

# CORPORATE GOVERNANCE REPORT

The Rejler Group is a Swedish public limited company whose Class B shares are listed on the NASDAQ OMX Nordic Exchange in the Small Cap segment. Since 1 July 2008, the company has applied the Swedish Code of Corporate Governance and herewith presents its report on Corporate Governance for the year 2010.

## General

The corporate governance of the Rejler Group is based on the Swedish Companies Act, the Articles of Association adopted by the shareholders, and the commitments entered into by the company, by means of agreements such as the listing agreement with NASDAQ OMX. The listing agreement also means that since 1 July 2008 the company applies the Swedish Code of Corporate Governance. Furthermore, the company must comply with other applicable Swedish and foreign legislation and regulations.

## Shareholders

Since 18 December 2006, the company's Class B share has been listed on Nasdaq OMX, which is a regulated market place for the trading of shares. Before this, the share had been listed on Nordic Growth Market, NGM, since 8 May 2003.

The share capital in the Rejler Group amounts to SEK 22,643,442, distributed over 11,321,721 shares, with each share having a quota value of SEK 2. There are two classes of shares, 1,253,750 Class A shares and 10,067,971 Class B shares. Class A shares can on the request of the shareholder be converted to Class B shares. During 2010, one shareholder has converted 1250 Class A shares to Class B shares. There is no limit to the number of votes a shareholder may exercise at the meeting. During 2010, with the support of the Annual General Meeting's authorisation, the Board has decided on a new issue of 500,000 Class B shares.

Class A shares give an entitlement to 10 votes per share and Class B shares an entitlement to 1 vote per share.

Shareholders with more than 10 percent of the votes are Peter Rejler and Jan Rejler through companies.

## Shareholders' Meeting and Annual General Meeting

The Shareholders' Meeting is the company's highest decision-making body, where all shareholders have a right to participate in decisions. If an individual shareholder wishes to have a motion dealt with at the meeting, the Board must be notified of this in writing no later than seven weeks prior to the Annual General Meeting. In accordance with the company's Articles of Association, notice of the meeting must be placed in the newspapers "Dagens Nyheter" and "Post och Inrikes Tidningar" (the Official Swedish Gazette).

The Annual General Meeting relating to the 2009 financial year was held on 29 April 2010 in Stockholm. At the meeting, 31 shareholders were in attendance, representing 79 percent of the company's votes and 58 percent of the capital. All of the Board Members elected by the Shareholders' Meeting and the company's auditor were present at the Annual General Meeting. The meeting was chaired by the Chairman of the Board, Lars V Kylberg. The minutes of the Annual General Meeting are available from the company's website.

A number of resolutions were passed at the meeting, including the following:

- That the proposal of the Board to pay a dividend of SEK 1.50 per share be adopted.
- That the proposal of the auditor to grant the Board Members and the Managing Director discharge from liability be adopted.
- That, in accordance with the Nomination Committee's proposal, to re-elect Åsa Landén Ericsson, Åsa Söderström Jerring, Lauri Valkonen and Thord Wilkne as Members of the Board as well as to elect Ivar Verner as new Chairman and to elect Jan Samuelsson and Peter Rejler as new Board Members. Lars V Kylberg and Jan Rejler had declined re-election.
- On the principles for appointing the Nomination Committee and on its work, as well as guidelines for the remuneration of senior executives.
- To authorise the Board to decide on a new issue of a maximum of 500,000 Class B shares, which could be used at the time of acquisition.
- The adoption of all resolutions at the Annual General Meeting was unanimous.

Apart from the Annual General Meeting, the company has not held any other Shareholders' Meetings during the course of 2010.

The 2011 Annual General Meeting regarding the 2010 financial year will be held on 2 May 2011 in Stockholm.

## Nomination committee

In accordance with the resolution adopted at the 2010 Annual General Meeting, the Chairman of the Board was entrusted with requesting the three largest shareholders in the company to select representatives for a Nomination Committee. The Nomination Committee must nominate the meeting chairman, the Chairman of the Board, the Board Members, and, where appropriate, the auditor, as well as remuneration for their assignment and any participation in Board committees.

Board Members are elected for one year, until the next Annual General Meeting. The 2007 Annual General Meeting elected PwC as company auditor for four years, and therefore the election of the auditor will be a question for the 2011 Annual General Meeting. The composition of the Nomination Committee is available from the company's website from 9 November 2010.

The Nomination Committee's guidelines for proposing individuals to the Board are that the individual must have knowledge and experience relevant for the Rejler Group. In addition, rules relating to independence in accordance with the Swedish Code of Corporate Governance must be observed. According to the company's Articles of Associations, the Board shall consist of no less than three and no more than nine Board Members with no more than five deputies. In addition to these, there are employee representatives.

The Nomination Committee, which must prepare matters in advance of 2011's Annual General Meeting, consists of Kent Hägglund, representing Peter Rejler; Martina Rejler, representing Jan Rejler, and Olof Wikström, representing Lauri Valkonen.

The Nomination Committee represents around 60 per cent of the votes in the company. At its constituting meeting, the Nomination Committee appointed Kent Hägglund as its chairman, and in addition it has held two meetings and been in regular contact.

To provide a basis for the Nomination Committee's work, the Chairman of the Board and the MD have presented the Board's work during the year. Further, an annual evaluation is made of the Board.

## Board

The Nomination Committee deems that the Board Members are independent of the major shareholders and the company respectively, in accordance with the Company Code's requirements and that they have the experience that is required according to the Listing Agreement. Dependent Board Members are Peter Rejlers (partly as a major owner and partly relative to the company) and Lauri Valkonen, who was previously the MD in one of the Group's subsidiaries (dependent relative to the company).

Ivar Verner was elected by the Annual General Meeting as the Chairman of the Board. At the Board's constituting meeting, the Board Members decided to set up an Audit Committee comprising Åsa Söderström Jerring (chair) and Ivar Verner as well as that the Board in its entirety would constitute the Remuneration Committee.

Apart from the company's Managing Director, Peter Rejler, other salaried employees from the organisation also participate in the work of the Board, such as when called on to report on specific matters.

The trade union organisations have appointed Björn Lauber and Marianne Frostesjö to the Board with Sten Pettersson as deputy.

## The composition of the Board

Name	Function	Independent	Elected	Attendance
Ivar Verner <sup>1)</sup>	Chairman	Yes	2010	6/6
Åsa Landén Ericsson	Board Member	Yes	2003	10/10
Peter Rejler <sup>1,2)</sup>	Board Member	No	2010	10/10
Jan Samuelsson <sup>1)</sup>	Board Member	Yes	2010	6/6
Åsa Söderström Jerring	Board Member	Yes	2007	9/10
Lauri Valkonen <sup>3)</sup>	Board Member	No	2002	10/10
Thord Wilkne	Board Member	Yes	2007	10/10
Björn Lauber <sup>4)</sup>	Board Member	–	1998	10/10
Marianne Frostesjö <sup>4)</sup>	Board Member	–	2007	3/10
Sten Pettersson <sup>4)</sup>	Deputy	–	2010	10/10

1) Elected at the 2010 Annual General Meeting.

2) Dependent in relation to the company through employment as well as major shareholder.

3) Dependent due to previous position in the Group.

4) Board Members appointed by the employees.

Information on the Board Members' ages, training and shareholdings can be found in the section "The Board" and for senior executives in the company's Annual Report.

## Work of the Board

The Board exercises the shareholders' control of the company management, and their work is governed by the rules of procedure adopted at the constituting Board meeting. In accordance with the rules of procedure, the Board holds five Ordinary Board Meetings a year. In addition, extraordinary meetings may be called in order to discuss specific issues. Four of the Ordinary Meetings deal with the company's interim reports, and the fifth meeting establishes the company's budget for the coming year. Moreover, a longer strategy meeting is held regularly every autumn, where the company's long-term strategy is discussed. The Board meetings follow a set agenda, which includes the com-

pany's financial development, the market and acquisitions.

Apart from the issues relating to control, the Board's main tasks are strategic issues concerning the business, the company's organisation, acquisitions and economic and finance issues. The Board regularly monitors the company's income, costs and earnings where the outcome for the period is compared to the budget and the outcome for the previous year. All of the company's major financial entities are subject to monitoring.

The Chairman of the Board constitutes the link between the Managing Director and the other Board Members. The task of the Chairman is to lead the work of the Board and to ensure that the Board complies with relevant laws, rules and recommendations.

During 2010, the Board has had ten minuted Board meetings. Four of these were held in connection with the company issuing interim reports. At the Board meetings held during the year, the Board dealt with questions concerning the company's operations and finance, the company's strategic direction, management issues, acquisitions, internal inspection issues and reports from the Audit Committee, questions concerning the brand, and other matters that, according to the decision-making procedure, must be dealt with by the Board. During 2010, the Board made use of the Annual General Meeting's authorisation on new share issues and decided, in connection with the acquisition of the Råbe companies, to issue 500,000 Class B shares to the sellers of these companies.

The evaluation of the Board takes place on an ongoing basis, both respecting the Board as a whole and the individual Board Members. The evaluation was carried out during 2010 under the direction of the Chairman of the Board, in the form of a Board questionnaire. The entire Board took part in the survey and discussed the evaluation. On the same occasion, the Board also evaluated the MD and the company's management in their absence.

The company's auditor has participated in one Board meeting, in connection with the meeting to consider the annual accounts. The company's Q3 report was reviewed in brief by the company's auditor and reported to the Board's Audit Committee.

## Audit committee

In connection with the constituting Board meeting after the Annual General Meeting 2010, the Board appointed an Audit Committee comprising Åsa Söderström Jerring (chair) and Ivar Verner.

The Audit Committee's main task is to ensure compliance with established principles for financial reporting and internal control. The Audit Committee also monitors the company's ongoing risk management, establishes instructions to the auditors for the auditing work, monitors compliance with laws, ordinances, listing agreements and the Swedish Code of Corporate Governance as well as ensuring that the assignments other than audit that are carried out by the company's auditors are within the framework for established policy. In addition, the Audit Committee monitors, among other things, changes to auditing rules that can affect the company's financial reporting and the provision of external financial information, as well as assessing the annual need for an internal auditing function. In the current situation, it is deemed that the company's size and complexity do not justify a separate auditing unit; instead the finance function manages the ongoing control and pursues improvement projects for financial control and inspection.

## Remuneration Committee

The Board has decided not to appoint a separate Remuneration Committee. Instead, the Board in its entirety, with the exception of Peter Rejler, constitutes the Remuneration Committee

and prepares, among other matters, issues of remuneration and employment for the Managing Director and other senior executives, based on the guidelines established by the Annual General Meeting.

When negotiating with the Managing Director, the Remuneration Committee is represented by the Chairman of the Board.

### Managing Director and Group management

The Managing Director is appointed by the Board and manages operations in accordance with the instructions laid down by the Board. The Managing Director is responsible for ensuring that the decisions of the Board are executed and ensures that the Board is kept regularly informed of the company's results and position. The Managing Director has at his disposal a Group Management of six people, in addition to himself. The members of the Group Management have specific areas of responsibility and report to the Managing Director. The Group Management undertakes regular operational reviews under the direction of the Managing Director.

Information relating to the Managing Director and the members of the Group Management team, their ages, training and shareholdings can be found in the section on the Board, and for senior executives in the company's Annual Report.

### Auditing

Election of auditors is one of the tasks of the Annual General Meeting. At the 2007 Annual General Meeting, the accounting firm of PwC was elected for the first time, with the Authorised Public Accountant, Lars Wennberg, as principal auditor.

PwC audits all the companies in the Rejler Group in Sweden, Finland and Norway that have been wholly owned by Rejlers during 2010. The auditor works based on an audit plan and reports his observations regularly to the Audit Committee during the year. Reports are made to the Board in connection with the drawing up of the Annual Report. In connection with the Annual Accounts, internal processes and control systems are also reviewed.

PwC has also been engaged for other tasks besides the audit review. This work has included tax issues and consultations in connection with drawing up the Annual Report (see also Note 7 of the Annual Report). All assignments are within the framework of the policy established by the Audit Committee for which other assignments may be performed by the company's statutory auditors.

Remuneration to the company's auditors for 2010 and 2009 is set out in the Annual Report.

### Internal control and financial reporting

The internal control environment is based on rules of procedure, policies and guidelines for managing the Group's risks. Each year, the Board updates and establishes its rules of procedure, its instructions to the Managing Director, and its decision-making and authorisation procedures, as well as financial policy. The Company's Managing Director and Group Management have operational responsibility for internal controls and the work is monitored by the Board's Audit Committee. Based on the Board's instructions, as well as on legislation and regulations, the management has established and allocated responsibilities and roles to the organisation's employees. During the year, the company has carried out extensive work to modernise the Operational Manual that regulates the division of responsibilities, including in project operations. At present, the Board judges that this structure and the control that takes place by the company's financial department, among others, fulfils the need for an internal review and revision function.

There are rules of procedure for the Board and instructions for the Managing Director for each company in the Group, and these are based on the same principles as those for Rejlerkoncernen AB.

Each company has a Board whose task is to continuously monitor compliance with the overall guidelines and policies and to make an ongoing assessment of the company's financial situation.

Each Board has at its disposal an MD, who in the larger subsidiaries also has a management group. In each country in question, Rejlers has an organisation where each local unit has a large degree of autonomy. Managers at all levels have clearly assigned responsibilities and powers to develop their operation based on local conditions and their customers' needs. Within the framework for the respective subsidiaries' financial follow up, monthly follow ups of the developments in projects are made at group and management level.

A procedure for authorisations and decision-making governs the powers available at the respective level. For example, this applies to tenders, purchasing, and the signing of agreements as well as appointments according to the so-called 'grandfather principle'.

### Remuneration

At the 2010 Annual General Meeting a resolution was adopted on guidelines for the remuneration of the Managing Director and senior executives. These were, in the main, the same as for the previous year. The main principle for these guidelines is that senior executives in the Rejler Group should be offered remuneration at market rates to enable the company to attract, develop and retain key personnel. The remuneration structure may be made up of a basic salary, variable remuneration, and, in some cases, other benefits. Variable remuneration for senior executives is limited to no more than 60 per cent of the basic salary. The full guidelines are available as an Appendix to the meeting minutes on the company's website.

In this context, "senior executives" refers to members of the Group's Management Group.

Remuneration to the Board was established at the Annual General Meeting as SEK 300,000 to the Chairman of the Board, SEK 140,000 to Board Members who are not employed in the Rejler Group, and in addition SEK 80,000 to be distributed among the members of a Board committee.

During the 2010 financial year, remuneration was paid as follows:

Name	Function The Board of Directors	Function Audit Committee	Remuneration, SEK
Lars V Kylberg <sup>1)</sup>	Former Chairman	–	97,500
Ivar Verner <sup>2)</sup>	Chairman	Board Member	165,000
Åsa Landén Ericsson	Board Member	–	135,000
Jan Rejler <sup>1,3)</sup>	Former Vice Chairman	–	–
Peter Rejler <sup>2,3)</sup>	Board Member, MD	–	–
Jan Samuelsson <sup>2)</sup>	Board Member	–	70,000
Åsa Söderström Jerring	Board Member	Chairman	135,000
Lauri Valkonen <sup>4)</sup>	Board Member	–	140,000
Thord Wilkne	Board Member	–	135,000
Björn Lauber <sup>5)</sup>	Board Member	–	–
Marianne Frostesjö <sup>5)</sup>	Board Member	–	–
Sten Pettersson <sup>5)</sup>	Deputy	–	–

1) Stood down in connection with the Annual General Meeting 2010.

2) Elected by the Annual General Meeting 2010.

3) Elected by the Annual General Meeting, but employed in Rejlers.

4) Concerns fees for the period May 2010 – May 2011.

5) Board Member appointed by the employees.