

Corporate Governance Report

THE SWEDISH CORPORATE GOVERNANCE CODE AND BERGMAN & BEVING'S CORPORATE GOVERNANCE REPORT

Bergman & Beving applies the Swedish Corporate Governance Code (the "Code"). The Code is part of the self-regulation system of Swedish trade and industry, and is based on the "comply or explain" principle. This means that a company that applies the Code may deviate from individual rules, but is required to provide an explanation for each deviation.

This Corporate Governance Report for the 2019/2020 financial year was prepared in accordance with the recommendations of the Code. The report also contains an account of the work of the Election Committee in preparation for the 2020 Annual General Meeting. Bergman & Beving deviates from the recommendations of the Code in two areas: the Chairman of the Election Committee and the auditors' review of the Company's six-month or nine-month interim reports. These deviations from the Code are reported in further detail in the relevant sections below. The Corporate Governance Report constitutes a part of the formal annual accounts and has been reviewed by the Company's auditors.

DISTRIBUTION OF RESPONSIBILITY AND ARTICLES OF ASSOCIATION

The purpose of the Company's corporate governance structure is to establish a clear distribution of roles and responsibilities between the owners, Board of Directors, Board committees and executive management. Bergman & Beving AB primarily applies the Swedish Companies Act and the rules that apply since the Company's Class B share is listed on Nasdaq Stockholm ("Stockholm Stock Exchange") as well as best practice in the stock market. The Code is part of the regulations of the Stockholm Stock Exchange. In the course of its operations, Bergman & Beving also complies with the regulations stipulated in Bergman & Beving's Articles of Association.

According to the Articles of Association, the registered name of the Company is Bergman & Beving Aktiebolag. The Company is a public limited liability company and the financial year is from 1 April to 31 March. The appointment of directors and amendments to the Articles of Association occur in accordance with the Swedish Companies Act.

The Articles of Association are available in full on the Company's website at www.bergmanbeving.com.

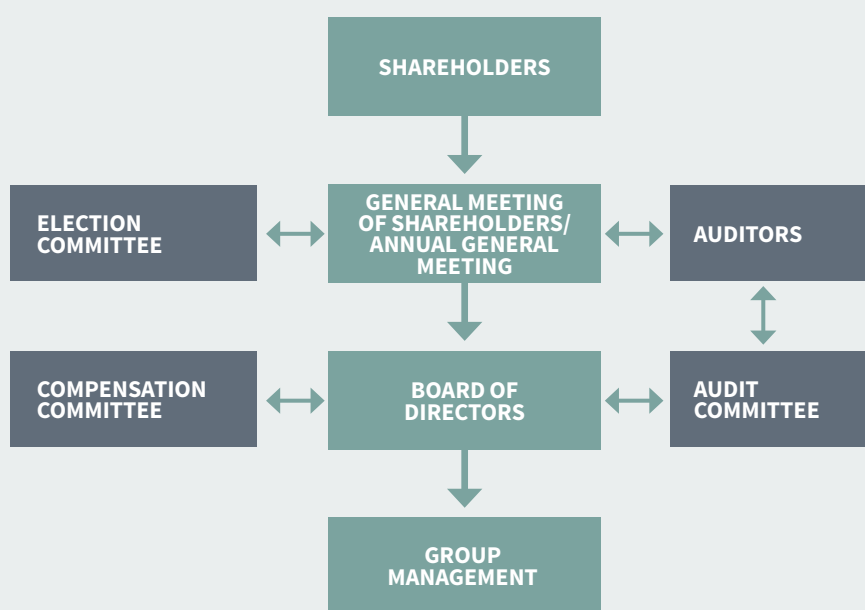
SHARE STRUCTURE, SHAREHOLDERS AND REPURCHASE OF OWN SHARES

As of 31 March 2020, Bergman & Beving AB had approximately 5,042 shareholders. The share capital amounted to approximately MSEK 57. The distribution by class of share is as follows:

Class of share	As of 31 March 2020
Class A shares	1,062,436
Class B shares	26,373,980
Total number of shares before repurchasing	27,436,416
Less: Repurchased Class B shares	-729,677
Total number of shares after repurchasing	26,706,739

All shares carry equal rights to Bergman & Beving AB's assets and earnings. The Company's Class A shares entitle the holder to ten votes each and each Class B share entitles the holder to one vote. The Articles of Association contain no limitations concerning how many votes each shareholder may cast at the General Meeting of Shareholders. For repurchased shares held in treasury, all rights are waived until such time as the shares are reissued. The Board of Directors is not authorised to make decisions regarding new share issues.

Bergman & Beving's corporate governance structure



The General Meeting of Shareholders is the Company's highest decision-making body. The Board of Directors and its Chairman as well as the auditors, where applicable, are appointed by the Annual General Meeting.

The Election Committee drafts motions to the Annual General Meeting regarding the composition of the Board of Directors.

By order of the Annual General Meeting, it is the duty of the appointed **auditors** to examine the financial statements and the administration of the Board of Directors and the President & CEO during the financial year.

The Board of Directors is ultimately responsible for the Company's organisation and administration. It is also the duty of the Board to ensure that all shareholders' interests in Bergman & Beving are provided for. The Board of Directors appoints the President & CEO and the executive vice presidents.

The Audit Committee examines the procedures for risk management, governance, control and financial reporting.

The Compensation Committee prepares motions concerning remuneration levels for the President & CEO as well as general incentive programmes – subject to the approval of the Board – and decides on remuneration levels for other senior management.

The President & CEO and other members of **Group management** are responsible for the day-to-day management of Bergman & Beving.

According to Chapter 6, Section 2a of the Swedish Annual Accounts Act, listed companies are required to submit information concerning certain circumstances that may affect opportunities to take over the Company through a public takeover bid for the shares in the Company. The Company's lenders are entitled to cancel approved committed credit facilities if the Company's shares are delisted from the Stockholm Stock Exchange or in connection with public takeover bids if the bidder secures a shareholding of more than 50 percent of the number of shares in the Company or controls at least 50 percent of the votes in the Company. Otherwise the Company has not entered into any significant agreements with suppliers or employees that would be affected, change, expire or stipulate the payment of financial remuneration should control of the Company change as a result of a public takeover bid for the shares in the Company.

As of 31 March 2020, Anders Börjesson (with family/companies) held 19.68 percent and Tom Hedelius held 13.60 percent of the total number of votes in the Company. No other shareholders had direct or indirect shareholdings in the Company representing more than one-tenth of the total number of votes.

Further information regarding Bergman & Beving's shares and ownership structure is presented in the section on Bergman & Beving's share on pages 28–29.

Repurchase of own shares and incentive programmes

The number of Class B shares held in treasury as of 31 March 2020 amounted to 729,677, corresponding to 2.7 percent of the total number of shares and 2.0 percent of the total number of votes. The quotient value of this holding amounted to SEK 1,512,545 as of 31 March 2020.

Of the total number of shares held in treasury, 160,000 Class B shares are reserved to cover the Company's obligations in the call option programme issued by Bergman & Beving AB in September 2017, which extends through 11 June 2021. The redemption price for the call options in this programme is SEK 118.10.

Of the total number of shares held in treasury, 210,000 Class B shares are also reserved to cover the Company's obligations in the call option programme issued by Bergman & Beving AB in September 2018, which extends through 10 June 2022. The redemption price for the call options in this programme is SEK 117.90.

Finally, 270,000 Class B shares are reserved to cover the Company's obligations in the call option programme issued by Bergman & Beving AB in September 2019, which extends through 9 June 2023. The redemption price for the call options in this programme is SEK 107.50.

The Board has decided to propose that the Annual General Meeting in August 2020 resolve to authorise a repurchase of own shares. In brief, this motion entails that the Annual General Meeting would authorise the Board, during the period until the next Annual General Meeting, to repurchase a maximum number of own shares through Nas-

daq Stockholm so that the Company's holding of treasury shares at no time exceeds 10 percent of the total number of shares in the Company. This authorisation would enable the Board to use repurchased shares to pay for acquisitions or to sell the shares in a manner other than through Nasdaq Stockholm in order to finance acquisitions and to fulfil the Company's obligations in connection with its share-based incentive programmes for senior management.

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the Company's highest decision-making body where shareholders exercise their voting rights. At the Annual General Meeting, decisions are made concerning the Annual Report, dividends, the election of the directors and auditors, directors' and auditors' fees, and other matters in accordance with the Swedish Companies Act and the Articles of Association. The Company does not apply any special arrangements with respect to the function of the General Meeting of Shareholders due to the provisions of the Articles of Association or due to any shareholders' agreement known to the Company.

Annual General Meeting 2019

The Annual General Meeting of Bergman & Beving AB was held on 26 August 2019 in Stockholm, Sweden. The notice of the Annual General Meeting and the supporting documentation for the Meeting were published in accordance with the Company's Articles of Association. The Meeting was held in Swedish and, based on the composition of the shareholder base, interpreters to other languages were deemed unnecessary. The notice of the Meeting and other materials were available in Swedish and English. A total of 146 shareholders participated in the Meeting, representing a combined total of 69.1 percent of the votes in the Company.

All six regular directors and the Company's auditors attended the Meeting. Among other decisions, the Annual General Meeting resolved to pay a dividend of SEK 3.00 per share. The Company's President & CEO Pontus Boman commented on the Group's operations, the 2018/2019 financial year, the Group's performance in the first quarter of the new financial year and the Group's future prospects. Malin Nordesjö, Henrik Hedelius and Louise Mortimer Undén were re-elected to the Board of Directors. Fredrik Börjesson, Alexander Wennergren Helm and Jörgen Wigh were newly elected to the Board. Jörgen Wigh was elected Chairman of the Board.

The minutes from the Annual General Meeting were made available at Bergman & Beving and on the Company's website two weeks after the Meeting. The minutes are available in Swedish and English.

ELECTION COMMITTEE

The Annual General Meeting in August 2019 resolved to authorise the Chairman of the Board to contact the largest shareholders, in terms of votes, not later than 31 January 2020 and request that they appoint four members who, together with the Chairman of the Board, will constitute

an Election Committee to prepare motions to the 2020 Annual General Meeting. The Election Committee is to prepare motions regarding the Chairman of the Annual General Meeting, the number of directors, the election of directors, the Chairman of the Board and auditors, fees to be paid to each director and the auditors, and any changes to the selection criteria and principles for appointing the next Election Committee (in accordance with a resolution passed by the 2012 Annual General Meeting).

In accordance with this authorisation, the Election Committee for the Annual General Meeting in August 2020 comprises Chairman of the Board Jörgen Wigh, Anders Börjesson, Henrik Hedelius, Caroline Sjösten (representing Swedbank Robur Fonder) and Johan Lannebo (representing Lannebo Fonder).

The other members appointed Anders Börjesson as Chairman of the Election Committee. Caroline Sjösten was appointed spokesperson for the Election Committee at the upcoming Annual General Meeting. The composition of the Election Committee was presented in conjunction with the publication of the Interim Report on 7 February 2020, which was later supplemented on 6 March 2020.

The Election Committee's motions regarding the new Board of Directors and the motion regarding auditors will be presented in the notice of the 2020 Annual General Meeting and on the Company's website. The Election Committee will present and motivate its motion regarding the Board of Directors and auditors on the Company's website in conjunction with the publication of the notice of the Meeting and at the Annual General Meeting itself.

No separate remuneration was paid for work on the Election Committee during the year.

THE BOARD OF DIRECTORS 2019/2020

In accordance with Bergman & Beving's Articles of Association, the Board of Directors is to comprise not fewer than five and not more than eight regular directors.

Directors

The Board of Directors of Bergman & Beving AB currently comprises six regular directors elected by the Annual General Meeting on 26 August 2019: Jörgen Wigh (Chairman), Fredrik Börjesson, Henrik Hedelius, Louise Mortimer Undén, Malin Nordesjö and Alexander Wennergren Helm. A detailed presentation of these directors, including information on other assignments and work experience, is available on pages 90–91 and on the Company's website. All directors are independent in relation to the Company and senior management. Three directors are dependent in relation to the Company's major shareholders.

Accordingly, the Board of Directors meets the requirement that at least two of the directors who are independent in relation to the Company also be independent in relation to major shareholders.

According to the resolution of the Annual General Meeting, each director elected by the Annual

General Meeting is to receive a fee of SEK 275,000. The Chairman of the Board is to receive a fee of SEK 600,000. Accordingly, the total fee to be paid in accordance with the resolution of the Annual General Meeting amounts to SEK 1,975,000. The Meeting resolved that the following additional fees are to be paid for committee work: SEK 50,000 to each member of the Compensation Committee and SEK 50,000 to the Chairman of the Audit Committee. Refer to the table below for a summary of the members of the Board, their participation in committees, attendance at Board meetings, dependency and fees. The Board also includes two employee representatives: Lillemor Backström and Anette Swanemar.

Chairman of the Board

The Chairman of the Board is responsible for ensuring that the work of the Board is well organised and conducted efficiently and that the Board performs its duties. In particular, the Chairman is responsible for organising and leading the work of the Board in a manner that creates the best possible conditions for the Board to conduct its work. It is the Chairman's task to ensure that a new director receives the required introductory training and any other training deemed appropriate by the Chairman and the director, to ensure that the Board continuously updates and deepens its knowledge about the Company, to ensure that the Board holds meetings as required and receives sufficient information and supporting data for its work, to propose an agenda for Board meetings in consultation with the President & CEO, to ensure that the decisions of the Board are carried out and to ensure that the work of the Board is evaluated annually. The Chairman is responsible for all contact with the owners regarding ownership matters and for conveying feedback from the owners to the Board.

Duties of the Board

The Board of Directors is ultimately responsible for the Company's organisation and administra-

tion. Based on its analysis of the Company's operating environment, the Board is also responsible for deciding on strategic matters. Each year, the Board adopts written rules of procedure that regulate the work of the Board and its internal distribution of responsibility, including its committees, the procedure for resolutions within the Board, the agendas of Board meetings and the duties of the Chairman. The Board also issues instructions to the President & CEO, which grant the authority to make decisions regarding investments, corporate acquisitions and sales as well as financing issues. The Board has also adopted a number of policies for the Group's operations, including a Financial Policy, Environmental Policy and Code of Conduct. The Board of Directors oversees the work of the President & CEO through continuous monitoring of the operations during the year and is responsible for ensuring that the organisation and management as well as the guidelines for administration of the Company are appropriate and that the Company has adequate internal control and effective systems in place for monitoring and controlling the Company's operations and compliance with legislation and regulations applicable to the Company's operations. The Board is also responsible for establishing, developing and monitoring the Company's goals and strategies, decisions regarding acquisitions and divestments of operations, major investments, repurchases of own shares, and appointment and remuneration of Group management. The Board and the President & CEO present the annual accounts to the Annual General Meeting. The work of the Board is evaluated annually under the supervision of the Chairman of the Board. The Election Committee is informed of the results of this evaluation. The Board evaluates the work of the President & CEO on an ongoing basis. This issue is also specifically addressed each year at a Board meeting, without the presence of any member of Group management. The Board also evaluates and comments on any significant assignments, if any, performed by the President & CEO outside the Company.

Work of the Board

The work of the Board of Directors follows an annual plan. In addition to the statutory meeting, which is held in conjunction with the Annual General Meeting, the Board of Directors normally convenes on four occasions each year (scheduled meetings) in connection with the publication of the Interim Reports and holds an annual strategy meeting. Extraordinary meetings are convened when necessary. Each meeting follows an agenda, which is distributed to the directors prior to each Board meeting along with supporting documentation. The decisions of the Board are made after discussions led by the Chairman of the Board. The task of the committees appointed by the Board is to draft motions for resolutions by the Board (see below).

The agenda for the statutory meeting of the Board includes the adoption of the rules of procedure for the Board of Directors, decisions regarding signatory powers and the approval of the minutes. The items addressed at the scheduled meeting in May include the year-end financial statements, the proposed appropriation of profit and the financial report. In conjunction with this meeting, the Company's auditors report to the Audit Committee on their observations and assessments based on the audit performed. Each scheduled meeting also includes a number of fixed agenda items, including reports on the current financial outcome of the Company's operations.

In addition to the statutory meeting, the Board of Directors convened on ten occasions during the 2019/2020 financial year. The Board's work during the year focused on issues pertaining to the Group's strategic development and future organisation, ongoing business operations, earnings and profitability trends, corporate acquisitions and the Group's financial position. Refer to the table on this page for information regarding attendance at Board and committee meetings.

The President & CEO presents reports at the Board meetings. The Group's CFO and other sala-

Board composition, attendance, dependency conditions and fees for 2019/2020

Regular directors	Year of election	Position	No. of meetings attended			Dependent in relation to ¹⁾		Fee, SEK ²⁾
			Board of Directors	Audit Committee	Compensation Committee	Bergman & Beving	Major shareholders	
No. of meetings			10	4	1			
Jörgen Wigh	2019	Chairman	5	2		No	No	700,000
Alexander Wennergren Helm	2019	Director	5	2		No	No	275,000
Fredrik Börjesson	2019	Director	5	2		No	Yes	275,000
Henrik Hedelius	2015	Director	10	4		No	Yes	275,000
Malin Nordesjö	2017	Director	10	4	1	No	Yes	325,000
Louise Mortimer Undén	2017	Director	7	3		No	No	275,000
Johan Sjö	2017	Former Chairman	5	2	1	No	No	-
Roger Bergqvist	2012	Director	5	2		No	No	-
Anders Börjesson	1990	Director	5	2		No	Yes	-

¹⁾ According to the definitions in the Swedish Corporate Governance Code.

²⁾ Including remuneration for work on Committees.

ried employees in the Group participate in Board meetings to report on specific issues or whenever deemed appropriate.

Peter Schön, CFO of Bergman & Beving AB, serves as the secretary to the Board as well as to the Election Committee.

Compensation Committee

The Compensation Committee appointed by the Board prepares the Board's motion regarding "Guidelines for determining remuneration and other terms of employment for the President & CEO and other members of Group management." The proposed guidelines are addressed by the Board and then presented to the Annual General Meeting for resolution.

Based on the resolution of the Annual General Meeting, the Compensation Committee submits a motion concerning remuneration of the President & CEO to the Board for approval, decides on remuneration to the other members of Group management and draft motions for any incentive programmes. The Compensation Committee informs the Board of its decisions. The Committee is then responsible for monitoring and evaluating the application of the guidelines for determining remuneration to Group management as adopted by the Annual General Meeting (refer to Note 5 Employees and personnel costs on pages 58–60). The Compensation Committee also monitors and evaluates any ongoing programmes for variable remuneration for Group management as well as any programmes concluded during the year.

The Compensation Committee consists of Chairman of the Board Jörgen Wigh (Chairman of the Compensation Committee) and Director Malin Nordesjö. Former Chairman of the Board Johan Sjö was Chairman until the Annual General Meeting, and Malin Nordesjö was a member of the Compensation Committee. President & CEO Pontus Boman presents reports to the Committee. The President & CEO does not report on his own remuneration.

The Compensation Committee convened on one occasion during the 2019/2020 financial year, during which minutes were taken. During the year, SEK 50,000 was paid to each of the two committee members for their work on the Compensation Committee.

Audit Committee

The Board has appointed an Audit Committee, which – without influencing the work and duties of the Board in any other respect – is responsible for monitoring the Company's financial reporting, monitoring the efficiency of the Company's internal control and risk management with respect to its financial reporting, remaining informed about the audit of the Annual Report and consolidated financial statements, reviewing and monitoring the impartiality and independence of the auditors and whether the auditors have provided the Company with services other than auditing services, and assisting in the preparation of motions regarding the election of auditors for resolution by

the General Meeting of Shareholders.

The work of the Audit Committee has been carried out as part of the Board's work at scheduled Board meetings. In conjunction with the adoption of the annual accounts, the Board meets with and receives a report from the Company's external auditors. At the same time, the Board also meets with the auditors without the presence of the President & CEO or other members of Group management.

The Audit Committee includes all regular directors, and Chairman Jörgen Wigh serves as the Chairman of the Committee. The Chairman possesses accounting and audit expertise.

Directors Alexander Wennergren Helm and Louise Mortimer Undén are independent in relation to the Company's major shareholders and possess accounting expertise. The Audit Committee held 4 meetings during the 2019/2020 financial year, during which minutes were taken.

During the year, a fee of SEK 50,000 was paid to Audit Committee Chairman Jörgen Wigh. Other than this, no separate remuneration was paid for work on the Audit Committee.

PRESIDENT & CEO AND GROUP MANAGEMENT

Pontus Boman is President & CEO of Bergman & Beving. Pontus Boman has been employed by the Group since 2007 and served as Executive Vice President of Bergman & Beving between 2016 and 2017. Pontus Boman previously serviced as President of ESSVE (2011–2016) and held senior positions at Accenture and Boston Consulting Group (BCG).

The President & CEO manages the operations in accordance with the Swedish Companies Act and the framework established by the Board. With respect to the authority of the President & CEO to make decisions regarding investments, corporate acquisitions, corporate sales and financing issues, the rules approved by the Board of Directors apply. In consultation with the Chairman of the Board, the President & CEO prepares the necessary information and supporting data for Board meetings, reports on various matters and explains the motivation for motions presented for resolution. The President & CEO leads the work of Group management and makes decisions in consultation with the other members of management.

Bergman & Beving's Group management comprised President & CEO Pontus Boman and CFO Peter Schön. Remuneration to Group management for the 2019/2020 financial year and a description of the company's incentive programmes are presented in Note 5 Employees and personnel costs on pages 58–60.

For more detailed information about Group management, refer to pages 92–93.

AUDITORS

According to the Articles of Association, a registered accounting firm (or, alternatively, one or two authorised public accountants) is to be elected as auditor. KPMG was elected as the Company's au-

ditor at the 2019 Annual General Meeting for the period until the end of the 2020 Annual General Meeting. The Auditor in Charge is Håkan Olsson Reising. KPMG performs the audit of Bergman & Beving AB and most of its subsidiaries.

The Company's auditors follow an audit plan, which includes feedback from the Board and the Audit Committee. The auditors report their findings to the company management teams, Group management and the Board and Audit Committee of Bergman & Beving AB during the course of the audit and in conjunction with the adoption of the annual accounts. The Company's auditor also participates in the Annual General Meeting, presenting and commenting on the audit work.

The independence of the external auditors is regulated through special instructions established by the Board, which state the areas which may be addressed by the external auditors in addition to the normal audit work. KPMG continuously assesses its independence in relation to the Company and provides the Board with written assurance of the auditing firm's independence in relation to Bergman & Beving each year. During the past year, the auditors were mainly consulted on issues regarding corporate law. The total fee for KPMG's services in addition to the audit assignment amounted to MSEK 1 (1) during the 2019/2020 financial year.

ETHICAL GUIDELINES

Bergman & Beving strives to conduct its business with high requirements imposed on integrity and ethics. The Board of Directors adopts a Code of Conduct for the Group's operations on an annual basis, which also includes ethical guidelines. Bergman & Beving's Code of Conduct is available in its entirety on the Company's website at www.bergmanbeving.com.

GUIDELINES FOR DETERMINING REMUNERATION AND OTHER TERMS OF EMPLOYMENT FOR THE PRESIDENT & CEO AND OTHER MEMBERS OF GROUP MANAGEMENT

The Board aims to ensure that the remuneration system in place for the President & CEO and the other members of the Group's senior management team ("Group management") is competitive and in line with market conditions. Accordingly, the Board intends to propose that the Annual General Meeting to be held on 26 August 2020 pass a resolution concerning the 2020/2021 guidelines for determining remuneration and other terms of employment for the President & CEO and other members of Group management. The year's motion concerning guidelines for remuneration of senior management is presented in the Administration Report.

INTERNAL CONTROL OF FINANCIAL REPORTING

According to the Swedish Companies Act and the Swedish Corporate Governance Code, the Board of Directors is responsible for the Compa-