



Nederman

Corporate governance report

2016

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. In regard to Nederman's group structure, the composition of boards of operational subsidiaries, often with representatives from senior executive management, is a further component of the governance of the Group.

SHAREHOLDERS

At the end of 2016 the Company had 2,334 shareholders. Investment AB Latour was the largest shareholder with 29.98 percent of the shares, Lannebo Fonder owned 10.64 percent and Ernström Kapitalpartner AB owned 10.03 percent. The ten largest shareholders held a total shareholding equivalent to 84.7 percent of the shares. Foreign investors held 5.91 percent of the shares. For further information on shares and shareholders, see pages 42-43.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the highest decision-making body where shareholders exercise their influence by voting on key issues, such as adoption of income statements and balance sheets, appropriation of the Company's earnings, discharge from responsibility for the Board and CEO, election of the Board of Directors, Chairman of the Board and auditors, and remuneration to the Board and auditors. The Annual General Meeting of Shareholders was held on 20 April 2016. The meeting was attended by 51 shareholders, representing 79.17 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 5.00 per share be paid for the 2015 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 Hammargren, Fabian Hielte, and Sven Kristensson as Board members, and to elect Johan Menckel as a new Board member.

EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

Nederman held an Extraordinary General Meeting of Shareholders on 7 September 2016. It was decided at the meeting that the Board of Directors shall consist of eight members and no deputy members. It was also decided that fees to the proposed Board members shall be paid with the same sum that the AGM decided shall be paid to other ordinary members, that is SEK 225,000 (based on a full mandate period). The meeting then decided for the new election of Gunilla Fransson.

NOMINATION COMMITTEE

The 2016 AGM adopted instructions for the Nomination Committee regarding the appointment of the Nomination Committee and its tasks. According to these instructions, the Nomination Committee shall consist of one representative from each of the three largest shareholders, and the Chairman of the Board. If any of the three largest shareholders waive their right to appoint a representative to the Nomination Committee, then this right will pass on to the next largest shareholder. The Nomination Committee's task shall be, ahead of the Annual General Meeting, to prepare the election of the Chairman and other members of the Board, the election of the Chairman of the Annual General Meeting, and the issue of fees and matters pertaining thereto, and, when applicable, the election of auditors.

According to guidelines adopted by the AGM, a Nomination Committee has been appointed comprising Göran Espelund (Chairman), Lannebo Fonder, Anders Mörck, Investment AB Latour, Sophia Pettersson, Ernström & Co and the Chairman of the Board

Overall structure of corporate governance in Nederman



Jan Svensson ahead of the AGM in 2017. For questions concerning the work of the Nomination Committee, please contact: goran.espelund@lannebofonder.se

THE BOARD OF DIRECTORS

After the General Meeting, the Board of Directors is the Company's highest governing body. The Board's overall task is to decide on the Company's business direction, its resources and capital structure, organisation and management of the Company's affairs. The Board's general obligations also include continuously evaluating the Company's financial situation and to approve the Company's business plan. The general obligations include that the Board decides on overall issues such as the Company's strategy, acquisitions, major investments, divestments, issuing annual and interim reports and the appointment of the CEO etc.

The Board follows written rules of procedure that are established annually at the constituent 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. The rules of procedure also regulate the Board's obligation, quorum, division of responsibilities between the Board and the CEO etc. The Board meets according to an annual timetable established in advance. In addition to these meetings, additional meetings are held in connection with events of unusual importance. The Chairman and the CEO, alongside the Board meetings, carry on an ongoing dialogue about the management of the Company.

Once a year, the full Board evaluates the senior executive management team in a systematic fashion. In this context, the senior executive management team includes certain middle managers, i.e. a broader group of employees.

In recent financial years, the Board had to consider many issues of strategic importance. Particular importance has been given in 2016 to 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 2016 and has had one formal meeting so far in 2017. The 2016 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 also resolved that no fees be paid to the Compensation Committee and that the auditors be paid against account submitted.

Board members are elected annually by the General Meeting of Shareholders for the period until the next AGM. The Board of Directors shall consist of not less than three and no more than eight ordinary members, and may be supplemented with a maximum of three deputy members. In addition, 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 pages 54-55 and at www.nederman-group.com

The main shareholder and the Board members conduct a detailed evaluation of the Board annually. The evaluation covers, among other things, the composition of the Board, individual directors and the Board's work and procedures.

Nederman's Board consists of seven members elected by the 2016 AGM and one additional Board member elected by the Extraordinary General Meeting, i.e. a total of eight Board members, as well as an employee representative. The CEO is a member of the Board of Directors. The Chief Financial Officer is not a Board member but participates at Board meetings 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	2 of 2 possible*
Gunilla Gremlin	4 of 5 possible
Ylva Hammargren	5 of 5 possible
Fabian Hielte	5 of 5 possible
Sven Kristensson	5 of 5 possible
Johan Menckel	3 of 3 possible**
Jonas Svensson	5 of 5 possible

* Gunilla Fransson was elected at the Extraordinary General Meeting of Shareholders in 2016

** Johan Menckel was elected at the General Meeting of Shareholders in 2016

THE 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 implementation of the business plan and the ongoing management of the Company's affairs as well as the day-to-day 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 monthly information in writing in the form of a monthly report containing follow-up of the Company's sales, order statistics, operating result and working capital development. Furthermore, this material also contains the CEO's and CFO's comments, for example brief comments on the various markets. In the months when the Board meets, the monthly report is more comprehensive and includes the income statement, statement of financial position and cash flow report.

Each year management prepares a proposal on strategy which is discussed and adopted at a Board meeting around mid-year. Work on the business plan (including the budget for the coming year) is usually carried on "bottom-up" and is based on the strategy adopted by the Board. The CEO and CFO present a proposal for the business plan to the Board. After discussion of the business plan, it is usually adopted at the last Board meeting in the autumn. In addition, the Company also normally issues an updated forecast in connection with the work on the interim reports.

COMMITTEES

Matters concerning salary and benefits for the CEO and senior executives are handled and decided by a remuneration committee. This committee consists of Jan Svensson and Fabian Hielte. 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 2016 AGM adopted principles for remuneration to the CEO and senior executives, which is reported in more detail in the section "Remuneration to the Board 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. In this way, Nederman complies with the requirement to have an audit committee under the Swedish Code of Corporate Governance. The principles for remuneration to the Company's auditor are decided by the AGM. The 2016 AGM adopted instructions for the Nomination Committee concerning the appointment of the Nomination Committee and its tasks. The Nomination Committee shall, with the Chairman of the Board, consist of two representatives and convenes the major shareholders annually in good time before the AGM in order to anchor the proposal for the election of a new board by the AGM.

AUDITOR

The auditor shall examine the Company's annual report and accounts, as well as the management conducted by the Board of Directors and the CEO. After each financial year, the auditor shall submit an audit report to the AGM. From 2011, the AGM appoints the auditor(s) for a period of one year. At the AGM held on 20 April 2016, 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, Capio AB, Academic Media AB, Papyrus 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 reviews the annual accounts and annual report and the Company's ongoing operations and procedures in order to express his opinion on the financial statements and the management by the Board of Directors and the CEO. The audit of the annual accounts and annual report is carried out in January-February. In addition to Nederman, Staffan Landén is the auditor of Oxon AB in which Latour AB has a 31.08 percent shareholding. Independence in regard to Nederman is not affected. Otherwise, Staffan Landén had no assignments in companies over which Nederman's principle shareholders, Board members or the CEO have a significant influence. Fees for services to Ernst & Young AB other than auditing amounted in 2016 to SEK 0.8m and mainly relate to tax advice and audit-related services.

REMUNERATION TO THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

The 2016 AGM adopted a policy in regard to remuneration and terms of employment for 2016. The proposal to the 2017 AGM is that the current guidelines shall remain in force. 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. For other senior executives, pension payments are in accordance with the contractual collective ITP plan, except for two executives for whom pension contributions are made at 8 x the base amount per year, and a maximum of 30% of basic salary respectively. If the CEO tenders his resignation, a 6-month period of notice will apply. 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 22 April 2015 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 2015-2016 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 of income tax), shall be reinvested in options in Nederman (options will only be possible on condition of approval by the relevant future Annual General Meeting of Nederman) or in Nederman shares bought on the stock exchange. The shares and options held which are reinvested must be retained by the senior executive for at least 3 years. The 2015-2016 LTI programme covers two years and can be a maximum of 35 percent of an annual salary for the CEO, and 20 percent of an annual salary for other senior executives.

INTERNAL CONTROL

Control environment. Operational decisions are made at company or business area level, while decisions on strategy, focus, acquisitions and general financial issues are made by the parent company's board and group management. The internal control within the Group is designed to work in this organisation. The Group has a clear regulatory framework for delegation of responsibility and authority according to the Group structure. The basis for internal control of financial reporting is the overall control environment with organisation, decision paths, authority and responsibilities documented and communicated. Within the Group the most significant components are documented in the form of instructions and policies, for example the financial manual, ethics policy (Code of Conduct), communication policy, IT policy, financial policy and authorisation instructions.

Control activities. To safeguard the internal controls, there are both automated controls such as access controls in IT systems and authorisation controls, as well as manual controls in the form of stocktaking and reconciliations. Economic analyses of results and follow-up in relation to plans and forecasts supplement the controls and provide overall confirmation of the quality of reporting.

Information and communication. Documentation of governing policies and instructions is constantly updated and communicated in electronic or printed form. 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 ensuring that the internal control is organised and followed up in accordance with the guidelines established by the Board. Financial management and control is carried out by the Group finance department. Financial reporting is analysed monthly at the 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 2016 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 17 March 2017

Ernst & Young AB

Staffan Landén
Authorized Public Accountant