

Corporate Governance Report 2018

Beijer Electronics Group AB is a Swedish public limited company quoted on the NASDAQ OMX Nordic Stockholm Small Cap List, with the ticker BELE. The company applies the Swedish Code of Corporate Governance. The complete Code is available at www.corporategovernanceboard.se.

The Corporate Governance Report for the financial year 2018 has been prepared in accordance with the Code's recommendations. The company has one instance of non-compliance to report. Point 7.2 of the Code stipulates that the Audit Committee should consist of at least three Board members. The Board's assessment is that two members is sufficient to deal with the company's most important matters in terms of risk and audit issues. The current members are independent of the company, management and major shareholders, and possess long-term and extensive experience of these issues from other listed companies.

The company's Auditors have performed a statutory review of the Corporate Governance Report.

The Group is below referred to as BEIJER GROUP.

Shareholders and Articles of Association

There were 3,411 (3,456) shareholders at the end of the year. The largest shareholder is Stena Sessan AB with some 29.8% of the votes. Of total share capital at year-end, some 17% (19) was held by foreign investors. The company has two share classes, ordinary shares and class C shares, and the maximum permitted issue of class C shares is 5% of all the shares of the company, which carry 1/10 of a vote per share. The share capital amounts to 9,545,345.34 SEK, divided between 28,636,036 shares, of which 28,601,379 ordinary shares each carrying 1 vote, corresponding to 28,601,379 votes, and 34,657 class C shares each carrying 1/10 vote, corresponding to 3,465.7 votes. Each ordinary share has a quotient value of 0.33 SEK. For more information on the share and shareholders, see pages 10-11. Information on shareholders is updated quarterly, and is also available at the Group's website, www.beijergroup.com.

BEIJER GROUP's Articles of Association have no special provisions regarding the appointment or dismissal of Board members or amendments to the Articles of Association. For such resolutions at shareholders' meetings, the majority requirements stated in the Swedish Companies Act apply.

AGM 2018

The AGM was held on 26 April 2018. 86 shareholders attended the Meeting personally or by proxy, representing some 73% of the votes. Chairman of the Board Bo Elisson was elected Chairman of the Meeting. All ordinary Board members with the exception of Ulrika Hagdahl and the company's Auditors attended the Meeting.

Chairman of the Board Bo Elisson reported on the work of the Board of Directors in the financial year 2017. The company's President and CEO Per Samuelsson reviewed the past year, the three business entities, the Group's financial targets, and development initiatives, as well as the company's progress in the first quarter of 2018. The Auditors reported their observations of the company's accounting records and administration to the Meeting, and presented a review of their work over the past year.

The minutes of the Meeting are available from BEIJER GROUP and have been published on the company's website. Some of the resolutions of the Meeting follow:

- To not pay a dividend for the financial year 2017, in accordance with the Board of Directors' proposal.
- That the Board of Directors shall consist of five (5) members with no deputies.
- To re-elect the Board members Ulrika Hagdahl, Bo Elisson and Johan Wester, and to elect Karin Gunnarsson and Lars Eklöf as Board members in accordance with the Nomination Committee's proposal.
- To re-elect Bo Elisson as Chairman of the Board in accordance with the Nomination Committee's proposal.
- To appoint registered public accounting firm Öhrlings Pricewaterhouse Coopers, Malmö, Sweden as the company's auditor for the period until the end of the AGM 2019.
- That total fees to the Chairman of the Board and other Board members are 1,400,000 SEK, and fees to each Board member for work in the Remuneration or Audit Committee of 50,000 SEK to the Chairman and 30,000 SEK to other members.
- To adopt the Nomination Committee's proposal for instructions for the Nomination Committee.
- To adopt the Board of Directors' proposed guidelines for remunerating senior executives.
- To authorize the Board of Directors to decide on the new issue of a maximum of 2,860,137 ordinary shares on one or more occasions in the period until the next AGM.
- To resolve on the creation of a long-term share-based incentive plan, LTI 2018/2021, and the associated hedging measures.

Nomination Committee for the AGM 2019

The Nomination Committee was presented on 5 October 2018 and has five members, with one representative of each of the four largest shareholders before publication (holdings on the last business day of August 2018), and the Chairman of the Board. Martin Svalstedt, representing Stena Sessan AB, leads the work of the Nomination Committee. The Nomination Committee's duty is to prepare proposals for Board members, the Chairman of the Board, fees to Board members and Auditors, and Chairman of the next AGM. The Nomination Committee remains in place until a new Committee is appointed. The Nomination Committee held three meetings where minutes were taken. A number of informal telephone and email discussions were also held. All Board members have been interviewed by the Nomination Committee and responded to a survey on the Board's work.

Nomination Committee Name	Owner's representative of	Holdings as of 31 Aug. 2018
Martin Svalstedt	Stena Sessan AB	29.79
Per Trygg	SEB Fonder	14.04
Bengt Belfrage	Nordea Fonder	12.46
Ulf Hedlundh	Svolder AB	8.97
Bo Elisson, Chairman of the Board		
Total		65.26%

In its work on appointing the Board of Directors for the forthcoming term of office, the Nomination Committee appraised the work of the Board. The findings of this appraisal included the Board members being very committed, and their attendance was high. Generally, the Nomination Committee was able to conclude that Board work was effective, and that the members of the Board of Directors represent broad competence, with thorough industrial and financial knowledge, as well as knowledge of international trading conditions and markets.

When preparing its proposal for the Board of Directors, the Nomination Committee especially considered the stipulations of rule 4.1 of the Swedish Code of Corporate Governance, i.e. that the Board of Directors should have an expedient composition in terms of the company's operations, developmental phase and other circumstances, featuring diversity and breadth in terms of members' competence, experience and backgrounds, and that an even gender balance should be pursued. The Nomination Committee applied the relevant provision of the Swedish Code of Corporate Governance as its diversity policy when preparing its proposal.

The Nomination Committee's proposal for the Board of Directors to the AGM was presented on 7 February 2019.

The Nomination Committee proposes that the Board of Directors consists of five members. The Nomination Committee is proposing re-election of Board members Ulrika Hagdahl, Bo Elisson, Johan Wester, Karin Gunnarsson and Lars Eklöf. The Committee also proposes that the Board of Directors' current Chairman, Bo Elisson, remains as Chairman.

The proposed Board members represent broad-based skills, including thorough industrial and financial know-how, as well as knowledge of international trading conditions and markets. In its reasoned statement regarding its proposal to the Board, the Nomination Committee stated that the Board has an expedient composition, featuring versatility and breadth in terms of Directors' skills, education, age, experience, background and length of service. The Nomination Committee's proposal implies that 40% of Board members are women.

The rules stipulating independence of Board members in accordance with the Swedish Code of Corporate Governance have been observed. According to the Nomination Committee, all proposed Board members, apart from Johan Wester, are independent of the company's major shareholders. All Board members are independent of the company.

Board of Directors

The Board of Directors bears ultimate responsibility for the company's organization and administration and taking decisions on strategic matters. In the financial year 2018, the Board of Directors had five members appointed by the AGM.

The company has not set any specific age limit for Board members, nor any time limit for how long a Board member can serve on the Board of Directors. For detailed information on Board members, see the company's website and page 91.

The role of the Chairman of the Board

Apart from leading the Board of Directors' work, the Chairman of the Board continuously monitors progress by maintaining ongoing contact with the Chief Executive Officer on strategic matters. The

Chairman of the Board represents the Group on ownership-related matters.

The Board of Directors' working methods

The Board of Directors' work conforms to a yearly plan. Decisions are taken by the Board after an open discussion led by the Chairman. The Chief Financial Officer, also Compliance Officer for the Code of Corporate Governance, serves as Secretary of the Board of Directors. Apart from the Board meeting following election, which is held coincident with the AGM, the Board normally meets five times per year (scheduled meetings). Extra meetings are convened when necessary. The Board of Directors' and Chief Executive Officer's rules of procedure are adopted yearly at the Board meeting following election. Each meeting follows an agenda, with supporting documentation provided to Board members in good time before each Board meeting.

The Annual Accounts, proposed appropriation of profits and the financial statement are considered each financial year in the first scheduled Board meeting of the financial year. Coincident with this process, the company's Auditors submit a report to the Audit Committee regarding the Auditors' observations and judgments of the audit conducted. The Chief Executive Officer is assigned to submit Interim Reports approved by the Board of Directors at scheduled meetings later in the financial year. Each scheduled meeting also includes several other matters on its agenda, including a report on the current results of operations.

The Board of Directors appraises its own work, and that of the Chief Executive Officer, on an ongoing basis. In addition, a formal appraisal is conducted led by the Chairman of the Board. In 2018, the appraisal was completed in the form of a survey presented to each Board member. Board members sent their responses to an external party, independent of the Board of Directors and the company, who collated the responses. The appraisal was then presented to the Chairman and to other Board members in connection with the Board meeting in December 2018.

Work of the Board in 2018

In the financial year 2018, the Board of Directors held seven (ten) Board meetings in addition to the Board meeting following election. Extensive contact was maintained between the company, the Chairman of the Board and other members between Board meetings. The company's Auditors attended the first Board meeting of the year, reporting their observations on the Group's internal controls and financial statement. The Auditors met the Board of Directors' Audit Committee on two other occasions.

Remuneration Committee

The Remuneration Committee is appointed yearly by the Board of Directors. The Remuneration Committee consults on the Board of Directors' decisions on remuneration of the Chief Executive Officer, decides on remuneration to other senior executives and consults on proposals for potential incentive plans. The Remuneration Committee collects decision support data and views from other Board members, the CEO and CFO. The Committee also collects comparative decision support data externally. In 2018, the members of the Remuneration Committee were Bo Elisson and Johan Wester, with Bo Elisson serving as Chairman. In the financial year 2018,

Work of the Board of Directors in 2018

Board member	Elected yr.	Position	Attendance			Affiliation to		
			Audit Committee	Remuneration Committee	Board meetings	Fees**, SEK	The company	Major shareholders
Bo Elisson ¹⁾	2013	Chairman		1/1	8/8	550,000	no	no
Ulrika Hagdahl	2006	Member	2/3		7/8	225,000	no	no
Maria Khorsand ²⁾	2010	Member	1/3		3/8	255,000	no	no
Christer Öjdemark ¹⁾	2013	Member	1/3		3/8	275,000	no	no
Johan Wester ²⁾	2015	Member		1/1	8/8	255,000	no	yes
Karin Gunnarsson	2018	Member	2/3		5/8		no	no
Lars Eklöf	2018	Member			5/8		no	no
Total						1,560,000		

¹ Fee includes compensation of 50,000 SEK for committee work.

² Fee includes compensation of 30,000 SEK for committee work.

Board members Maria Khorsand and Christer Öjdemark left the Board of Directors in April 2018 and were replaced by Karin Gunnarsson and Lars Eklöf.

** Fee paid in arrears.

the Remuneration Committee held one (1) meeting. Remuneration for committee work was paid in accordance with the resolution of the Annual General Meeting 2018. Guidelines for remunerating senior executives for the financial year 2019 will be approved at the AGM in April.

Audit Committee

The Audit Committee members are Ulrika Hagdahl and Karin Gunnarsson (who replaced Maria Khorsand from the AGM onwards), with Ulrika Hagdahl serving as Chairman. The duty of the Committee is to analyze and discuss the company's risk management, governance and internal controls, and financial reporting. The Committee maintained contact with the company's Auditors to discuss matters including the orientation and scope of audit work. The Audit Committee has adopted guidelines for other services apart from auditing the company can purchase from the company's auditors. The complete guidelines are available at the company's website. Remuneration for committee work was paid in accordance with the resolution of the Annual General Meeting 2018.

Remuneration to the Board and Management in 2018

In 2018, the Chief Executive Officer of the parent company, also President of the Group, and other senior executives drew basic salary and other benefits that are reported in Note 7, page 63. Other senior executives mean the five people that made up Group management in 2018 alongside the Chief Executive Officer.

Remuneration to the CEO

Apart from contracted basic salary, for the financial year 2018, the Chief Executive Officer is also entitled to variable remuneration. Variable remuneration is based on the Group's EBIT, sales and free cash flow, and is a maximum of six months' salary. Pension and other customary benefits are additional. Each year, 35% of gross salary including bonus is provisioned as pension assurance for the

CEO. This pension is defined contribution and becomes payable at age 65. According to agreement, the CEO has a notice period from the company's side of 18 months, which cannot be claimed for termination initiated by the CEO. The notice period from the Chief Executive Officer's side is six months. No other remuneration upon termination has been agreed.

Remuneration to other senior executives

Other senior executives have basic salary with a variable component. The variable component is based partly on the Group's and partly on each business entity's EBIT, sales growth and cash flow. Yearly variable remuneration is a maximum of six months' salary. Other senior executives have defined contribution pension agreements on market terms. Other customary benefits are additional. Maximum notice periods of 12 months for termination from the company's side have been agreed for other senior executives.

Incentive plans

The purpose of incentive plans is to promote senior management's commitment to the Group's progress and thus increase value for the Group's shareholders. Consistent with a previous resolution by the AGM 2017, the AGM 2018 resolved to create a long-term share-based incentive plan, LTI 2018/2021 for management and a number of key individuals within the Group. The plan measures performance in 2018, but has a three-year term, and involves up to 20 employees of the Group. Participants in the plan undertake to acquire shares of the company themselves, to then receive what are termed performance shares on satisfying or exceeding performance targets in 2018.

Directors' fees

Directors' fees, including fees for committee work, resolved by the AGM in April 2018 were 1,560,000 (1,560,000) SEK in 2018 and are allocated according to the above on page 88.

Management and corporate structure

The Chief Executive Officer is responsible for the company's ongoing administration, which covers all matters that are not reserved for the Board and administered by management. Instructions approved by the Board of Directors formalize the Chief Executive Officer's authorization to make decisions regarding investments, company acquisitions and divestments and finance matters.

Senior executives currently consist of the Chief Executive Officer, the EVP/CFO, HR Director and presidents of the three business entities Beijer Electronics, Westermo and Korenix.

Group management meetings are held regularly to discuss the Group's strategic and operational progress and to monitor results of operations. For more information on senior executives, see the company's website and page 96.

Business entities

The Group's operations are organized into three business entities. The Presidents of each business entity are members of Group management, and are responsible for the Income Statement and Balance Sheet of each entity.

Internal controls over financial reporting

In tandem with adopting the Interim Report for the third quarter and annual Financial Statement, the company's Auditors report their observations from auditing and evaluating the company's internal controls. The company's Auditors participate in Board meetings and special meetings with the Audit Committee, which enables Board members to ensure that internal control is satisfactory and that reporting to the Board is effective.

According to the Swedish Companies Act, the Board is responsible for internal controls. This responsibility includes issuing annual financial reports. The Board of Directors receives the reports and sets standards on their content and presentation to assure quality. This implies that financial reporting should be expedient by applying applicable accounting standards and other requirements of listed companies. The CEO presents a financial report to the Board of Directors at least once monthly, presented in a manner specified by the Board of Directors in advance. This enables the Board of Directors to monitor any divergences in terms of reporting or content.

Control environment, risk assessment and control structures

BEIJER GROUP structures and organizes its operating activities proceeding from decentralized responsibility for profitability. The base of internal controls in a decentralized operation consists of a well-secured process intended to define targets and strategies for each business.

Defined decision-paths, authorizations and responsibilities are communicated through internal instructions, regulations and policies adopted by the Board of Directors. The Group's primary financial policy documents are the overarching 'Corporate Manual', a reporting manual and audit manual, including instructions for each financial statement. BEIJER GROUP has an established control structure to manage the risks the Board of Directors and management consider significant to internal controls regarding the Group's accounting organization.

Accounting managers at all levels play a key role in terms of integrity, skills and the ability to create the environment necessary to achieve transparent and accurate financial reporting. Another important overall control activity is the monthly update on results that is conducted via the internal reporting system, and analyzed and subject to comment in reports to the Board. Monitoring the results of operations includes reconciliation against targets set, the most recent forecast and monitoring established key financial ratios.

In accordance with the Code's stipulations, the Board of Directors has taken a view on the need for a dedicated internal audit function, and concluded that at present, there is no need to create such resources within BEIJER GROUP. Coincident with its evaluation of this need, the Board of Directors considered the Group's size, risk outlook and the control functions already established within the Group, which include regular internal audits operated by the central finance function.

Financial reporting and information

The company's communication processes are intended to supply the market with relevant, reliable, accurate and up-to-date information on the Group's progress and financial position. Financial information is regularly submitted in the form of financial statements, interim reports, annual reports and press releases on important news and events that can materially affect the share price. Presentations and teleconferences for financial analysts, investors and the media are held on the day of publication of annual and quarterly reports. All reports, presentations and press releases are published on the Group's website and intranet.

Insider Policy

The Board of Directors has adopted an Insider Policy supplementing the Swedish Market Abuse Act. This Policy states the rules on registering insiders, their holdings and reporting, alerts and black-out periods for trading in financial instruments. The complete insider policy is available from the company's website.

Code of Conduct

The company's operations should be conducted with high standards of integrity and ethics. The Group has adopted a number of values that function as a framework for employees and promote good judgment and consistent decision-making. The Board of Directors approves the Code of Conduct each year for the Group's operations, which also includes guidelines for the Group's conduct in society in order to ensure its long-term value-creating ability. The document is available in full on the company's website.

Values

BEIJER GROUP's values—Commitment, Drive and Trust—constitute a long-term commitment linked to its business goals and strategies, guiding employees in daily activities. 'Commitment' reflects commitment to maximize customer benefit and closeness in relationships with customers, collaborative partners and employees. 'Drive' illustrates proactivity and a go-ahead approach in attitudes and technology development. 'Trust' represents honesty and conduct that inspires trust.

Board of Directors' certification

The Board of Directors and Chief Executive Officer certify that the Consolidated Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, and give a true and fair view of the Group's financial position and results of operations. The parent company's accounts have been prepared in accordance with generally accepted accounting policies in Sweden and give a true and fair view of the parent company's financial position and results of operations.

The Directors' Report of the Group and parent company give a true and fair view of the progress of the Group's and parent company's operations, financial position and results of operations, and reviews the significant risks and uncertainty factors affecting the parent company and companies within the Group.

The Consolidated Income Statement and Consolidated Balance Sheet and the Parent Company Income Statement and Parent Company Balance Sheet will be subject to adoption at the AGM on 8 May 2019.

Malmö, Sweden, 22 March 2019

Bo Elisson
Chairman

Ulrika Hagdahl

Johan Wester

Karin Gunnarsson

Lars Eklöf

Per Samuelsson
President and CEO

Our Audit Report was presented on 25 March 2019.

Öhrlings PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorized Public Accountant
Auditor in Charge

Magnus Jönsson
Authorized Public Accountant