonsson. 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 Compensation Committee in 2018 had one recorded meeting.

The 2018 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 Annual General Meeting 2018 decided that Nederman shall have an audit committee. The Audit Committee's main purpose is to exercise supervision over 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 work of the Board's work to ensure the quality of the financial reporting by reviewing the interim reports and the annual report and the consolidated financial statements. The audit committee should also prepare matters regarding the procurement of audit and other services from the auditor and preparing certain accounting and audit matters to be dealt with by the Board. The audit committee is governed by the rules of procedure adopted by the Board of Directors. The Committee has in 2018 convened on two occasions. The company's auditor participated on these two occasions. The

company's auditor informs the Board of the result of their work and presents all accounts of the year's audit and their view of the Company's internal control system without the presence of any of the company management. In 2018, the audit committee consisted of the Board Members Johan Hjertonsson and Ylva op Velde Hammargren. The AGM resolved that the fee to the audit committee is SEK 75 000 to the Chair and SEK 50,000 to the board member.

The 2018 AGM agreed to establish instructions for the nominations committee concerning the composition of the committee and its assignments. The nominations committee shall comprise the Chair of the board and three 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 report 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 19 April 2018, Ernst & Young AB with Staffan Landén as lead auditor, was elected until further notice. Staffan Landén is a certified auditor and member of FAR, the Swedish Institute of Authorised Public Accountants. Staffan Landén has many years of experience in examining listed companies and major international assignments. He is currently the auditor responsible for, among others, Vattenfall AB, Alfa Laval AB, Polygon AB, Semcon AB, Thomas Concrete Group AB and National Electric Vehicle Sweden AB (NEVS). 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 current operations and routines, to provide 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. Staffan Landén does not have any assignments in companies over which Nederman's principal shareholders, board members or Chief Executive Officer have any material influence. Remuneration to Ernst & Young AB for assignments other than auditing amounted to MSEK 0.5 in 2018 and pertains mainly to tax consultancy and auditing-related services.

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

The 2018 AGM adopted a policy regarding remuneration and employment terms for 2018. The proposal for the 2019 AGM is that the policy remains unchanged. The main principles are applied: Fixed salary is paid for work performed. In addition, a variable bonus 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 salary, depending on the individual's position in the Company.

The CEO's pension plan is premium-based and the annual premium corresponds to 35 percent of annual 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 dismissed by the company, the CEO has the right to receive an amount corresponding to 18-24 months' salary (the final six months are dependent on 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 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 19 April 2017 approved the Board's proposal that the annual programmes for variable remuneration should be supplemented with a long-term incentive (LTI) programme. Consequently, the 2017-2018 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 program which goes to the leading the job holder (net of income tax), to be reinvested in the warrants in Nederman or in Nederman shares on the stock market. Warrants or Nederman shares are subject to approval by relevant future annual general meeting of Nederman. The reinvested shares and options are expected be retained by the senior executive during his term of employment and 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 authorisation lists. Nederman has a simple legal and operational structure and prepared 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 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.

**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. 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.nedermangroup.com](http://www.nedermangroup.com) and in the annual report for 2018 on page 117.