

# Corporate governance report

Rejlers 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 2013.

## General

Rejlers' corporate governance 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, the Nordic list 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. In connection with the acquisition of Umeå Industri och Kraftkonsult AB (IKAB), Rejlers AB made a targeted new issue of 100,000 Class B shares. The new issue was registered with the Swedish Companies Registration Office on 29 May 2013. The total number of shares in the company increased during the year from 11,321,721 to 11,421,721, divided into 1,251,250 Class A shares and 10,170,471 Class B shares; the number of votes increased by 100,000 from 22,582,971 to 22,682,971. The new issue increased the share capital by SEK 200,000 to SEK 22,843,442. The newly issued shares represent 0.9% of the capital and 0.4% of the votes in the company after the issues. A targeted new issue of 900,000 Class B shares was made on 27 February 2014. Class A shares can be converted into Class B shares at the request of the shareholder. There is no limit on how many votes a shareholder may cast at the Annual General Meeting. 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 per cent of the votes are Peter Rejler and Jan Rejler through companies.

## Annual General Meeting and Shareholder's Meeting

The Annual General 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, a notice of the meeting must be placed in "Post och Inrikes Tidningar" (the Official Swedish Gazette) as well as on the company's website. Information that the notice has been issued must be provided through an advertisement in Dagens Nyheter.

The Annual General Meeting relating to the 2012 financial year was held on 2 May 2013 in Stockholm. The meeting was attended by 30 shareholders, representing 79.4% of the votes and 59.8% of the capital in the company. All the Board Members elected by the Annual General Meeting and the company's auditor were present at the Annual General Meeting. The meeting was chaired by the Vice Chairman of the Board, Ivar Verner. 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 3.00 per share be adopted.
- That the proposal of the auditor to grant the Board Members and the President discharge from liability be adopted.
- That in accordance with the Nomination Committee's proposal, Peter Rejler be re-elected as Chairman of the Board with Ivar Verner as Vice Chairman, and that Jan Samuelsson, Åsa Söderström Jerring, Lauri Valkonen, Anders Jonsson and Thord Wiikne be re-elected to the Board.
- A resolution 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 the issue of new shares up to a maximum of 1,000,000 class B shares without preferential rights for existing shareholders.

All adoption of resolutions at the Annual General Meeting was unanimous. Apart from the Annual General Meeting, the company has not held any other Shareholder's Meetings during the course of 2013. The 2014 Annual General Meeting relating to the 2013 financial year will be held on 29 April 2014 in Stockholm.

## Nomination committee

In accordance with the resolution adopted at the 2013 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 composition of the Nomination Committee has been published on the company's website since November 2013.

The Nomination Committee's guidelines for proposing individuals to the Board are that the individual must have knowledge and experience relevant to Rejlers. 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 Association, 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, whose task is to prepare cases in advance of the 2014 Annual General Meeting, is made up of Kent Häggglund on behalf of Peter Rejler, Martina Rejler on behalf of Jan Rejler and Johan Lannebo on behalf of Lannebo Fonder.

The Nomination Committee represents just over 60 per cent of the votes in the company. At its constituting meeting, the Nomination Committee appointed Kent Häggglund as its Chairman. In addition to this meeting, the Nomination Committee has held other meetings and been in regular contact.

To provide a basis for the Nomination Committee's work, the Chairman of the Board and the President have presented the Board's work during the year. In addition, an annual assessment of the Board has been undertaken at the behest of the Nomination Committee.

## Board

In the judgment of the Nomination Committee, the members of the Board are independent of the large shareholders and the company respectively, in accordance with the Swedish Code of Corporate Governance, and have the experience required under the listing agreement. Dependent Board members are Peter Rejler (partly in his capacity as a major shareholder, and partly relative to the company) and Lauri Valkonen, who formerly served as managing director at one of the Group's subsidiaries (dependent relative to the company).

Peter Rejler was elected by the Annual General Meeting as Chairman of the Board, with Ivar Verner as Vice Chairman. At the first board meeting following election, the Board Members decided to set up an Audit Committee comprising Jan Samuelsson (chair), Ivar Verner and Anders Jonsson, and that the Board in its entirety would constitute the Remuneration Committee. It was also decided that a Project/Investment Committee would be formed, consisting of Peter Rejler and Ivar Verner.

Salaried employees from the organisation, other than the company's President, Eva Nygren, also participate in the work of the Board, e.g. when called on to report on specific issues. As staff representatives, the trade unions have appointed Björn Lauber and Sten Pettersson, along with Marianne Frostesjö as deputy.

### The composition of the Board

Name	Function	Independent	Elected	Attendance
Peter Rejler <sup>1)</sup>	Chairman	No	2010	7/7
Ivar Verner	Vice Chairman	Yes	2010	7/7
Anders Jonsson	Board Member	Yes	2011	6/7
Jan Samuelsson	Board Member	Yes	2010	7/7
Åsa Söderström Jerring	Board Member	Yes	2007	6/7
Lauri Valkonen <sup>2)</sup>	Board Member	No	2002	7/7
Thord Wilkne	Board Member	Yes	2007	6/7
Björn Lauber <sup>3)</sup>	Board Member	–	1998	7/7
Sten Pettersson <sup>3)</sup>	Board Member	–	2010	7/7
Marianne Frostesjö <sup>3)</sup>	Deputy	–	2007	0/7

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

2) Dependent due to previous position in the Group (until April 2010).

3) Board Members appointed by the employees.

Information about Board members, including their age, education and shareholdings can be found in the Board section on page 40.

## 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 company'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. The company's major financial entities are subject to monitoring.

The Chairman of the Board constitutes the link between the President and the other 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 2013 the Board held seven 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 needed to be dealt with by the Board according to the decision-making procedure. In 2013, the Board made use of the authorisation provided by the Annual General Meeting to issue new shares in connection with the acquisition of IKAB.

The evaluation of the Board takes place on an ongoing basis, both respecting the Board as a whole and the individual Board Members. The assessment was carried out during 2013 under the direction of the Nomination Committee in the form of a Board survey. The entire Board took part in the survey and discussed the evaluation. The Board also used the occasion to assess the President and the company's management in their absence, but in the presence of the company's auditor. The company's auditor participated in one Board meeting, in connection with the meeting to consider the annual accounts. The company's interim report for Q3 was reviewed in brief by the company's auditor and reported to the Board's Audit Committee.

## Audit Committee

In connection with the first board meeting following election after the 2013 Annual General meeting, the Board appointed an Audit Committee made up of Jan Samuelsson (chair), Ivar Verner and Anders Jonsson. The Audit Committee held four meetings over the course of the year. The committee's rapporteur is normally the company CFO.

### The composition of the Audit Committee

Name	Function	Attendance
Åsa Söderström Jerring	Chairman <sup>1)</sup>	2/2
Jan Samuelsson	Chairman <sup>1)</sup>	2/2
Anders Jonsson	Board Member	3/4
Ivar Verner	Board Member	4/4

1) Åsa Söderström Jerring was Chairman until the 2013 Annual General Meeting. Jan Samuelsson was Chairman after the Annual General Meeting.

The Audit Committee's main task is to assure compliance with established principles for financial reporting and internal control. The Audit Committee also monitors the company's ongoing risk management, establishes supplementary instructions for the auditors regarding the audit, monitors compliance with laws, regulations and the listing agreement as well as the Swedish Code of Corporate Governance, while also ensuring that any assignments in addition to audits performed by the company's auditors fall within the framework of the set policy.

Over the course of the year, the Audit Committee also followed up on operational control of commissioned work and the instructions that apply from preparing quotes up to complete delivery within an assignment.

In addition, the Audit Committee monitors changes to audit rules that may have an effect on the company's financial reporting and the external financial information it issues, while also evaluating the need for an internal audit function on a yearly basis. 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. Internally, auditing focuses on assignment performance, performance monitoring and any need to change routines. This is done within the framework of the Quality and Environment group's work.

#### **Project/Investment Committee**

In connection with the first board meeting following election after the 2013 Annual General meeting, the Board appointed an Project/Investment Committee made up of Ivar Verner (chair) and Peter Rejler. The Investment Committee held seven meetings over the course of the year, six of them attended by Peter Rejler and seven by Ivar Verner. The committee's rapporteur is normally the company CFO.

The Investment Committee's main task is to prepare matters relating to investments which require the resolution of the Board.

#### **Remuneration Committee**

The Board has decided not to appoint a separate Remuneration Committee. Instead, the entire Board will constitute the Remuneration Committee to discuss a number of matters, including those relating to remuneration and employment in respect of the President and other senior executives, based on the guidelines established by the Annual General Meeting. When negotiating with the President, the Remuneration Committee is represented by the Chairman and Vice Chairman of the Board.

#### **President and Group Management**

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

Information about the President and the members of the Group Management team, their ages, education and shareholdings, can be found in the Group Management section on page 40.

#### **Auditing**

Election of auditors is one of the tasks of the Annual General Meeting. At the 2013 Annual General Meeting, the accounting firm Deloitte was elected, with Authorised Public Accountant Birgitta Lööf as principal auditor for a period of three years. Deloitte is auditing all of Rejlers' active companies in Sweden, Finland and Norway that were wholly owned by Rejlers in 2013. The auditor works on the basis of an audit plan and reports his observations to the Audit Committee on an ongoing basis throughout the year. Reports are made to the Board in connection with the drawing up of the Annual Accounts.

In connection with the audit, internal processes and control systems are also reviewed.

Deloitte has also been engaged for other tasks beside the audit review. This work has included tax and acquisitions issues, and various reporting issues (see also Note 8 to the Annual Report). All assignments are within the framework of the policy established by the Audit Committee.

Remuneration to the company's auditors for 2013 and 2012 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 President, and its decision-making and authorisation procedures, as well as financial policy. The Company's President 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 team has distributed and allocated responsibilities and roles to the organisation's employees. The operations manual regulating the distribution of responsibility in project operations, among other things, was subject to revision over the course of the year. At present, the Board deems that this structure and the monitoring performed by the company's financial department as well as by Quality and Environment satisfies the need for an internal verification and audit function.

There are rules of procedure for the Board and instructions for the President of each company in the Group, and these are based on the same principles as those for Rejlers 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.

The respective Boards have at their disposal a Managing Director, as well as a Management Group in the larger subsidiaries. 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. Monthly follow-ups are performed at the group and management level regarding project development within the framework of financial follow-up for the respective subsidiaries.

A procedure for authorisations and decision-making governs the powers available at the relevant levels. 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 2013 Annual General Meeting a resolution was adopted on guidelines for the remuneration of the President 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 at Rejlers 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 and the Vice Chairman of the Board, and SEK 140,000 to Board Members who are not employed in the Rejler Group, plus SEK 140,000 to be distributed among the members of a Board committee.

See Note 7 to the Annual Report for details of the remuneration paid to the Board.