

# CORPORATE GOVERNANCE REPORT

## OPERATIONS

Corporate governance within BE Group is based on Swedish law, primarily the Swedish Companies 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 of BE Group has prepared this corporate governance report in compliance with the Code.

## SHAREHOLDERS

### *Ownership and share capital*

At the end of 2009, BE Group had 10,624 shareholders. Following the Nordic Capital funds’ (through Trenor Holding Ltd) divestment of its entire holding in the Company in November 2009, the principal owners in the Company are Swedbank Robur (8.7 percent of share capital) and IF Skadeförsäkring AB (6.0 percent of share capital). At the end of 2009, foreign investors owned 14.9 percent of share capital.

The ten largest shareholders had a total shareholding equal to 36.4 percent of share capital. Please refer to page 87 of the Annual Report for further details concerning shareholders as of December 31, 2009.

BE Group’s share capital on December 31 amounted to SEK 102,040,816 allocated among 50,000,000 shares. All shares in the Company convey equal rights in every respect. Please refer to page 85 of the Annual Report for disclosures concerning the Company’s holdings of treasury shares as of December 31, 2009.

### *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 on the notice of meeting are entitled to participate in the AGM, in person or by proxy.

Resolutions at the AGM 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 AGM must be held within six months of the end of the financial year. The AGM considers business including dividends; adoption of the Income Statement and Balance Sheet; discharge of liability for directors and the CEO; election of directors and, when applicable, appointment of auditors; approval of fees to the members of the Board and auditors, adoption of executive remuneration guidelines; and, when applicable, adoption of principles for appointing the Nominating Committee.

Shareholders are given the opportunity at the AGM to ask questions about the Company and business performance for the relevant year. All directors, management and the auditors are normally present at the meeting to answer such questions.

### *2009 Annual General Meeting*

The 2009 AGM was held on May 13, 2009. The secretary of the Board, attorney Hans Petersson, was elected Chairman of the meeting. The AGM approved the Income Statement and

Balance Sheet, as well as the Consolidated Income Statement and Balance Sheet as presented and resolved that profit brought forward and the profit for 2008 be distributed such that a dividend of SEK 1.00 per share be paid to shareholders. 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 AGM: Chairman Carl-Erik Ridderstråle (re-elected) and directors Cecilia Edström (re-elected), Joakim Karlsson (re-elected), Lars Olof Nilsson (re-elected), Lars Spongberg (re-elected) and Roger Johansson (newly elected). It was noted in the record that the local trade unions had appointed Thomas Berg and Kerry Johansson as employee representatives to the Board of Directors, and Susanne Olsson and Tord Bengtsson as the alternates, for a term to end at the close of the next AGM.

The AGM also resolved to adopt executive remuneration policies. Please refer to pages 26–27 of the Annual Report for a more detailed presentation. The AGM also voted to implement Share Savings Scheme 2009 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 2009. Further disclosures about Share Savings Scheme 2009 are provided on page 51 of the Annual Report.

The AGM also resolved to authorize the Board of Directors to decide to transfer treasury shares by reason of the resolution on Share Savings Schemes for 2007 and 2008 and to authorize the Board of Directors to decide on the acquisition and transfer of treasury shares to allow BE Group to adjust the Company’s capital structure and enable financing of acquisitions.

Finally, the AGM resolved to change the manner in which the AGM is called through an amendment to the Articles of Association with the reservation that a change to the Companies Act enter force to the effect that the new wording of the Articles of Association is consistent with the Companies Act. It can be noted that a change to the Companies Act regarding simplified procedures for the calling of the AGM had not come into effect by the time at which this Corporate Governance Report was published and that the earlier Articles of Association, as adopted on September 26, 2006, are therefore still in force.

### *Nominating Committee*

As resolved by the 2007 AGM, the Nominating Committee must 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 AGM. 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 there is a significant change in the ownership structure of the Company after August 31, but before the date that falls two months prior to the next AGM, and a shareholder who thus became one of the four largest shareholders in terms of voting rights requests a seat on the Nominating Committee, the Nominating Committee shall provide a seat to the shareholder, either by resolving that the shareholder shall replace the shareholder with the least percentage of voting rights after the change in ownership or by resolving to increase the Nominating Committee by one additional member, on the condition that the Committee shall consist of no more than six members.

The members of the Nominating Committee prior to the 2009AGM are: Chairman KG Lindvall (representing Swedbank Robur Fonder), Frank Larsson (representing Handelsbanken Fonder), Torbjörn Callvik (representing Livförsäkringsaktiebolaget Skandia), Peter Lindell (representing AMF Pension and replacing Ulf Rosberg, the representative of the former principal owner, Nordic Capital following the divestment of its holding) and Carl-Erik Ridderstråle (Chairman of BE Group). The Nominating Committee is tasked with submitting to the AGM its nominations for Chairman of the Board and other directors accompanied by a justified statement regarding the proposal; proposing fees and other remuneration for Board assignments for each director, including any remuneration for committee service; proposing nominations for independent auditors and their fees (if applicable); and nominating an individual to serve as the chairman of the AGM. The Nominating Committee is also charged with assessing the independence of directors in relation to the Company and major shareholders and with certain other tasks pursuant to the Code.

The Nominating Committee has met four times between its formation and publication of the notice of the 2010 AGM. As a basis for its proposals to the 2010 AGM, the Nominating Committee assessed whether the current Board is suitable for its purpose and meets the requirements on the Board of Directors that follow on the Company's position and future direction. The assessment was based on material including relevant sections of the evaluation of Board activities performed under the Chairman's guidance. New recruitments to the Board are based on a list of qualifications adopted by the Nominating Committee.

## THE BOARD 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 directors elected by the AGM for a term that lasts until the first AGM held after the year the director was appointed. The Articles of Association do not allow election of alternate directors.

BE Group's current Board is made up of seven directors elected by the AGM held May 13, 2009: Carl-Erik Ridderstråle (Chairman), Roger Bergqvist, Cecilia Edström, Roger Johansson, Joakim Karlsson, 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 82-83 of the Annual Report for

a more detailed presentation of the directors.

All seven directors elected by the AGM are independent in relation to BE Group and executive management according to the terms of the Code. At the close of 2009, all directors elected by the AGM were considered independent in relation to BE Group's principal shareholders, and for Roger Bergqvist, Cecilia Edström, Roger Johansson and Carl-Erik Ridderstråle, this was also the case throughout the current term of office, while the equivalent position of independence did not apply for Joakim Karlsson, Lars Olof Nilsson and Lars Spongberg until Nordic Capital divested its entire holding.

### *Rules of procedure of the Board*

Each year, the Board adopts written rules of procedure that clarify its responsibilities and regulate the division of labour within the Board and its committees including the role of the Chairman, decision-making procedures, meeting schedules, procedures for calling Board meetings, agendas and minutes, as well as the Board's work in connection with accounting, auditing and financial reporting. The rules of procedure also governs how the Board will obtain information and documentation as a basis for exercising its responsibilities and so that it will be able to make well-founded 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 monitoring the CEO's work by means of regular follow-up of operations during the year, checking that the organization, management and guidelines for managing BE Group'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 formal minutes and observations, recommendations and proposals for resolutions and measures. The Board also safeguards the quality of financial reporting through the careful examination of interim reports, the annual accounts and the year-end report 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, Carl-Erik Ridderstråle, organizes and presides over the activities of the Board to ensure compliance with the Swedish Companies Act, other laws and regulations, regulations applicable to publicly traded companies (including the Code) 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 BE Group 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 purpose of Board committees is to ensure in-depth and efficient Board performance and to prepare items of business in their respective areas. The committees have no authority to make decisions. The members of the committees are appointed annually by the Board at its statutory meeting following its election/re-election by the AGM. Instructions to the Audit Committee are included in the agenda of the Board.

#### *Work of the Board in 2009*

According to the current 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 a total of 12 meetings in 2009, of which four were held over the telephone and two per capsulam.

Over the year, the work of the Board focused in particular on strategy discussions regarding the development of the Company over the next three years, issues relating the general economic situation and related matters involving cost savings, acquisitions, investments, financial issues and market communications.

The CEO and CFO were present at all Board meetings and reported on the development of the Group. Apart from the members of the Board, other officers of the BE Group participated in Board meetings to present reports on particular issues and when otherwise deemed appropriate. Attorney Hans Petersson acted as secretary at the Board meetings.

The following table provides a report of attendance by elected directors at the six meetings prior to the AGM and the six meetings after the AGM. As shown, attendance at Board meetings during the year was excellent.

MEMBER	NUMBER OF MEETINGS
Carl-Erik Ridderstråle	11/12
Roger Bergqvist	12/12
Cecilia Edström	11/12
Roger Johansson <sup>1)</sup>	6/12
Joakim Karlsson	11/12
Lars Olof Nilsson	12/12
Lars Spongberg	12/12

<sup>1)</sup> Elected to the Board by the AGM in May 2009.

#### *Audit Committee*

The Audit Committee is tasked with supervising accounting, financial reporting and internal control procedures. Each year,

the Company's auditors, in consultation with the Company's CFO, 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. Committee activities are oriented towards assuring the quality and accuracy of financial accounting and reporting, internal financial control efforts, Group compliance with applicable regulations and, where applicable, transactions between the Group and related parties.

The Committee also works to comprehend and optimize the management of the Company's financial and operational risks. The Audit Committee also maintains regular contact with BE Group AB and the Group's auditor to generate a continual exchange of opinions and information between the Board and the auditor concerning audit issues, assessing audit performance and adopting guidelines for services other than audits that BE Group is permitted to procure from BE Group's auditor.

The Audit Committee consists of Lars Olof Nilsson (Chairman) and Cecilia Edström. 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 2009 and one in 2010, which were attended by all members. The meetings of the Audit Committee are minuted and reported orally at Board meetings.

#### *Remuneration Committee*

In 2009, the duties of the Remuneration Committee mainly dealt with 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. In addition, the Committee prepared decision input in certain other remuneration issues that are of a policy nature or otherwise of material significance, such as incentive schemes and profit sharing schemes. The Remuneration Committee was also tasked with drafting executive remuneration policies the Board will present to the AGM for resolution.

In 2010, the assignment of the Remuneration Committee will be adjusted to meet the revised regulations in the Code effective from July 1, 2010 at the latest in accordance with applicable rules of transition. The Remuneration Committee consists of Carl-Erik Ridderstråle (Chairman) 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 Remuneration Committee met five times in 2009 and three times in 2010 with both members present at all meetings. Committee members have also been in regular communication concerning new hires and other salary issues. Meetings of the Remuneration Committee are minuted and reported orally at Board meetings.

#### *Board remuneration*

The fees for the directors elected by the AGM are determined by the AGM on the basis of the Nominating Committee's proposal. Employee representatives to the Board of Directors do not receive directors' fees.

A fee of SEK 400,000 was paid to the Chairman of the

Board for the period from the 2009 AGM until the 2010 AGM. The other directors were each paid a fee of SEK 200,000 for the same term of office. Members of the Remuneration Committee were paid a fee of SEK 20,000 each (40,000 total) for committee service.

Members of the Audit Committee were paid fees totaling SEK 80,000 total, including SEK 40,000 to the Chairman and SEK 20,000 to each of the other members. Directors' fees were paid as resolved by the 2009 AGM.

No directors' fees are paid to BE Group employees who sit on subsidiary Boards of directors.

### GROUP MANAGEMENT

For the majority of 2009, Group Management consisted of six individuals: Lars Bergström, President and CEO, Torbjörn Clementz, CFO and Deputy CEO, Per Horstmann, Vice President, Purchasing and Production, Per Gullstrand, Business Area Manager CEE, Matti Tiira, Business Area Manager Finland and President of BE Group Oy Ab and Henrik Fries, Business Area Manager Sweden and President of BE Group Sverige AB until October.

Lars Bergström took over as President and CEO effective from March 11, 2009, after the position had been vacated on February 15, 2009 by Håkan Jeppsson. During the period February 15 – March 11, 2009, Torbjörn Clementz was the acting President.

A more detailed presentation of the CEO and other members of Group Management is given on page 84 of the Annual Report.

The CEO leads operations in accordance with the Companies Act and 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.

### 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.

### AUDITORS

At the 2007 AGM, the KPMG AB firm of auditors was elected auditor for BE Group for a period of four years. Alf Svensson, authorized public accountant, is the principal auditor. The auditor maintains regular contact with the Chairman of the Board, the Audit Committee and Group Management.

BE Group's auditor is tasked with auditing 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 2009 Year-end Report on February 4, 2010.

The auditor also participates in the AGM, where he outlines the audit process and his observations in an audit report.

Over the year, the auditor has also performed certain consulting assignments outside the scope of the audit - these have mainly involved advice on accounting matters.

The external audit is conducted in accordance with the generally accepted accounting principles in Sweden. The auditing of documentation for the Annual Report for legal units outside Sweden is conducted in accordance with legal requirements and other applicable regulations in the relevant countries, in accordance with generally accepted accounting principles and accompanied by audit reports where so required by local legislation.

### INTERNAL CONTROL AND RISK MANAGEMENT REGARDING THE FINANCIAL STATEMENTS FOR THE 2009 FINANCIAL YEAR

BE Group's Board of Directors complies with the Code and accordingly provides a description of the key elements of the Company's system for internal control and risk management with regard to financial reporting.

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 year-end 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.

Aimed at giving the Board a basis for establishing the appropriate level of internal governance and control, BE Group carried out in 2007 an audit of internal control in a number of focus areas. External consultant services were used to perform the audit, which has been followed up at the Group and local levels, resulting in a number of improvements to the internal control environment. In 2008 and 2009, follow-ups were conducted in these areas as part of the external audit.

To further strengthen the internal audit environment, the Board resolved, towards the end of 2009, to appoint an Internal Audit Council that will systematically identify areas for review and monitor and control the Group's internal audit efforts. The Internal Audit Council will be headed by the Group CFO and will report to the Board's Audit Committee. This has been done to strengthen the internal control function at both the Group and local level for the future.

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, enabling the organization to react quickly to market 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 is an established set of instructions for the Board, which includes the allocation of responsibilities within the Board as well as the responsibilities of the Chairman of the Board. There are also instructions for the CEO, outlining his duties and areas of authority. Rules of procedure 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*

Risk assessment is based on a comprehensive risk analysis performed in connection with preparations for applying for listing on the Stockholm Stock Exchange (now Nasdaq OMX, Stockholm). 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 CEO 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 CEO 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.

#### **ARTICLES OF ASSOCIATION**

The Articles of Association establish matters including the object of BE Group's business, the number of directors and auditors, how notice to attend the AGM must be provided, how the agenda will be dealt with during the AGM and where meetings will be held. The current Articles of Association were adopted by the extraordinary meeting of shareholders held September 26, 2006 and are available on BE Group's website at [www.begroup.com](http://www.begroup.com).

#### **POLICY DOCUMENTS**

The Board has adopted several guidelines and policies aimed at assuring internal control within BE Group, including the Information and Insider Trading Policy, Executive Remuneration Policy, Ethical Guidelines, Internet and IT Policy and the Treasury Policy.

#### **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 2009 financial year and has not departed from Code rules in any respect.

#### **REVIEW**

This corporate governance report has not been reviewed by BE Group's auditors.