

# CORPORATE GOVERNANCE REPORT

This Corporate Governance Report has been prepared as an independent document in relation to the Annual Report.

## Operations

Corporate governance within BE Group is based on Swedish law, primarily the Swedish Companies Act, the Swedish Annual Accounts Act, the rules and regulations for issuers applied by the NASDAQ OMX Nordic Exchange Stockholm, including the Swedish Code of Corporate Governance ("the Code"), and rules and recommendations issued by relevant organizations. The Board of Directors has prepared this corporate governance report in compliance with the Annual Accounts Act and the rules stipulated by the Code. For information regarding right to vote limitations and regulations in the Articles of Association regarding appointment of Board Members or about changes to the Articles of Association, please refer to pages 39-41 in the Board of Directors' Report.

## 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 2011 financial year and has not departed from Code rules in any respect.

## Shareholders

### Ownership and share capital

At the end of 2011, BE Group had 9,570 shareholders. The principal owners of the Company were AB Traction (12.7 percent of share capital), Swedbank Robur Funds (9.2 percent), IF Skadeförsäkring AB (7.6 percent) and Odin Funds (5.4 percent). At the end of 2011, foreign investors owned 13.2 percent. The ten largest shareholders had a total shareholding equal to 47.0 percent. On December 31, 2011, the Company held 624,000 treasury shares (1.2 percent of share capital). Please refer to pages 28-29 of the Annual Report for further details concerning shareholders.

The Company's share capital on December 31 amounted to SEK 102,040,817 allocated among 50,000,000 shares. All shares in the Company convey equal rights in every respect.

### Annual General Meeting

The shareholders' rights to take decisions regarding the affairs of BE Group are exercised at the Annual General Meeting. Shareholders who are listed in the share register on the record date and have registered to attend by the deadline stated in the Annual General Meeting notice are entitled to participate in the Annual General Meeting, in person or by proxy. Resolutions at the Annual General Meeting are normally passed by simple majority. The Swedish Companies Act requires a specific attendance to achieve a quorum or a qualified voting majority concerning certain business. The Annual General Meeting must be held within six months of the end of the financial year. The Annual General Meeting considers business including dividends; adoption of the Income Statement and Balance Sheet; discharge of liability for directors and the CEO; election of directors and auditors; approval of fees to the members of the Board and auditors, adoption of executive remuneration guidelines; and, when appli-

cable, adoption of principles for appointing the Nominating Committee. At the Annual General Meeting, shareholders have the opportunity to ask questions about the Company. All directors, management and the auditors are normally present at the meeting to answer such questions.

### 2011 Annual General Meeting

The 2011 Annual General Meeting was held on April 28. The Chairman of the Board Carl-Erik Ridderstråle was elected Chairman of the Annual General Meeting. The Annual General Meeting resolved to adopt the Income Statement and Balance Sheet and the Consolidated Income Statement and Balance Sheet as presented, that no dividend would be paid to shareholders and that the Company's retained profits, along with the profits for 2010, be carried forward. The meeting discharged the members of the Board and the CEO from responsibility and approved the fees to be paid to the members of the Board and the auditor. As proposed by the Nominating Committee, the following persons were elected to the Board for the period concluding with the next Annual General Meeting: Chairman Anders Ullberg (newly elected) and directors Roger Bergqvist (re-elected), Cecilia Edström (re-elected), Marita Jaatinen (re-elected), Lars Olof Nilsson (re-elected) and Lars Spongberg (re-elected).

The 2011 Annual General Meeting also resolved to adopt executive remuneration policies. Please refer to page 40 of the Annual Report for a more detailed presentation. The Annual General Meeting also voted to implement Share Savings Scheme 2011 for key Group personnel, and in that connection resolved to authorize the Board to acquire and transfer treasury shares in the open market and transfer acquired treasury shares to participants in Share Savings Scheme 2011. Further disclosures about Share Savings Scheme 2011 are provided on pages 39-40 of the Annual Report. The Annual General Meeting also resolved to authorize the Board to decide on the transfer of treasury shares as a consequence of the resolutions regarding Share Savings Schemes 2009 and 2010. Furthermore, a decision was also made to authorize the Board to decide on the transfer of treasury shares not needed to cover the ongoing Share Savings Schemes, and to decide on new share issues to enable the financing of corporate acquisitions. The authorization is limited to at most five million shares, corresponding to 10 percent of the share capital in the Company.

### Nominating Committee

As resolved by the 2007 Annual General Meeting, the Nominating Committee shall consist of five members: the Chairman of the Board and one representative each of the four largest shareholders in the Company in terms of voting rights, as of August 31 each year. The names of the four shareholder representatives and the shareholders they represent shall be announced as soon as the Nominating 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 struc-

<sup>1)</sup> Following Nordea Fund's divestment of its holdings in the Company after the inaugural meeting of the Nominating Committee, Nordeas Funds' representative Thomas Ehlin has vacated his place in the Nominating Committee.

ture after August 31, rules are in place regarding how the composition of the Nominating Committee can be changed.

Ahead of the 2012 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 Tomas Ramsälv (Odin Funds)<sup>2)</sup>. The Nominating Committee is tasked with submitting to the Annual General Meeting its nominations for Chairman of the Board and other directors 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 directors in relation to the Company and major shareholders.

Name	Representing	Shareholding in BE Group, %
Petter Stillström	AB Traction	12.7
Jan Andersson	Swedbank Robur Funds	9.2
Tomas Ramsälv	Odin Funds	5.4
Anders Ullberg	Chairman of the Board	0.2
<b>Total:</b>		<b>27.5</b>

The Nominating Committee held 2 meetings. As a basis for its proposals to the 2012 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**

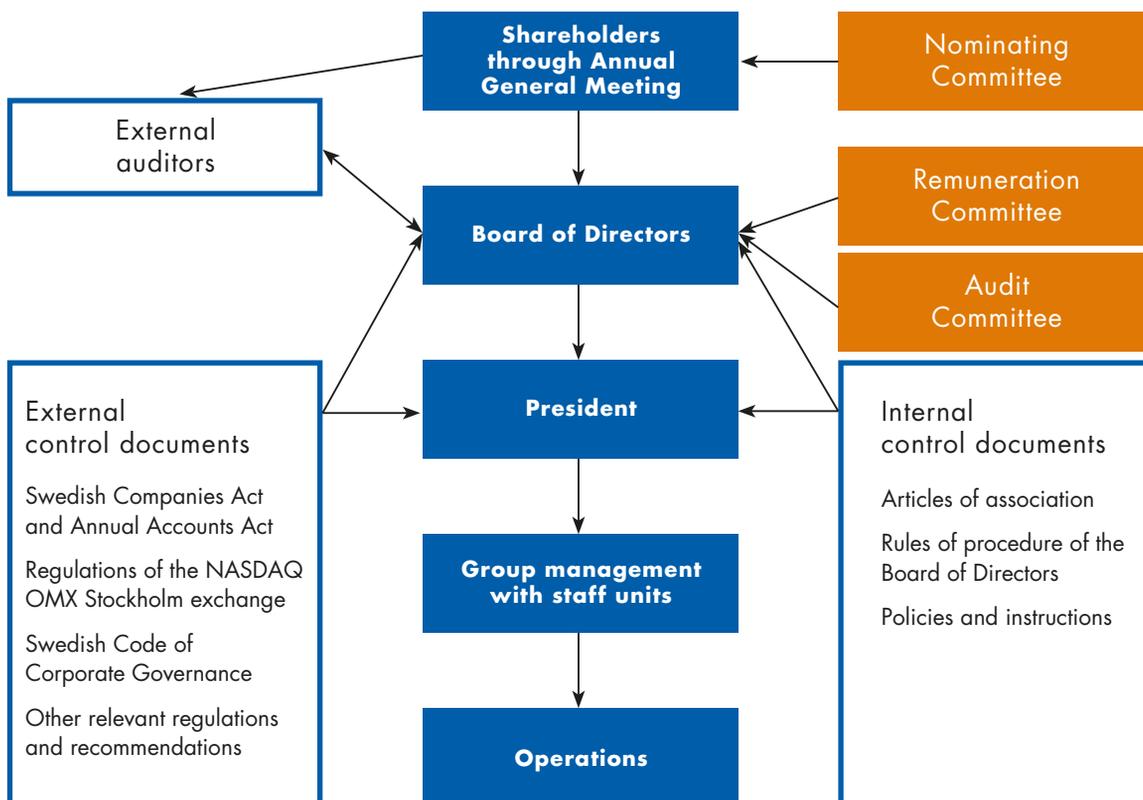
**Composition**

Under the Articles of Association, the Board of Directors of BE Group shall consist of at least three and no more than ten directors elected by the Annual General Meeting for a term that lasts until the end of the next Annual General Meeting. The Board of the Company consisted of six members elected by the 2011 Annual General Meeting: Anders Ullberg (Chairman), Roger Bergkvist, Cecilia Edström, Marita Jaatinen, Lars Olof Nilsson and Lars Spongberg, along with two employee representatives, Thomas Berg and Kerry Johansson and their alternates, Tord Bengtsson and Susanne Olsson. Please refer to pages 94-95 of the Annual Report for a more detailed presentation of the directors. All six directors elected by the Annual General Meeting are independent in relation to BE Group and executive management. All members re-elected by the Annual General Meeting are considered independent in relation to BE Group's principal owners.

**Rules of procedure of the Board**

Each year, the Board of Directors sets a written agenda that clarifies, among other matters, the responsibilities of the Board and that regulates the mutual division of labor between the Board and its committees, as well as the role of the President. The rules of procedure also govern how the Board will obtain information and documentation as a basis for exercising its responsibilities and to enable it to make informed decisions. The Board has also adopted sets of instructions for the CEO and for financial reporting to the Board and has adopted other special policies.

The Board's responsibilities include assessing the CEO's work by means of regular follow-up of operations during the year, checking that the organization, management and guidelines for managing the Company's affairs are appropriate and ensuring the existence of adequate internal control. The Board's responsibilities also involve setting strategies and targets, developing special policies, making



decisions regarding large-scale acquisitions and divestments of operations, making decisions on other major investments, determining investments and loans in accordance with the Group's finance policy, issuing financial reports, evaluating operational management and planning succession.

The Board safeguards the quality of financial reporting, in part through adopted guideline documents such as the instructions to the CEO, the instructions for financial reporting to the Board and the information and insider policy and in part by dealing with reports from the Audit Committee in the form of observations, recommendations and proposals for resolutions and measures. The Board also safeguards the quality of financial reporting through the examination of interim reports, the year-end report and the annual accounts at Board meetings. The Board has delegated to management responsibility for assuring the quality of press releases with financial content and presentation material used at meetings with the media, shareholders and financial institutions.

The Chairman of the Board, Anders Ullberg, organizes and presides over the activities of the Board to ensure these are conducted efficiently and in compliance with current regulations and the Board's internal guidelines. The Chairman monitors operations through ongoing contacts with the CEO and is responsible for ensuring that the other members of the Board receive satisfactory information and data on which to make decisions. The Chairman ensures that directors regularly update and deepen their understanding of the operations and otherwise are given the training required for the efficient exercise of Board responsibilities. The Chairman also ensures that Board performance is evaluated annually and that relevant sections of the assessments are provided to the Nominating Committee. The Chairman represents BE Group in matters of ownership.

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 Audit Committee are included in the rules of procedure of the Board of Directors.

### Work of the Board in 2011

According to the rules of procedure, the Board shall meet on six occasions per year, in addition to its statutory meeting. Additional meetings shall be held as necessary. The Board held 14 meetings in 2011, of which five were held over the telephone and two per cap-sulam. Over the year, the work of the Board of Directors has focused specifically on strategy discussions, organization and development, issues of cost saving, investment matters and financial issues. The Board of Directors has adopted several guidelines and policies to safeguard internal control within the Group. These include an Information and Insider Policy, an Executive Remuneration Policy, Ethical Guidelines, an Environmental Policy, an Internet and IT Policy and a Treasury Policy. The CEO and the Company's CFO attend Board meetings and have reported on the development of the Group. 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. The following table provides a report of attendance by directors at the seven meetings prior to the Annual General Meeting and the seven meetings after the Annual General Meeting. As shown, attendance at Board meetings during the year was excellent.

Member	Board of Directors	Audit Committee	Remunerations Committee
Anders Ullberg <sup>1)</sup>	7	4/6	
Roger Bergqvist	14		
Cecilia Edström	14	6/6	
Marita Jaatinen	13		
Lars Olof Nilsson	14	6/6	
Lars Spongberg	14		2/2
Carl-Erik Ridderstråle <sup>2)</sup>	7		2/2
Joakim Karlsson <sup>2)</sup>	4	2/6	
Thomas Berg <sup>3)</sup>	13		
Kerry Johansson <sup>3)</sup>	11		

<sup>1)</sup> Elected to the Board by the Annual General Meeting in April 2011.

<sup>2)</sup> Departed from the Board at the Annual General Meeting in April 2011.

<sup>3)</sup> Deputies for employee representatives Thomas Berg and Kerry Johansson have not attended the meetings.

### Audit Committee

The Audit Committee is tasked with supervising accounting, financial reporting and internal control procedures. Each year, the Company's auditors formulate a proposed audit policy and presents 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. Committee activities are oriented towards 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 is establishing guidelines concerning what services, other than auditing services, that BE Group may procure from the auditor. The Audit Committee consists of Lars Olof Nilsson (Chairman), Anders Ullberg and Cecilia Edström 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 as part of its agenda. The Audit Committee held six meetings in 2011, at which all members were present. 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 CEO and the managers reporting directly to him, as well as remuneration issues of a policy nature. The Committee makes decisions regarding remunerations to senior executives other than the President, based on proposals by the President. In addition, the Committee prepared decision input in certain other remuneration issues, such as incentive and profit sharing schemes. The Remuneration Committee was also tasked with drafting executive remuneration policies 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 that shall, by law, be adopted by the Annual General Meeting. The members of the Remuneration Committee are the Chairman of the Board and Lars Spongberg. The work of the Committee is regulated by a special set of instructions adopted by the Board as part of its agenda. The Remu-

neration Committee met twice in 2011, both members being present at both meetings. In addition, members maintain contact with one another. Meetings of the Remuneration Committee are minuted and reported orally at Board meetings.

#### Board remuneration

The fees for the directors 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 directors' fees. In accordance with a resolution by the 2011 Annual General Meeting, a fee of SEK 400,000 was paid to the Chairman of the Board for the period extending from the 2011 Annual General Meeting until the 2012 Annual General Meeting. The other directors were each paid SEK 200,000 for the same term of office. In addition, the members of the Audit Committee were paid fees totaling SEK 120,000, of which SEK 60,000 was paid to the Chairman of the Committee and SEK 30,000 each to the other two members. No fees were paid to the members of the Remuneration Committee.

Member	Board of Directors	Audit Committee	Remunerations Committee
Anders Ullberg	400,000	30,000	–
Roger Bergqvist	200,000	–	–
Cecilia Edström	200,000	30,000	–
Marita Jaatinen	200,000	–	–
Lars Olof Nilsson	200,000	60,000	–
Lars Spongberg	200,000	–	–
<b>Total:</b>	<b>1,400,000</b>	<b>120,000</b>	<b>–</b>

#### Group management

For most of 2011, BE Group's management consisted of six individuals: Roger Johansson, President and CEO; Torbjörn Clementz, CFO and Deputy CEO; Per Horstmann, Vice President, Purchasing and Production; Per Gullstrand (until July 1, 2011) and Nikolai Makarov (from September 5, 2011), Business Area Manager CEE; Matti Tiira, Business Area Manager Finland and President of BE Group Oy Ab; and Stefan Eklund, Business Area Manager Sweden and President of BE Group Sverige AB. In January 2012, CEO Roger Johansson also took on the role of Business Area Manager for Business Area Sweden. A more detailed presentation of the CEO and other members of Group Management is given on page 96 of the Annual Report. The CEO leads operations within the parameters set by the Board. In consultation with the Chairman of the Board, the CEO prepares the data and materials the Board requires to make its decisions, presents matters and explains proposed decisions. The CEO is also responsible for BE Group's commercial, strategic and financial development, leading and coordinating daily operations in line with the Board's guidelines and decisions. The CEO also appoints the members of Group Management in consultation with the Chairman of the Board. BE Group Management reviews operations at monthly meetings presided over by the CEO. The Group Management team also holds weekly conference calls to discuss operations.

#### Auditors

At the 2011 Annual General Meeting, the KPMG AB firm of auditors was elected 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 reviews the Annual Report and accounting records as well as the management of the Company by the CEO and

the Board of Directors. 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 2011 Year-end Report on February 6, 2012. The auditor also participates in the Annual General Meeting, where she outlines the audit process and his observations in an audit report.

#### Internal control and risk management regarding the financial statements for the 2011 financial year

The Board and its Audit Committee monitor the quality of the financial reports and BE Group's internal control systems and review BE Group's risk scenario. This is achieved by issuing instructions to the CEO, setting requirements for the contents of regular reports on financial conditions to the Board, and through reviews conducted together with the Board and auditors. The Board and Audit Committee review and assure the quality of financial reports, including interim and annual reports and have delegated responsibility for assuring the quality of press releases of a financial nature and presentation materials used in meetings with the media, shareholders and financial institutions.

To strengthen 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. The Internal Control Council is headed by the Group's CFO and reports to the Board's Audit Committee. This has been done to strengthen internal control at both the Group and local level.

Over the year, the Internal Audit Council focused its efforts on reviewing the purchasing process, paying particular attention to authorizations and authority to sign on behalf of the Company in the major companies within the Group. In addition, a survey has been conducted in all Group companies to ascertain how the internal control environment is perceived and adhered to within Group 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. There are established rules of procedure for the Board, which includes the distribution of duties within the Board as well as the tasks of the Chairman. There is, in addition, a set of instructions regulating the duties and authority of the President. Instructions have also been prepared for all business area managers and the presidents of all subsidiaries. Managers at various levels in the Company are responsible for continual internal control within their areas of responsibility.

**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.

The President is responsible for ensuring that independent and objective reviews are conducted with the aim of systematically assessing and proposing improvements to the Group's processes for governance, internal control and risk management.

**Internal audit**

BE Group has a simple legal and operational structure and an established governance and internal control system. 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.

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## 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 2011 presented on pages 88-92 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 26, 2012  
KPMG AB

Eva Melzig Henriksson  
*Authorized Public Accountant*