

Corporate governance report

Rejlers is a Swedish public limited company whose B-class shares are listed on Nasdaq Stockholm 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 2014.

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 under 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

The company's B-class shares have been listed on Nasdaq Stockholm since 18 December 2006, which is a regulated marketplace for the trading of shares. Before this, the share had been listed on Nordic Growth Market, NGM, since 8 May 2003. As a result of a new share issue, the number of shares increased during the year from 11,421,721 to 12,321,721, made up of 1,251,250 A-class shares and 11,070,471 B-class shares. The number of votes has increased by 900,000, from 22,682,971 votes to 23,582,971 votes. The share capital has increased by SEK 1,800,000 to SEK 24,643,442. The newly issued shares correspond to 7.3 per cent of the share capital and 3.8 per cent of the votes in the company after the issues. A-class shares can be converted to B-class shares at the request of the shareholder. There is no limit on the number of votes a shareholder may cast at the Annual General Meeting. A-class shares give entitlement to 10 votes per share and B-class shares entitlement to one 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 General Meeting of Shareholders

The Annual General Meeting is the company's highest decision-making body, where all shareholders have the right to participate in decisions. If an individual shareholder wishes to have a motion discussed 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). Information that the notice has been issued must be provided through an advertisement in Dagens Nyheter.

The Annual General Meeting relating to the 2013 financial year was held on 29 April 2014 in Stockholm. The AGM was attended by 44 shareholders, representing 78.7 per cent of the voting power in the company and 59.9 per cent of the capital. All the Board members elected by the Annual General Meeting and the company's auditor attended the meeting. The meeting was chaired by the 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 2.00 per share be adopted.
- That the proposal of the auditor to discharge the Board Members and the President from liability be adopted.
- That Ivar Verner be elected as Chairman of the Board in accordance with the proposal of the Nomination Committee. In addition, a resolution was passed to elect Helena Nordman-Knutson and re-elect Peter Rejler, Jan Samuelsson, Åsa Söderström Jerring, Lauri Valkonen, Anders Jonsson and Thord Wilkne as Board members.

- A resolution on the principles for appointing the Nomination Committee and on its work, as well as guidelines for the remuneration of senior executives.
- That the Board be authorised to decide on a new issue of a maximum of 600,000 B-class shares without preferential rights for existing shareholders.

All adoption of resolutions at the Annual General Meeting was unanimous. Apart from the ordinary annual general meeting, the company did not hold any general meetings of shareholders in 2014. The 2015 Annual General Meeting regarding the 2014 financial year will be held on 4 May 2015 in Stockholm.

Nomination committee

The Nomination Committee nominates members for the Rejlers Board, who are then proposed to the Annual General Meeting. The work of the Nomination Committee begins with an evaluation of the sitting Board. In nominating members for the Board, the Nomination Committee takes account of the strategic skills, education and training and any other Board work of the potential members.

The Nomination Committee also gathers opinions from the major shareholders. The Nomination Committee presents proposals for remuneration to the Board members to the Annual General Meeting. The Nomination Committee also presents proposals for the election of auditors. The Nomination Committee is appointed by the Annual General Meeting. The Nomination Committee, whose task is to prepare cases in advance of the 2014 Annual General Meeting, is made up of Kent Hågglund on behalf of Peter Rejler, Martina Rejler on behalf of Jan Rejler och Johan Lannebo on behalf of Lannebo Funds.

The Nomination Committee has to draw up proposals for the chair of the meeting, proposals for the number of Board members, proposals for the fee payable to Board members, proposals for the Board and Chairman of the Board, proposals for the number of auditors and proposals on how the Nomination Committee is to be appointed ahead of the 2015 Annual General Meeting, together with its tasks.

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

The Board and Chairman of the Board of Rejlers are appointed by the Annual General Meeting. The Board adopts strategy and objective for Rejlers, ensures effective evaluation of the business and checks how the company is developing and its financial situation. The Board consisted of seven members during the 2014 financial year, who are presented in more detail on page 29. The Board held 14 minuted meetings during the 2014 financial year. The average attendance rate was 96 per cent, and Board meetings on average lasted around three hours. Representatives from the Group management and other management personnel regularly attended Board meetings during the year to discuss issues in their particular areas. In addition to the Board meetings mentioned above, the Board holds minuted teleconference meetings for updates on current issues. No Board decisions are made in these teleconference meetings.

The Board is further responsible for acquisitions and disposals of business operations, major investments and appointment and remuneration to Group management. The Board also adopts a business plan and annual accounts and monitors the work of the President.

The trade unions have appointed Björn Lauber and Sten Petttersson as staff representatives.

Ivar Verner was elected by the Annual General Meeting as the Chairman of the Board. At the first meeting of the new Board, a decision was made to set up an Audit Committee comprising Jan Samuelsson (chair) and Ivar Verner, as well as a decision that the Board in its entirety would constitute the Remuneration Committee. A decision was also made to set up a Project/Investment Committee comprising Peter Rejler and Ivar Verner.

In addition to the company's President, Peter Rejler (Board member), other salaried employees from the organisation also participate in the work of the Board, when called on to report on specific matters.

The Board's rules of procedure

The Board has not distributed any particular areas of responsibility within itself among the members. In addition to the distribution of responsibility which applies generally under the Swedish Companies Act, the articles of association and the Swedish Code of Corporate Governance, the Board's work is governed by its rules of procedure, which among other things stipulate that the Board has to:

- In addition to the first meeting of the Board following election, hold at least five ordinary meetings.
- Establish the overarching objectives for the company's operation and decide on the company's strategy.
- Approve the budget and corresponding long-term plans including investment budget.
- Discuss matters concerning investments and similar items in amounts in excess of SEK 10 million if these fall outside the approved investment budget
- Decide on purchase and sale of real estate, shares or acquisition of the business of another company in excess of SEK 2 million.
- Decide on the formation and capitalisation of subsidiaries in excess of SEK 1 million.
- Appoint an audit committee.
- Appoint a project/investment committee.
- Adopt the annual accounts, administration report and interim reports.
- Raising of loans in excess of SEK 5 million.
- Introduction of large-scale processes and settlement of disputes of material significance.
- Other issues of material financial or other significance.

The composition of the Board

Name	Function	Independent	Elected	Attendance
Ivar Verner	Chairman ³¹	Yes	2010	14/14
Peter Rejler ¹¹	Board Member ³¹	No	2010	14/14
Anders Jonsson	Board Member	Yes	2011	11/14
Jan Samuelsson	Board Member	Yes	2010	14/14
Åsa Söderström Jerring	Board Member	Yes	2007	14/14
Lauri Valkonen ²¹	Board Member	No	2002	14/14
Thord Wilkne	Board Member	Yes	2007	14/14
Helena Nordman-Knutson	Board Member	Yes	2014	6/7

¹¹ Dependent in relation to the company through employment as well as major shareholder.

²¹ Dependent due to previous position the Group (until April 2010).

³¹ During the period 1 January – 1 April, Peter Rejler was Chairman and Iva Verner was Vice Chairman.

The following matters have to be discussed at each ordinary Board meeting:

- A report on the company's activities including financial management.
- A report on exceptional measures taken or events occurring between The Board meetings.
- The development of ongoing major projects and expected business events.

- A report on existing or potential disputes that may have a significant impact on the company's business.

The Chairman of the Board constitutes the link between the President and the other members. The task of the Chairman is to direct the work of the Board and to ensure that the Board complies with applicable laws, rules and recommendations.

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 2014 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 attended two Board meetings, to report follow-up on Norway and in conjunction with the meeting on the closing of accounts. The company's interim report for the third quarter was reviewed by the company's auditor and reported to the Board's audit committee.

Audit Committee

At the first meeting of the new Board after the 2014 Annual General Meeting, the Board appointed an Audit Committee made up of Jan Samuelsson (chair) and Ivar Verner. The Audit Committee held four meetings during the year. The committee rapporteur is normally the company's Chief Financial Officer.

The Audit Committee's main task is to secure compliance with established principles for financial reporting and internal control. The Audit Committee also monitors the company's ongoing risk management, adopts supplementary instructions for the auditors for the audit operation, and monitors that laws, regulations, listing agreements and the Swedish Code of Corporate Governance are complied with. The Audit Committee also ensures that other assignments, in addition to auditing, performed by the company's auditors come within the framework of established 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.

The composition of the Audit Committee

Name	Function	Attendance
Jan Samuelsson	Chairman	3/3
Ivar Verner	Board Member	3/3

Project/Investment Committee

At its first meeting following the 2014 Annual General Meeting, The Board appointed a Project/Investment Committee comprising Ivar Verner (chair) and Peter Rejler. The Investment Committee held three meetings during the year attended by both members. The committee rapporteur is normally the company's Chief Financial Officer.

The principal task of the Investment Committee is to discuss items of business relating to investments requiring a decision by the Board.

Remuneration Committee

The Board has decided not to appoint a separate Remuneration Committee. Instead, the Board in its entirety 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 adopted by the Annual General Meeting. When negotiating with the President, the Remuneration Committee is represented by the Chairman of the Board.

Remuneration

At the 2014 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 at SEK 340,000 for the Chairman of the Board and SEK 160,000 each for other members who are not employees of Rejlers. In addition, provisions totalling SEK 160,000 were made for committee work.

See Note 7 to the annual accounts for remuneration to the Board.

President and Group Management

The President is appointed by the Board and has the task of dealing with regular administration of the company according to the guidelines and instructions contained in law, the articles of association and the internal work instructions.

Regular administration comprises all measures that, in consideration of the scale and nature of the company's business, are of an unusual character or of great significance or have explicitly been defined as falling within the responsibility of the Board.

Peter Rejler has been President and CEO of Rejlers since 1 April 2014. He was born in 1966, has been active in Rejlers since 1998 and has served as President since 1999 with the exception of the period 2012–2014, during which he was Executive Chairman of the Board. Since August 2014, Peter has also fulfilled the role of President of Rejlers' Swedish operation.

Peter holds a bachelor's degree in electronics and a master's degree in mechanical engineering.

The President directs the work of the Group management and makes decisions in consultation with other members of the management team. The Group management holds regular meetings under the direction of the President. Between these meetings regular reconciliation takes place regarding the status of the operation concerned. The Group management prepares an annual business plan which is followed up through monthly reports, where the follow-up focuses on profitability, cost control and cash flow. The Group management consisted of the President, the CFO, the country managers for Norway and Finland, the Head of Communications and the Head of HR, a total of six members.

Information about the President and the members of the Group Management team, their ages, training and shareholdings, can be found in the Group Management section on page 28.

Auditing

Election of auditors is one of the tasks of the Annual General Meeting. The 2013 Annual General Meeting elected the audit firm Deloitte, with authorised public accountant Birgitta Löf as auditor in charge, for a period of three years. Deloitte audits all active Rejlers companies in Sweden, Finland and Norway which were wholly owned by Rejlers during 2014.

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. Reporting to the Board takes place in conjunction with the annual closing of accounts.

In conjunction with the audit a review is also made of internal procedures and control systems.

During the audit review Deloitte was also appointed for other assignments. This work has included tax and acquisitions issues, as well as various audit issues (see also Note 8 to the annual accounts). All the assignments come within the framework of policy adopted by the audit committee.

Remuneration to the company's auditors for 2014 and 2013 is set out in the Annual Report.

Financial reporting and information

Rejlers provides the market with regular information on the development and financial position of the company. Information is supplied regularly in the form of:

- Interim reports
- Rejlers' annual report
- Press releases about news and events that may materially affect the valuation and future prospects of the company. Rejlers policy is to publish orders that may be of strategic value
- Presentations for financial analysts, investors and media
- Rejlers' website – www.rejlers.com – where information is available in accordance with the above.

THE BOARD'S DESCRIPTION OF THE INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

Control environment

The control environment constitutes the basis of internal control. The control environment creates the culture on the basis of which Rejlers operates and defines standards and guidelines for operation of the business. In practice, the control environment consists of documented guidelines, manuals and instructions communicated throughout the organisation. The quality system is supplemented by a series of documented directives, which include the establish of a financial manual containing policies for accounting and financial management, as well as an information policy. Rejlers maintains a quality system that includes procedures, instructions and templates for relevant processes. Rejlers makes continuous efforts to develop and improve quality and processes in order to fulfil the requirements set for consultancies by customers, suppliers and employees. The organisational structure is transparent, with defined roles and responsibilities that are communicated through documented work instructions for the Board, Board committees, the President and managers in the Group. There are rules of procedure for the Board and instructions for the President for 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 ensure compliance with the overall guidelines and policies and to make a regular assessment of the company's financial situation.

The respective Boards have at their disposal a president, 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. Regular evaluations are conducted in the organisation at both function and departmental level in order to ensure relevant knowledge of financial reporting in the organisation. The aim is to be able to guarantee with reasonable assurance that Rejlers' short-term and long-term targets are met. The purpose of the risk management and internal control in connection with financial reporting is to be able to guarantee with reasonable assurance that the external financial reporting is reliable with regard to interim reporting, annual reporting and the annual

accounts, and to ensure that the external financial reporting is prepared in accordance with laws, applicable financial reporting standards and other requirements to be met by listed companies.

Information and communication

The most important documents governing financial reporting are updated continuously and communicated to relevant employees through the company's intranet, information letters, regular meetings etc. Information channels are established in order to communicate to affected employees in the organisation as effectively as possible. Rejlers also has an information policy relating to both internal and external communication.

Control activities

The control structure has been designed to manage the risks the Board and the senior management consider significant for operational activity, compliance with laws and regulations and for financial reporting. Defined decision-making procedures, including an authorisation manual, are established for example for investments and signing of contracts. Where appropriate, automatic controls specifically related to financial reporting have been established. Most control activities are integrated into the company's key processes, such as order booking, revenue recognition, investments, supplier contracts and purchases. To ensure that risks in customer projects are noted and managed and are correctly reflected in the financial reporting, a separate function will be set up, the project office. Regular checks must be carried out to ensure that customer projects are being run in accordance with Rejlers' quality system, both with regard to implementation and financial follow-up. The IT structure is designed to manage potential IT-related risks with checks in the IT systems related to the processes that have an impact on financial reporting.

Monitoring

Each manager is responsible for ensuring adequate internal control in the unit concerned and controllers are responsible for ensuring that the units comply with the Group's directives for financial reporting. In addition, the internal control structure of separate decentralised functions is reviewed in a separate function. The Board considers Rejlers' significant areas of risk to be covered by the reviews carried out. The Board does not therefore see any need to set up a separate function for internal audit at present.

Stockholm, 20 March 2015
The Board of Rejlers AB