

# CORPORATE GOVERNANCE REPORT

This Corporate Governance Report has been prepared as an independent document in relation to the Annual Report. Information in accordance with Chapter 6, Section 6 in the Annual Accounts Act can be found in the Board of Director's Report on pages 30–31 in the annual report.

## Operations and governance of BE Group

BE Group AB (publ) is a Swedish limited liability company listed on the Nasdaq OMX Stockholm. Governance of BE Group is based on the Swedish corporation and Annual Accounts Act, NASDAQ OMX Stockholm regulation, Swedish code for corporate governance (the "Code"), BE Group's Articles of association and other relevant regulations.

Shareholders exercise their decision-making rights at the Annual General Meeting (and also at possible extraordinary meetings), which are the Company's highest decision-making authority. The Board of Directors and the Chairman of the Board are appointed by the Annual General Meeting while the President is appointed by the Board. The Company's accounts as well as the administration of the Board of Directors and the President are reviewed by auditors appointed by the Annual General Meeting. The Annual General Meeting adopts principles for the appointment of the Nomination Committee, which formulates proposals to the Annual General Meeting prior to the election and setting of fees for the Board and auditors. In addition to laws, regulations and the Code, BE Group applies internal governance instruments such as a code of conduct and information policy.

## BE Group's application of the Swedish Code of Corporate Governance

The Code is based on the "comply or explain" principle, which means a company may depart from the provisions of the Code provided that such departures can be explained in a satisfactory manner. BE Group fully applied the Code during the financial year 2013 and has not departed from Code rules in any respect.

## Shareholders

### Ownership and share capital

On December 31, 2013, BE Group's share capital amounted to SEK 102,040,817 allocated among 50,000,000 shares. All shares in the Company convey equal rights in every respect. At the end of the year, BE Group had 7,298 shareholders. The Company's largest shareholders were AB Traction, Swedbank Robur fonder, IF Skadeför-säkring AB and Avanza Pension. The proportion of foreign ownership totaled around 12 percent. At the end of the year, the Company held 561,982 treasury shares (1.1 percent of share capital). You can find more information about the ownership structure in BE Group on pages 16–17 in the Annual Report.

### Annual General Meeting

The Annual General Meeting considers decisions regarding dividends; adoption of the Income Statement and Balance Sheet; discharge of liability for Board members and the President; election of Board members, the Chairman of the Board and auditors; approval of fees to the Board members and auditors, adoption of executive remuneration guidelines; and, when applicable, adoption of principles for appointing the Nomination Committee. At the Annual General Meeting, shareholders have the opportunity to ask questions about the Company. All Board members, management and the auditors are normally present at the meeting to answer such questions.

The 2013 Annual General Meeting was held on April 26 in Malmö. At the Annual General Meeting 20,424,852 shares were represented, divided among 43 shareholders that participated personally or through a proxy. The represented shares corresponded to 41 percent of the total number of shares in BE Group. The Annual General Meeting decided on the re-election of Anders Ullberg, who was also elected as Chairman of the Board; the re-election of Board members Petter Stillström, Roger Bergqvist, Marita Jaatinen and Lars Olof Nilsson; and the new election of Jörgen Zahlin. Cecilia Edström had declined re-election. The accounting firm KPMG AB was re-appointed as auditor for the Company.

Some of the Annual General Meeting's other decisions were:

- in accordance with the proposal by the Board of Directors, not to pay a dividend for the 2012 financial year;
- to pay Board fees totaling SEK 1,470,000, of which SEK 420,000 was to the Chairman of the Board and SEK 210,000 each to the other members elected by the Annual General Meeting. The Annual General Meeting also decided that remuneration for work in the audit committee shall be paid totaling SEK 150,000 and that no remuneration will be paid for work on the remuneration committee. It shall be possible for companies that are wholly owned by Board members to issue invoices for Board fees on the condition that this remains cost-neutral for BE Group;
- to adopt guidelines for remuneration to senior executives, which primarily entail that salaries and other remuneration conditions for management shall be market-based and that variable remuneration should be at most 50 percent of fixed salary. Compared with the 2012 guidelines, the new guidelines entail the same limitations applying to all senior executives if served notice of termination by BE Group, that is, that the period of termination and severance pay may not exceed a combined amount equivalent to 18 months' fixed salary.
- to authorize the Board, for the purpose of ensuring coverage of social security costs attributable to the Share Savings Plan 2011, on one or several occasions, however, not later than the 2014 Annual General Meeting, to make decisions regarding the transfer of no more than 50,000 treasury shares through a listed exchange;
- to authorize the Board, on one or several occasions and not later than the 2014 Annual General Meeting, to make decisions regarding the transfer of treasury shares for the purpose of financing smaller corporate acquisitions.

### Nominating Committee

As resolved by the Annual General Meeting, the Nomination Committee must consist of four members, who, in addition to the Chairman of the Board, shall include representatives for each of the three largest shareholders in the Company in terms of voting rights, as of August 31 each year. The names of the three shareholder representatives and the shareholders they represent shall be announced as soon as the Nomination Committee has been appointed and at least six months before the Annual General Meeting. Unless the members agree otherwise, the member who represents the largest shareholder in terms of voting rights shall be Chairman of the Nominating Committee. If a member of the Nominating Committee resigns before the process is complete, a substitute nominated by the same shareholder may take that member's place. If a significant change takes place in the Company's ownership structure after August 31, rules are in place regarding how the composition of the Nominating Committee can be changed. Prior to the

2014 Annual General Meeting, the Nominating Committee consists of Petter Stillström (AB Traction), Chairman, Anders Ullberg, (Chairman of the Board of BE Group), Jan Andersson (Swedbank Robur Funds) and Ricard Wennerklint (If Skadeförsäkring).

The Nomination Committee is tasked with submitting to the Annual General Meeting its nominations for Chairman of the Board and other Board members accompanied by a justified statement regarding the proposal; proposing fees for the Board and the auditors and any remuneration for committee work, proposing auditors and nominating an individual to serve as the chairman of the Annual General Meeting. The Nominating Committee is also charged with assessing the independence of Board members in relation to the Company and major shareholders.

The Nomination Committee held three meetings. As a basis for its proposals to the 2014 Annual General Meeting, the Nominating Committee assessed whether the current Board is suitable for its purpose and meets the requirements on the Board of Directors imposed by the Company's operations, position and conditions in other regards. The assessment was based on material including relevant sections of the evaluation of Board activities performed under the Chairman's guidance.

## The Board and its work

### Composition

Under the Articles of Association, the Board of Directors of BE Group must consist of at least three and no more than ten Board members elected by the Annual General Meeting for a term that lasts until the end of the next Annual General Meeting. Over the year, the Board of the Company consisted of six members elected by the 2013 Annual General Meeting: Anders Ullberg (Chairman), Roger Bergqvist, Marita Jaatinen, Lars Olof Nilsson, Petter Stillström and Jörgen Zahlin, as well as two employee representatives, Thomas Berg and Kerry Johansson. Please refer to pages 88–89 of the Annual Report for a more detailed

presentation of the Board members. All members are independent in relation to BE Group and executive management. With the exception of Petter Stillström, all Board members are considered independent in relation to BE Group's principal owners.

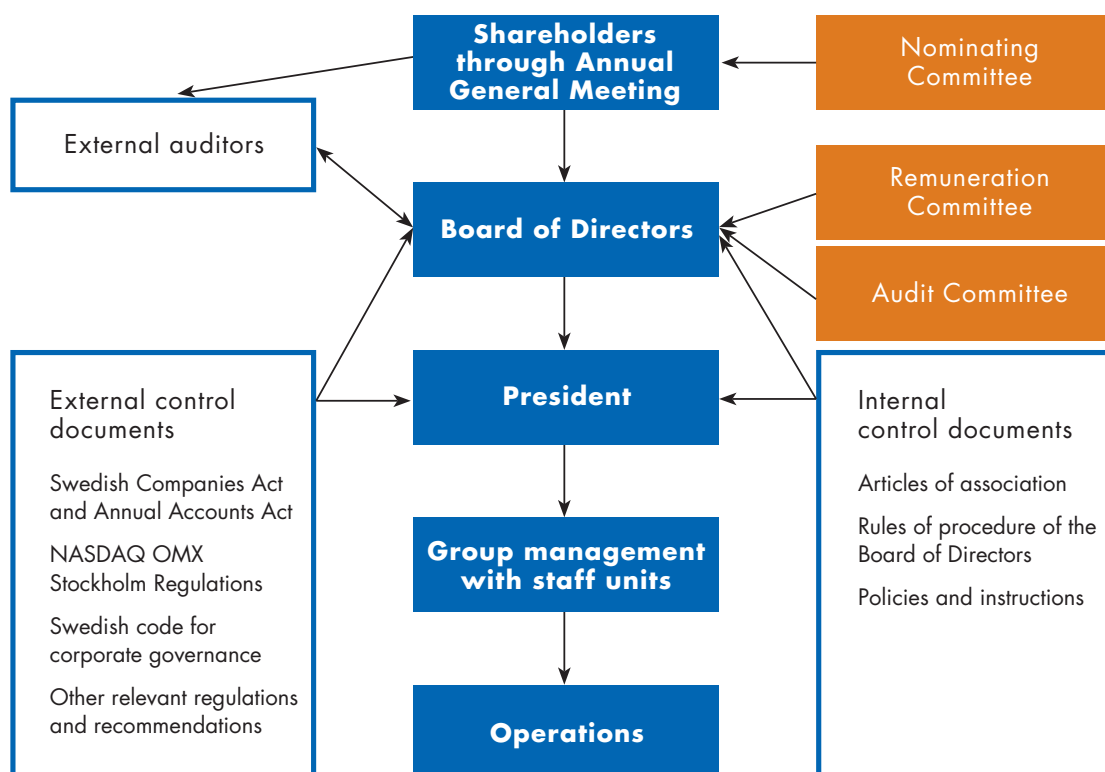
From Group Management, the President and the CFO normally attend Board meetings and report on the Group's development. Apart from the members of the Board, other officers of BE Group participated in Board meetings to present reports on particular issues. Attorney Hans Petersson acted as secretary at the Board meetings.

### Rules of procedure of the Board

The Board of Directors is appointed by BE Group's shareholders to have ultimate responsibility for the Group's organization and administration of the Group's interests. At the statutory Board meeting directly following the Annual General Meeting, the Board adopted rules of procedure that closely regulates its work and responsibility as well as the special work tasks that are the responsibility of the Chairman of the Board.

The Chairman of the Board, Anders Ullberg, leads the Board's work and monitors the operation through a continuous dialogue with the President. Through monthly reports and Board meetings, the Board of Directors obtains information about BE Group's economic and financial status. Prior to every Board meeting, the Chairman and the President review those issues that shall be addressed at the meeting. Documentation for the Board's handling of the issues is sent to the Board members approximately one week before every Board meeting. The Board has also adopted sets of instructions for the President and for financial reporting to the Board and has adopted other special policies.

The Board has a Remuneration Committee and an Audit Committee. The members of the committees are appointed annually by the Board at its statutory meeting following its election/re-election by the Annual General Meeting. Instructions to the Committees are included in the rules of procedure of the Board of Directors.



### Work of the Board in 2013

During 2013, the Board of Directors held 12 meetings, of which five were held over the telephone. According to the rules of procedure, the Board shall meet on 6 occasions per year, in addition to its statutory meeting. Additional meetings shall be held as necessary. One of the meetings during the year is regularly held at one of BE Group's operative units. During the year, the Board of Directors visited the operations in Norrköping, Sweden. The table on the following page provides a report of attendance by Board members at the four meetings prior to the Annual General Meeting and the eight meetings after the Annual General Meeting. As shown, attendance at Board meetings during the year was excellent.

At the year's Board meetings, the Board, in addition to overviews and development of the current operation, also discussed:

- January: decision on implementation of cost reductions;
- February: year-end report, report by the auditor, review of the sales process for the Czech operations and adoption of an updated code of conduct;
- March: approval of the Annual Report for 2012, divestment of the Chinese operations, remuneration matters and other matters ahead of the Annual General Meeting;
- April: interim report for the first quarter, divestment of the Chinese operations and investments linked to the Finnish operations;
- June: strategy discussion and follow-up of operations at the Norrköping facility;
- July: interim report for the second quarter and report by the auditor;
- August: discussion on financing;
- October: interim report for the third quarter, review of the Finnish operations, auditor's report on internal control, discussion of financing surrounding the planned rights issue;
- December: Review of the Swedish operations, review of the business plan for 2014 and financing discussion.

### Evaluation of the Board's work

The Chairman ensures that the Board and its work are evaluated annually and that the result of the evaluation is passed on to the nominating committee. The evaluation is made by the Board itself under the management of the Chairman and forms the base for a discussion within the Board regarding the development of the Board's work.

### Audit Committee

The Audit Committee meets prior to every reporting date and where there is a need for additional meetings. The committee prepares a number of questions for the Board's decision and supports the Board in its work to carry out its responsibility within the areas, auditing and internal control as well as to quality-assure BE Group's financial reporting, which requires that the Company have a satisfactory organization and appropriate processes.

Each year, the Company's auditors formulate a proposed audit policy and present this to the Audit Committee. Once the proposal has been reviewed and commented on by the Committee, a final proposal is submitted for approval by the Board. The work is focused on assuring the quality and accuracy of financial accounting and reporting, internal financial control efforts, as well as the Group's compliance with applicable regulations. In addition, the Audit Committee has repeated contact with the Company's auditor with the purpose of generating an ongoing exchange of information and to assess the auditor's efforts. The Committee may establish guidelines concerning what services, other than auditing services, which BE Group may procure from the auditor. The Audit Committee consists of Lars Olof Nilsson (Chairman), Anders Ullberg and Jörgen Zahlin (prior to the Annual General Meeting,

Cecilia Edström was a member of the Audit Committee) and meets the requirements for competence in accounting and auditing. The work of the Committee is regulated by a special set of instructions adopted by the Board as part of its agenda. The Audit Committee met seven times in 2013. The meetings of the Audit Committee are minuted and reported orally at Board meetings.

### Remuneration Committee

The assignment of the Remuneration Committee is to address matters related to salaries and other terms of employment, pension benefits and the bonus system for the President and the managers reporting directly to him. The Committee makes decisions regarding remunerations to senior executives other than the President, based on proposals by the President. The Remuneration Committee was also tasked with drafting executive remuneration policies that the Board will present to the Annual General Meeting for resolution. The Remuneration Committee has also been tasked with monitoring and assessing variable remuneration programs for senior executives that were ongoing or terminated during the year and with monitoring and assessing the application of the guidelines for remunerations for senior executives. The members of the Remuneration Committee were the Chairman of the Board and Petter Stillström. The work of the Committee is regulated by a special set of instructions adopted by the Board as part of its agenda. The Remuneration Committee met twice in 2013, both members being present at both meetings. In addition, members have had a continuous dialogue. Meetings of the Remuneration Committee are minuted and reported orally at Board meetings.

### Board remuneration

The fees for the Board members elected by the Annual General Meeting are determined by the Annual General Meeting on the basis of the Nominating Committee's proposal. Employee representatives to the Board of Directors do not receive Board members' fees. In accordance with a resolution by the 2013 Annual General Meeting, a fee of SEK 420,000 was paid to the Chairman of the Board for the period extending from the 2013 Annual General Meeting until the 2014 Annual General Meeting. The other Board members were each paid SEK 210,000 for the same term of office. In addition, the members of the Audit Committee were paid fees totaling SEK 150,000, of which SEK 70,000 was paid to the Chairman of the Committee and SEK 40,000 each to the other two members. No fees were paid to the members of the Remuneration Committee.

### Group management

During 2013, the Group management team of BE Group consisted of the President and CEO, CFO, the business area Managers in Sweden and Finland and the Head of Operations Development (who, until August was the business area manager for CEE). The President leads operations within the parameters set by the Board. BE Group's corporate management has monthly meetings under the leadership of the President in order to follow-up the operation and discuss comprehensive group issues and also to formulate proposals for a strategic plan, business plan and investment documentation that the President thereafter presents to the Board of Directors for a decision. The Group Management team also holds weekly conference calls to discuss operations. A more detailed presentation of Group Management is given on page 87.

### Auditors

At the 2013 Annual General Meeting, the KPMG AB firm of auditors was reelected auditor for a period of one year. Eva Melzig Henriksson, Authorized Public Accountant, is the principal auditor. The auditor

maintains regular contact with the Audit Committee and Group Management. The auditor works according to an audit plan, into which the opinions of the Board have been incorporated, and has reported its observations to the Board. Reports have been submitted during the progress of the audit and in connection with the adoption of the 2013 Year-end Report. The auditor also participates in the Annual General Meeting, where she outlines the audit process and her observations in an audit report. Remuneration to auditors is paid based on calculations in accordance with agreements that have been made. Information about remuneration in 2013 can be found in Note 4 on page 62 in the Annual Report.

### Board of Directors' report regarding internal control

The purpose of internal control of financial reporting is to provide reasonable assurance regarding quality and reliability in the external financial reporting and to ensure that the reports are prepared in accordance with accepted accounting standards, applicable laws and provisions and other requirements for listed companies.

#### Internal control function

The Board and the Audit Committee follow up BE Group's assessment of internal control by means including discussions with BE Group's auditors. Given the above, the Board has elected not to maintain a special internal audit unit. To assess the internal audit environment, an Internal Control Council exists to systematically identify areas for review and to monitor and review the Group's internal control regulations. The Internal Control Council is headed by the Group's CFO and reports to the Board's Audit Committee. During the year, the Internal Control Council has focused its work on existing authorization and accounting instructions and an overview of adherence to these in the majority of the Group's companies. BE Group's internal control of financial reporting covers five main areas: establishment of a control environment, risk assessment, control activities, information and communications and follow-up.

#### Control environment

BE Group has a simple legal and operational structure and an established governance and internal control system. This allows the organization to react quickly to external changes. Operational decisions are taken at the Group or business area level, while decisions on strategy, business direction, acquisitions and general financial issues are taken by the Board of Directors and Group Management of BE Group. Internal control of financial reporting at BE Group is designed to work within this organization.

Clear regulations on delegation of authority and responsibilities are followed within BE Group, which follow Group structure. The foundations for internal control of financial reporting are the control environment and its organization, decision paths, documented and communicated authority and responsibilities and the culture that is the basis for the communications and activities of the Board and Group Management. Instructions have been prepared for all business area managers and the president of each subsidiary. Managers at various levels in the Company are responsible for continual internal control within their areas of responsibility.

Since 2012, the Board has applied a so-called whistle blower policy, which means that all employees have the possibility to anonymously report if they discover improprieties or illegal actions that affect vital interests for BE Group or the life and health of individual persons. The policy applies for improprieties committed by people in executive positions or other key personnel within the Company.

#### Risk assessment

The risk assessment is based on a risk review that is updated annually. The general financial risks are defined and observed when the Group's financial targets are set.

#### Control activities

The risks identified with regard to financial reporting are managed through the Company's control activities, such as authorization controls in IT systems and signature authentication.

Detailed economic analysis of business performance including follow-up against business plans and forecasts supplements operations-specific controls and provides an overall assessment of reporting quality.

#### Information and communication

The Group maintains channels of information and communication that serve to safeguard completeness and accuracy in financial reporting. Policies, manuals and job descriptions are available on the Company intranet and/or in printed form.

#### Follow-up

The President is responsible for internal control being organized and followed up in accordance with the guidelines adopted by the Board. Financial control is exercised by the Corporate Finance Department. Financial reporting is analyzed monthly at the detailed level. The Board has followed up financial reporting at Board meetings and BE Group's auditor has reported its observations to the Board. The Board has received monthly financial reports and the Company's financial situation was discussed at every Board meeting.

	Elected	Attendance 2013	Committee work	Attendance 2013	Board-fee	Fee audit-committee	Fee remuneration-committee	Independent from the company and company-management	Independent of larger owner
Anders Ullberg, Chairman	2011	12 of 12	Audit Committee Remuneration Committee	7 of 7 2 of 2	413,336	40,000	-	Yes	Yes
Roger Bergqvist	2007	12 of 12			206,668			Yes	Yes
Marita Jaatinen	2010	11 of 12			206,668			Yes	Yes
Lars Olof Nilsson	2006	11 of 12	Audit committee	7 of 7	206,668	70,000		Yes	Yes
Petter Stillström	2012	12 of 12	Remuneration Committee	2 of 2	206,668		-	Yes	No
Jörgen Zahlin <sup>1)</sup>	2013	7 of 7	Audit Committee	4 of 4	140,000	26,667		Yes	Yes
Cecilia Edström <sup>2)</sup>	2006	5 of 5	Audit Committee	3 of 3	66,667	13,333		Yes	Yes
Thomas Berg (E)	2000	10 of 12							
Kerry Johansson (E)	2000	12 of 12							
					<b>1,446,675</b>	<b>150,000</b>			

<sup>1)</sup> Elected to the Board by the Annual General Meeting in April 2013.

<sup>2)</sup> Departed from the Board at the Annual General Meeting in April 2013.

# AUDITORS' STATEMENT REGARDING THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of BE Group AB (publ)  
Company registration number 556578-4724

The Board of Directors is responsible for the Corporate Governance Report for 2013 presented on pages 82–85 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

As a basis for our statement that the Corporate Governance Report has been prepared in accordance with, and agrees with, the annual and consolidated accounts, we have read the Corporate Governance Report and assessed its statutory contents based on our knowledge of the Company.

It is our opinion that the Corporate Governance Report has been prepared in accordance with the annual and consolidated accounts and that the statutory contents of the report agree with those accounts.

Malmö, March 21, 2014  
KPMG AB

Eva Melzig Henriksson  
*Authorized Public Accountant*