

Corporate Governance Report

This Corporate Governance Report has been prepared as an independent document in relation to the Annual Report. Information in accordance with Chapter 6, Section 6 in the Annual Accounts Act can be found in the Board of Director's Report on pages 26–27 in the annual report.

Operations and governance of BE Group

BE Group AB (publ) is a Swedish limited liability company listed on the Nasdaq OMX Stockholm. Governance of BE Group is based on the Swedish corporation and Annual Accounts Act, NASDAQ OMX Stockholm regulation, Swedish code for corporate governance (the "Code"), BE Group's Articles of Association and other relevant regulations.

Shareholders exercise their decision-making rights at the Annual General Meeting (and also at possible extraordinary meetings), which are the Company's highest decision-making authority. The Board of Directors and the Chairman of the Board of Directors are appointed by the Annual General Meeting while the President is appointed by the Board of Directors. The Company's accounts as well as the administration of the Board of Directors and the President are reviewed by auditors appointed by the Annual General Meeting. The Annual General Meeting adopts principles for the appointment of the Nomination Committee, which formulates proposals to the Annual General Meeting prior to the election and setting of fees for the Board of Directors and auditors. In addition to laws, regulations and the Code, BE Group applies internal governance instruments such as a code of conduct and information policy.

BE Group's 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 financial year 2014 and has not departed from Code rules in any respect.

Shareholders

Ownership and share capital

On December 31, 2014, BE Group's share capital amounted to SEK 152,506,384 allocated among 74,728,128 shares. All shares in the Company convey equal rights in every respect. At the end of the year, BE Group had 6,949 shareholders. The Company's largest shareholders were AB Traction, Swedbank Robur fonder, IF Skadeförsäkring AB and Avanza Pension. The proportion of foreign ownership totaled around 13 percent. At the end of the year, the Company held 538,381 treasury shares (0.7 percent of share capital). You can find more information about the ownership structure in BE Group on pages 14–15 in the annual report.

Annual General Meeting

The Annual General Meeting considers decisions regarding dividends; adoption of the Income Statement and Balance Sheet; discharge of liability for Board members and the President; election of Board members, the Chairman of the Board of Directors and auditors; approval of fees to the Board members and auditors, adoption of executive remuneration guidelines; and, when applicable, adoption of principles for appointing the Nomination Committee. At the Annual General Meeting, shareholders have the opportunity to ask questions about the Company. All Board members, management and the auditors are normally present at the meeting to answer such questions.

The 2014 Annual General Meeting was held on April 25 in

Malmö. At the Annual General Meeting 30,612,964 shares were represented, divided among 41 shareholders that participated personally or through a proxy. The shares represented corresponded to 41 percent of the total number of shares in BE Group. The Annual General Meeting re-elected Anders Ullberg, who was also elected as Chairman of the Board of Directors, Petter Stillström, Roger Bergqvist, Lars Olof Nilsson and Jörgen Zahlin, and elected Charlotte Hansson as a new Board member. Marita Jaatinen had declined re-election. The accounting firm KPMG AB was re-appointed as auditor for the Company.

Some of the Annual General Meeting's other decisions were:

- in accordance with the proposal by the Board of Directors, not to pay a dividend for financial year 2013;
- to pay Board fees totaling SEK 1,470,000, of which SEK 420,000 was to the Chairman of the Board of Directors and SEK 210,000 each to the other members elected by the Annual General Meeting. The Annual General Meeting decided that remuneration for work in the audit committee shall be paid in the amount of SEK 150,000 and that no remuneration will be paid for work on the remuneration committee. It shall be possible for companies that are wholly owned by Board members to issue invoices for Board fees on the condition that this remains cost-neutral for BE Group;
- to adopt guidelines for remuneration to senior executives, which primarily entail that salaries and other remuneration conditions for management shall be market-based and that variable remuneration should be at most 50 percent of fixed salary. Notice periods and severance pay shall not exceed a total amount equivalent to 18 months' base salary;
- to authorize the Board of Directors, on one or several occasions and not later than the 2015 Annual General Meeting, to make decisions regarding the transfer of treasury shares for the purpose of financing smaller corporate acquisitions.

Nomination Committee

As resolved by the Annual General Meeting, the Nomination Committee must consist of four members, who, in addition to the Chairman of the Board of Directors, shall include representatives for each of the three largest shareholders in the Company in terms of voting rights, as of August 31 each year. The names of the three shareholder representatives and the shareholders they represent shall be announced as soon as the Nomination 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 Nomination Committee. If a member of the Nomination 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 structure after August 31, rules are in place regarding how the composition of the Nomination Committee can be changed. Prior to the 2015 Annual General Meeting, the Nomination Committee consists of Bengt Stillström (AB Traction), Chairman, Anders Ullberg, (Chairman of the Board of Directors of BE Group), Jan Andersson (Swedbank Robur Funds) and Ricard Wennerklint (IF Skadeförsäkring).

The Nomination Committee is tasked with submitting to the Annual General Meeting its nominations for Chairman of the Board of Directors and other Board members accompanied by a justified statement regarding the proposal; proposing fees for the Board of Directors and the auditors and any remuneration for committee work, proposing auditors and nominating an individual to serve as the chair-

man of the Annual General Meeting. The Nomination Committee is also charged with assessing the independence of Board members in relation to the Company and major shareholders.

The Nomination Committee held two meetings. As a basis for its proposals to the 2015 Annual General Meeting, the Nomination Committee assessed whether the Board of Directors 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 of Directors activities performed under the Chairman's guidance.

The Board of Directors and its work

Composition

Under the Articles of Association, the Board of Directors of BE Group must consist of at least three and no more than ten Board members elected by the Annual General Meeting for a term that lasts until the end of the next Annual General Meeting. Over the year, the Board of Directors of the Company consisted of six members elected by the 2014 Annual General Meeting: Anders Ullberg (Chairman), Roger Bergqvist, Charlotte Hansson, Lars Olof Nilsson, Petter Stillström and Jörgen Zahlin, as well as two employee representatives, Thomas Berg and Kerry Johansson. Please refer to pages 78–79 of the Annual Report for a more detailed presentation of the Board members. All members are independent in relation to BE Group and executive management. With the exception of Petter Stillström, all Board members are considered independent in relation to BE Group's principal owners.

From Group Management, the President and the CFO normally attend Board meetings and report on the Group's development. Apart from the members of the Board of Directors, other officers of BE Group participated in Board meetings to present reports on particular issues. Attorney Hans Petersson acted as the secretary of the Board of

Directors up to and including April 2014. Since then, the Company's CFO has served in this function.

Rules of procedure of the Board of Directors

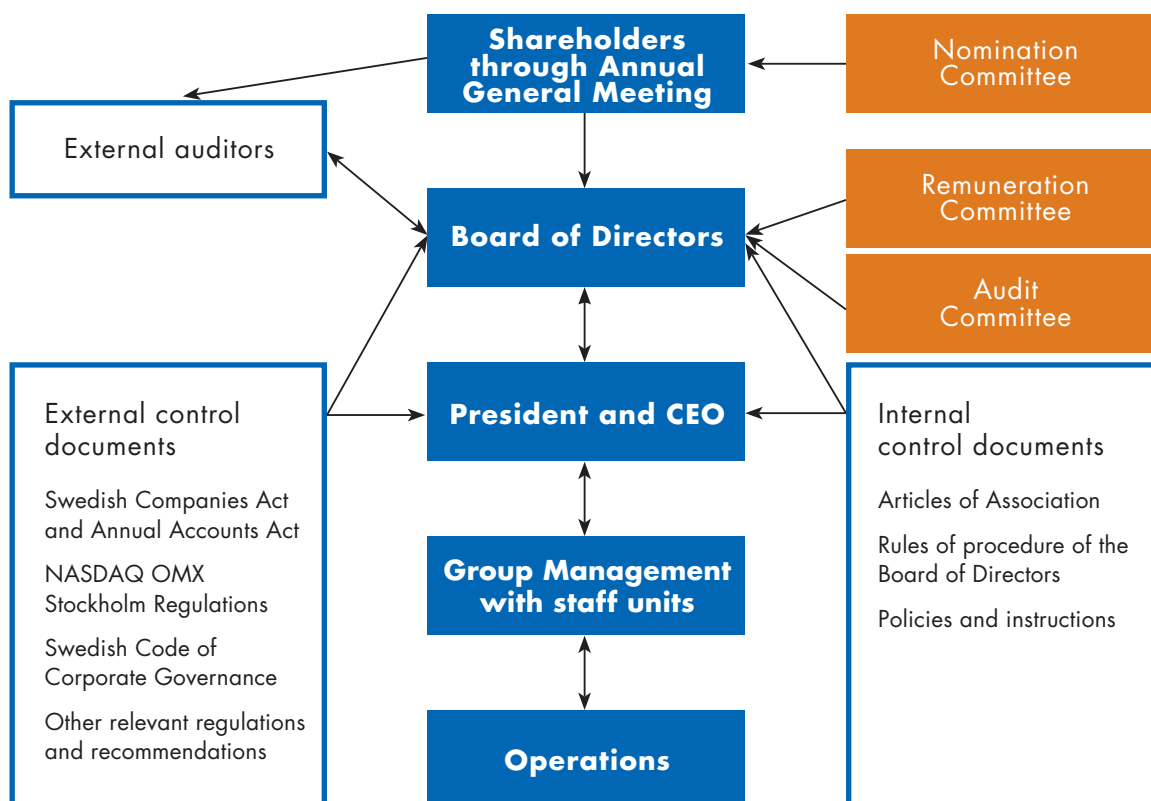
The Board of Directors is appointed by BE Group's shareholders to have ultimate responsibility for the Group's organization and administration of the Group's interests. At the statutory Board of Directors meeting directly following the Annual General Meeting, the Board of Directors adopted rules of procedure that closely regulates its work and responsibility as well as the special work tasks that are the responsibility of the Chairman of the Board.

The Chairman of the Board, Anders Ullberg, leads the Board's work and monitors the operation through a continuous dialogue with the President. Through monthly reports and Board meetings, the Board of Directors obtains information about BE Group's economic and financial status. Prior to every Board meeting, the Chairman and the President review those issues that shall be addressed at the meeting. Documentation for the Board's handling of the issues is sent to the Board members approximately one week before every Board of Directors meeting. The Board of Directors has also adopted sets of instructions for the President and for financial reporting to the Board of Directors and has adopted other special policies.

The Board has a Remuneration Committee and an Audit Committee. The members of the committees are appointed annually by the Board of Directors at its statutory meeting following its election by the Annual General Meeting. Instructions to the Committees are included in the rules of procedure of the Board of Directors.

Work of the Board of Directors in 2014

During 2014, the Board of Directors held 14 meetings, of which 7 were held over the telephone. According to the rules of procedure, the Board of Directors shall meet on 6 occasions per year, in addition



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to its statutory meeting. Additional meetings shall be held as necessary. One of the meetings during the year is regularly held at one of BE Group's operative units. During the year, the Board of Directors visited the operations in Lahti and in Karlstad. The table on the following page provides a report of attendance by Board members at the 7 meetings prior to the Annual General Meeting and the 7 meetings after the Annual General Meeting. As shown, attendance at Board meetings during the year was excellent.

At the year's Board meetings, the Board of Directors, in addition to overviews and development of the current operation, also discussed:

- January: Decision on implementation of rights issue;
- February: year-end report, auditor report, review of the Finnish operations and visit to the facility in Lahti;
- March: approval of the 2013 annual report, compensation and other issues in advance of the Annual General Meeting;
- April: interim report for the first quarter, presentation of the Polish operations, review of agenda items ahead of the strategy discussion in June;
- June: strategy discussion and follow-up of operations in the 50 percent joint venture ArcelorMittal BE Group SSC AB at the facility in Karlstad;
- July: interim report for the second quarter;
- August: Lars Engström was appointed acting President;
- October: interim report for the third quarter and review of operations at Swedish subsidiary Lecor Stålteknik;
- December: review of the business plan for 2015 and financing matters.

Evaluation of the Board of Directors' work

The Chairman ensures that the Board of Directors and its work are evaluated annually and that the result of the evaluation is passed on to the Nomination Committee. The evaluation is made by the Board of Directors itself under the management of the Chairman and forms the base for a discussion within the Board of Directors regarding the development of the Board of Directors' work.

Audit Committee

The Audit Committee meets prior to every reporting date and where there is a need for additional meetings. The committee prepares a number of questions for the Board of Directors' decision and supports the Board of Directors in its work to carry out its responsibility within the areas, auditing and internal control as well as to quality-assure BE Group's financial reporting, which requires that the Company have a satisfactory organization and appropriate processes.

Each year, the Company's auditors formulate a proposed audit policy and present 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 of Directors. The work is focused on 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 may establish guidelines concerning what services, other than auditing services, which BE Group may procure from the auditor. The Audit Committee consists of Lars Olof Nilsson (Chairman), Anders Ullberg and Jörgen Zahlin 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 of Directors as part of its agenda. The Audit Committee met 7 times in 2014. The meetings of the Remuneration 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 President and the managers reporting directly to him. The Committee makes decisions regarding remunerations to senior executives other than the President, based on proposals by the President. The Remuneration Committee was also tasked with drafting executive remuneration policies that the Board of Directors 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. The members of the Remuneration Committee were the Chairman of the Board and Petter Stillström. The work of the Committee is regulated by a special set of instructions adopted by the Board of Directors as part of its agenda. The Remuneration Committee held 1 meeting, in 2014, at which both members were present. In addition, members have had a continuous dialogue. Meetings of the Remuneration Committee are minuted and reported orally at Board meetings.

Board remuneration

The fees for the Board members elected by the Annual General Meeting are determined by the Annual General Meeting on the basis of the Nomination Committee's proposal. Employee representatives to the Board of Directors do not receive Board members' fees. In accordance with a resolution by the 2014 Annual General Meeting, a fee of SEK 420,000 was paid to the Chairman of the Board for the period extending from the 2014 Annual General Meeting until the 2015 Annual General Meeting. The other Board members were each paid SEK 210,000 for the same term of office. In addition, the members of the Audit Committee were paid fees totaling SEK 150,000, of which SEK 70,000 was paid to the Chairman of the Committee and SEK 40,000 each to the other two members. No fees were paid to the members of the Remuneration Committee.

Group management

During 2014, the Group management team of BE Group consisted of the President and CEO, CFO, the Business Area Managers in Sweden and Finland and the Head of Operations Development. The President leads operations within the parameters set by the Board of Directors. BE Group's Group management has monthly meetings under the leadership of the President in order to follow-up the operation and discuss comprehensive group issues and also to formulate proposals for a strategic plan, business plan and investment documentation that the President thereafter presents to the Board of Directors for a decision. The Group management team also holds weekly conference calls to discuss operations. A more detailed presentation of Group management is given on page 77.

Auditors

At the 2014 Annual General Meeting, the KPMG AB firm of auditors was re-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 works according to an audit plan, into which the opinions of the Board of Directors have been incorporated, and has reported its observations to the Board of Directors. Reports have been submitted during the progress of the audit and in connection with the adoption of the 2014 Year-end Report. The auditor also participates in the Annual General Meeting, where she outlines the audit process and her observations in an audit report. Remuneration to auditors is paid

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based on calculations in accordance with agreements that have been made. Information about remuneration in 2014 can be found in Note 4 on page 52 in the Annual Report.

Board of Directors' report regarding internal control

The purpose of internal control of financial reporting is to provide reasonable assurance regarding quality and reliability in the external financial reporting and to ensure that the reports are prepared in accordance with accepted accounting standards, applicable laws and provisions and other requirements for listed companies.

Internal control function

The Board of Directors 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 of Directors has elected not to maintain a special internal audit unit. To assess 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 regulations. The Internal Control Council is headed by the Group's CFO and reports to the Board's Audit Committee. 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 of Directors and Group Management. Instructions have been prepared for all

Business Area Managers and the President of each subsidiary. Managers at various levels in the Company are responsible for continual internal control within their areas of responsibility.

Since 2012, the Board of Directors has applied a so-called whistle blower policy, which means that all employees have the possibility to anonymously report if they discover improprieties or illegal actions that affect vital interests for BE Group or the life and health of individual persons. The policy applies for improprieties committed by people in executive positions or other key personnel within the Company.

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 of Directors. Financial control is exercised by the Corporate Finance Department. Financial reporting is analyzed monthly at the detailed level. The Board of Directors has followed up financial reporting at Board meetings and BE Group's auditor has reported its observations to the Board of Directors. The Board of Directors has received monthly financial reports and the Company's financial situation was discussed at every Board meeting.

	Elected	Attendance 2014	Committee work	Attendance 2014	Board-fees	Fee audit-committee	Fee remuneration-committee	Independent from the company and companies-management	Independent of larger owner
Anders Ullberg, Chairman	2011	14 of 14	Audit Committee Remuneration Committee	7 of 7 1 of 1	420,000	40,000	–	Yes	Yes
Roger Bergqvist	2007	13 of 14			210,000			Yes	Yes
Charlotte Hansson ¹⁾	2014	7 of 7			140,000			Yes	Yes
Marita Jaatinen ²⁾	2010	2 of 7			70,000			Yes	Yes
Lars Olaf Nilsson	2006	13 of 14	Audit Committee	7 of 7	210,000	70,000		Yes	Yes
Petter Stillström	2012	14 of 14	Remuneration Committee	1 of 1	210,000		–	Yes	No
Jörgen Zahlin	2013	12 of 14	Audit Committee	7 of 7	210,000	40,000		Yes	Yes
Thomas Berg (A)	2000	13 of 14							
Kerry Johansson (A)	2000	14 of 14							
					1,470,000	150,000			

¹⁾ Elected to the Board of Directors by the Annual General Meeting in April 2014.

²⁾ Departed from the Board of Directors at the Annual General Meeting in April 2014.

Auditor's statement regarding the Corporate Governance Report

To the annual meeting of the shareholders of BE Group AB (publ) Corporate identity number 556578-4724.

The Board of Directors is responsible for the Corporate Governance Report for 2014 presented on pages 72–75 and for ensuring that it is prepared in accordance with the Annual Accounts Act. We have read the Corporate Governance Report and, based on that reading and our knowledge of the Company and the Group, we believe that we have a sufficient basis for our opinion. This means that our statutory examination of the Corporate Governance Statement has a different focus and is substantially less in scope compared with the focus and scope of an audit in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden.

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 23, 2015
KPMG AB

Eva Melzig Henriksson
Authorized Public Accountant