



## **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 of the Annual Accounts Act, Paragraphs 3-6, can be found in the Board of Director's Report's sections on share-related information and corporate governance in the Annual Report.

### **Operations and governance of BE Group**

BE Group AB (publ) is a Swedish limited liability company listed on Nasdaq Stockholm. Governance of BE Group is based on the Swedish Companies Act and Annual Accounts Act, Nasdaq Stockholm's rules and regulations, the Swedish Code of Corporate Governance (the "Code"), BE Group's Articles of Association and other relevant regulations. Information on the Company's operations is available on the Company's website, [www.begroup.com](http://www.begroup.com).

Shareholders exercise their decision-making rights at the Annual General Meeting (as well as at possible extraordinary meetings), which is the Company's highest decision-making authority. The Board of Directors and the Chairman of the Board of Directors are appointed by the Annual General Meeting while the President is appointed by the Board of Directors.

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 of Directors 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.

### **Shareholders**

#### *Ownership and share capital*

On December 31, 2017, BE Group's share capital amounted to SEK 260,202,480 allocated among 13,010,124 shares. All shares in the Company convey equal rights in every respect. At the end of the year, BE Group had 5,903 shareholders. The Company's largest shareholders were AB Traction, Catella fondförvaltning, Avanza Pension, The Pure Circle AB and Swedbank Robur. The proportion of foreign ownership totalled 12 percent. At the end of the year, the Company held 26,920 treasury shares (0.2 percent of share capital). More information on the ownership structure of BE Group is available at [www.begroup.com](http://www.begroup.com).

#### *Annual General Meeting*

The Annual General Meeting considers resolutions 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 of Directors 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 2017 Annual General Meeting was held on April 27 in Malmö, Sweden. At the Annual General Meeting, 3,815,747 shares were represented, divided among 23 shareholders who participated in person or through a proxy. The shares represented corresponded to 29 percent of the total number of shares in BE Group.

The Annual General Meeting re-elected Board members Petter Stillström, who was also elected as the Chairman of the Board of Directors, Charlotte Hansson, Lars Olof Nilsson, Jörgen Zahlin, Esa Niemi and Mikael Sjölund. The accounting firm Öhrlings PricewaterhouseCoopers AB was re-elected as the auditor for the Company.

Some of the Annual General Meeting's other resolutions were that:

- in accordance with the proposal by the Board of Directors, not to pay a dividend for financial year 2016;
- to pay Board fees totaling SEK 1,470,000, of which an unchanged SEK 420,000 was to the Chairman of the Board of Directors and SEK 210,000 each to the other members elected by the Annual General Meeting. The Annual General Meeting decided that remuneration for work in the audit committee shall be paid in an amount of 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 of 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. Where notice of termination is issued by BE Group, fixed salary during the period of notice shall not exceed an amount equivalent to at most 12 months' fixed salary.

#### *Nomination 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 of Directors, 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 Nomination Committee. If a member of the Nomination 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 Nomination Committee can be changed. Prior to the 2018 Annual General Meeting, the Nomination Committee consists of Bengt Stillström (AB Traction), chairman, Petter Stillström, (Chairman of the Board of BE Group), Martin Nilsson, Catella Fonder and Jan Andersson, Swedbank Robur Fonder.

The Nomination Committee is tasked with: submitting to the Annual General Meeting its nominations for Chairman of the Board of Directors and other Board members accompanied by a justified statement regarding the proposal, proposing fees for the Board of Directors 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 Nomination Committee is also charged with assessing the independence of Board members in relation to the Company and major shareholders.

As a basis for its proposals to the 2018 Annual General Meeting, the Nomination Committee assessed whether the Board of Directors has a suitable composition 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 the Board's work performed under the Chairman's guidance.

### **The Board of Directors 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 Directors of the Company consisted of six members elected by the 2017 Annual General Meeting: Petter Stillström (Chairman), Charlotte Hansson, Esa Niemi, Lars Olof Nilsson, Mikael Sjölund and Jörgen Zahlin, as well as employee representative Mikael Törnros. Please refer to 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.

The Board shall as a whole have appropriate combined skills and experience for the business conducted to be able to identify and understand the risk that the business bring. The Board of Directors strive to achieve diversity in the board. The goal is that the Board of Directors shall consist of members in varying age, with varying gender and geographical origin, and with varying educational and professional background which contributes to an independent and critical questioning within the board.

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 of Directors, other officers of BE Group and external parties participated in Board meetings to present reports on particular issues. The Company's CFO served as the secretary of the Board in 2017.

#### *Rules of procedure of the Board of Directors*

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 of Directors meeting directly following the Annual General Meeting, the Board of Directors 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, Petter Stillström, 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 of Directors meeting. The Board of Directors has also established sets of instructions for the President and for financial reporting to the Board of Directors 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 of Directors at its statutory meeting following its 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 of Directors in 2017*

During 2017, the Board of Directors held twelve meetings, of which five were held over the telephone. According to the rules of procedure, the Board of Directors shall meet on five 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. The table below provides a report of attendance by Board members at the six meetings prior to the Annual General Meeting and the six meetings after the Annual General Meeting. As shown, attendance at Board meetings during the year was excellent.

### **Attendance 2017**

	Elected	Attendance 2017	Committee work	Attendance 2017	Board-fees	Fee audit-committee	Fee remuneration committee	Independent from the company and companies management	Independent of larger owners
Petter Stillström, chairman	2012	12 of 12	Audit Committee Remuneration Committee	7 of 7 1 of 1	420,000	40,000	-	Yes	No
Charlotte Hansson	2014	12 of 12			210,000	-		Yes	Yes
Lars Olof Nilsson	2006	12 of 12	Remuneration Committee	7 of 7	210,000	70,000		Yes	Yes
Jörgen Zahlin	2013	12 of 12		7 of 7 1 of 1	210,000	40,000	-	Yes	Yes
Esa Niemi	2016	12 of 12			210,000			Yes	Yes
Mikael Sjölund	2016	12 of 12			210,000			Yes	Yes
Mikael Törnros (E)	2016	7 of 12							

### *Evaluation of the Board of Directors' work*

The Chairman ensures that the Board of Directors and its work are evaluated annually and that the result of the evaluation is passed on to the Nomination Committee. The evaluation is made by the Board of Directors itself using a questionnaire where their work within a number of areas are judged. The Chairman of the Board summarizes the evaluation used as the base for a discussion within the Board of Directors regarding the development of the Board of Directors' work. The purpose is to examine how the Board of Directors' work can be more efficient and to clarify potential need of additional skills in the Board of Directors.

### *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 of Directors' decision and supports the Board of Directors 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 of Directors. 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), Petter Stillström and Jörgen Zahlin and meets the requirements imposed in terms of expertise in accounting or auditing. The work of the

Committee is regulated by a special set of instructions adopted by the Board of Directors as part of its agenda.

The Audit Committee met seven times in 2017. 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 the remuneration of 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 of Directors 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 Petter Stillström and Jörgen Zahlin. The work of the Committee is regulated by a special set of instructions adopted by the Board of Directors as part of its agenda. The Remuneration Committee held one meeting in 2017, at which both members were present. In addition, members have had a continuous dialogue. The meeting of the Remuneration Committee is minuted and reported orally at a Board meeting.

#### *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 Nomination Committee's proposal. Employee representatives to the Board of Directors do not receive Board members' fees. In accordance with a resolution by the 2017 Annual General Meeting, a fee of SEK 420,000 was paid to the Chairman of the Board for the period extending from the 2017 Annual General Meeting until the 2018 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*

Group management of BE Group have consisted of the President and CEO, the CFO, the Business Area Manager for Finland & Baltics and the Group Sourcing director. The President leads operations within the parameters set by the Board of Directors. BE Group's Group management meets continuously under the leadership of the President in order to follow-up the operations and discuss Group-wide 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. A more detailed presentation of Group management is provided in the Annual Report.

#### *Auditors*

At the 2017 Annual General Meeting, the auditing firm Öhrlings PricewaterhouseCoopers AB was reelected to be the auditor for a period of one year. Eva Carlsvi, Authorized Public Accountant, is the Auditor-in-Charge.

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 of Directors have been incorporated, and has reported its observations to the Board of Directors. Reports have been submitted during the progress of the audit and in connection with the adoption of the 2017 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 regarding remuneration in 2017 is provided in Note 4 of 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. To ensure this, the Company had the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework as its point of departure.

#### *Internal control function*

The Board of Directors 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 of Directors has elected not to maintain a special internal audit unit. To test the internal control environment, a self-assessment is conducted, among other efforts, based on a Group-wide control framework. The Group's CFO reports the results of the test done of the internal control to the Audit Committee of the Board of Directors. 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 made at the Group or business area level, while decisions on strategy, business direction, acquisitions and general financial issues are made 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.

Since 2012, the Board of Directors 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 to 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 and reported to the Audit Committee. Based on the results of this review, focus is set for the internal control work in the future.

#### *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 of Directors. Financial control is exercised by the Corporate Finance Department. Financial reporting is analyzed monthly at a detailed level. The Board of Directors has followed up financial reporting at Board meetings and BE Group's auditor has reported its observations to the Board of Directors. The Board of Directors has received monthly financial reports and the Company's financial situation was discussed at every Board meeting.