

# Corporate Governance Report

Rejlers is a Swedish public limited company and is regulated by Swedish legislation, mainly through the Swedish Companies Act. The company's Class B shares are listed for trade on Nasdaq Stockholm, which is why the company also applies Nasdaq Stockholm's rules. Lastly, the company also applies the Swedish Corporate Governance Code. The Swedish Corporate Governance Code should be applied by companies whose shares are listed for trade on a regulated market.

## General

Rejlers corporate governance is based on the Swedish Companies Act, the articles of association as approved by the shareholders and obligations the company has undertaken through contracts such as the listing contract with Nasdaq OMX. As a result of the listing contract, the company has applied the Swedish Corporate Governance Code since 1 July 2008. In addition to this, the company is required to comply with applicable Swedish and foreign laws and regulations.

## Shareholders

The company's Class B shares have been noted on the NASDAQ OMX Nordic list, the regulated market for share trading, since 18 December 2006. Before then, the share had been listed on the Nordic Growth Market, NGM, since 8 May 2003.

In total during the year, no change took place in the number of shares, but 12,321,721 are distributed between 1,251,250 Class A shares and 11,670,471 Class B shares. The number of vote is the same as the year before and amount to 24,182,971 votes. The share capital is SEK 25,843,442.

Upon request from the shareholder, Class A shares may be transformed into Class B shares. There is no limit to how many votes a shareholder may cast at the AGM. Class A shares confer 10 votes per share while Class B shares confer 1 vote per share. Shareholders with more than 10 per cent of the votes are Peter Rejler and Jan Rejler through a company.

## Annual General Meeting and shareholders' meeting

The Annual General Meeting (AGM) is the company's highest decision-making body in which all shareholders have the right to participate in the decisions. If an individual shareholder wishes to have a matter for resolution taken up at the AGM, it must be submitted in writing to the Board no later than seven weeks before the AGM. In accordance with the articles of association, notice to attend must promulgated in the Official Swedish Gazette (Post- och Inrikes Tidningar) and posted on the company's website. Information regarding the promulgation of a notice to attend must be provided in an advertisement in Dagens Nyheter.

The company's AGM in respect of the 2015 financial year took place on 9 May 2016 in Stockholm. The AGM was attended by 31 shareholders who represented 76.0 per cent of the company's votes and 59.2 per cent of equity. The company auditor and all of the Board members elected by the AGM were present at the meeting. The AGM was chaired by Chairman of the Board, Ivar Verner. The minutes from the Annual General Meeting are available on the company's website [www.rejlers.com/se](http://www.rejlers.com/se).

## The AGM resolved, inter alia:

- To pay a dividend of SEK 2.00 per share as proposed by the Board.
- To discharge the members of the Board and CEO from liability as proposed by the auditor.

- To change the Articles of Association regarding the election of auditors. The election of auditors shall apply until the end of the General Meeting that is held the fourth financial year after the election of auditors. The previous wording was that the appointment of the auditor would take place every third financial year after the appointment of the auditor.
- To re-elect Ivar Verner as Chairman of the Board as proposed by the Nomination Committee. In addition to this, the AGM resolved to re-elect Peter Rejler, Jan Samuelsson, Helena Nordman-Knutson and Thord Wilkne as Board members and to elect Annika Steiber.
- The adoption of principles for Nomination Committee assignments and appointments and the guidelines for remuneration of senior executives.
- To authorize the Board to pass a resolution for the issue of a maximum of 600,000 Class B shares without preferential rights for existing shareholders.

All of the AGM resolutions were passed unanimously. The company did not hold any other shareholders meetings in addition to the AGM during 2016. The 2017 AGM in respect of the 2016 financial year will be held on 24 April 2017 in Stockholm.

## Nomination Committee

The Nomination Committee nominates members to Rejlers' Board who are then proposed to the AGM. The Nomination Committee's work begins with an evaluation of the incumbent Board. When making nominations to the future Board, the Nomination Committee takes into consideration the potential members' strategic skills, education and any other Board work.

The Nomination Committee also solicits points of view from the principal owners. The Nomination Committee submits proposals regarding remuneration of members of the Board at the AGM. The Nomination Committee also submits proposals regarding the election of auditors. The Nomination Committee is appointed by the AGM. The Nomination Committee charged with preparing agenda items prior to the 2016 AGM consists of Kent Hägglund representing Peter Rejler, Martina Rejler representing Jan Rejler and Johan Lannebo representing Lannebo Fonder.

The Nomination Committee must draft proposals regarding: the AGM chair, the number of Board members, fees to Board members, Board members and Chairman of the Board, the number of auditors, how the Nomination Committee should be appointed before the 2017 AGM and the Nomination Committee's assignment.

As the basis for the Nomination Committee's work, the chairman of the Board and the CEO submitted a report on the work of the Board during the year. Furthermore, an annual evaluation of the Board was carried out on behalf of the Nomination Committee.

## Board of Directors

Rejlers Board and the Chairman of the Board are appointed by the AGM. The Board approves Rejlers strategy and objectives, ensures effective evaluation of operations and monitors the company's development and financial situation. During the 2016 financial year, the Board consisted of six members, who are presented in greater detail on page 9. The Board held 11 minuted meetings during the 2016 financial year. Average attendance was 97 per cent, and on average Board meetings lasted around three hours. Representatives from Group management and other management personnel regularly participated in Board meetings during the year to discuss issues in their respective areas. In addition to the

Board meetings mentioned above, the Board holds minuted teleconferences for updates on current issues. No Board decisions are made during teleconferences.

The Board is also responsible for acquisitions and divestments of operations, major investments, appointments and remuneration of Group management. The Board also approves business plans and the annual accounts and monitors the work of the CEO.

The union organizations appointed Björn Lauber and Sten Pettersson as Board members and Thore Gregorsson as a deputy member.

Ivar Verner was elected by the Annual General Meeting as the Chairman of the Board. At the Board's statutory meeting, it was decided to establish an Audit Committee consisting of Jan Samuelsson (chair), Helena Nordman Knutsson and Ivar Verna and that the Board in its entirety will serve as the remuneration committee. It was also resolved to establish a Projects/Investment Committee comprising Peter Rejler and Ivar Verner.

In addition to CEO Peter Rejler (Board member), other salaried employees from the organization take part in the work of the Board to report on specific matters.

### The Board's rules of procedure

The Board has not allocated any specific areas of responsibility internally between its members. In addition to the allocation of responsibility that 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 stipulate inter alia that the Board must:

- In addition to the statutory meeting, hold five ordinary meetings
- Establish the overarching objectives for the company's operations and decide on company's strategy
- Approve the budget and corresponding long-term plans including the investment budget
- Address and approve matters regarding tenders and projects with amounts in excess of SEK 30 million.
- Decide on the purchase and sale of real estate, shares or the acquisition of another company's operations in excess of SEK 15 million
- Appoint an Audit Committee
- Appoint a Projects/Investment Committee
- Approve the annual accounts, administration report and interim reports
- Raising of loans
- Initiate major processes and the settlement of disputes of material significance
- Other issues of material financial or other significance

The following items must be taken up at every ordinary Board meeting:

- A report on the company's activities including its financial management
- A report on exceptional measures taken or events occurring between Board meetings
- The development of major projects in progress and anticipated business events
- A report on existing or potential disputes that may have a significant impact on the company's operations

### Board composition

Name	Function	Independent	Elected	Present
Ivar Verner	Chairman	Yes	2010	11/11
Thord Wilkne	Board member	Yes	2007	10/11
Peter Rejler <sup>1)</sup>	Board member	No	2010	11/11
Jan Samuelsson	Board member	Yes	2010	11/11
Helena Nordman-Knutson	Board member	Yes	2014	11/11
Annika Steiber	Board member	Yes	2016	8/9
Anders Jonsson	Board member	Yes	2011	2/2

<sup>1)</sup> Dependent in relation to the company through employment as well as major shareholder.

The Chairman of the Board is the link between the CEO and its other members. The Chairman is tasked with directing the work of the Board and ensuring that the Board complies with applicable laws, rules and recommendations.

The Board is evaluated on an ongoing basis, both in respect of the Board as a whole and its individual Board Members. During 2016, the evaluation was carried out in the form of a Board questionnaire under the direction of the Nomination Committee. The entire Board took part in the questionnaire and discussed the evaluation. On the same occasion the Board evaluated the CEO and the company's management in their absence, but with the company auditor present. The company auditor participated in one Board meeting in connection with closing the annual 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

In connection with the statutory Board meeting after the 2016 AGM, the Board appointed an Audit Committee, comprising Jan Samuelsson (Chairman), Helena Nordman Knutsson and Ivar Verner. The Audit Committee held seven meetings during the year. The committee reporter is usually the company's CFO.

The Audit Committee has the main task of ensuring compliance to established principles for financial reporting and internal control. The Audit Committee also monitors the company's continuous risk management, establishes supplemental instructions to the auditors for the audit effort, and monitors compliance to laws, ordinances, listing agreements and the Swedish Corporate Governance Code. The Audit Committee also makes sure that other assignments in addition to audits carried out by the company's auditors are within the framework of approved policy.

During the year, the Audit Committee also followed up on operational control of commissioned work and the instructions that apply from preparing quotes up to completed 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 disclosures, and it also evaluates the need for an internal audit function.

### Internal control

At present, it is the Board's assessment that the company's size and complexity do not motivate a special internal audit unit, but rather that the accounting function will take care of the continuous controls and conduct improvement projects in financial management and control. Internally, audits are done of the commissioned work, follow-up of outcomes and potential needs for changed procedures. A new assessment will be made during the year.

### Project/Investment Committee

At its statutory meeting following the 2016 AGM, the Board appointed a Projects/Investment Committee comprising Ivar Verner (chairman), Anni-ka Stebier in certain investment issues and Peter Rejler. The Investment Committee held two meetings during the year where those present were Ivar Verner and Peter Rejler. The committee reporter is usually the company's CFO.

The principal task of the Investment Committee is to discuss matters relating to investments that require a Board decision.

### Remuneration committee

The Board has decided not to appoint a special remuneration committee.

Instead, the Board in its entirety will constitute a remuneration committee and will address remuneration and employment issues regarding the CEO and the other senior executives based on the guidelines adopted by the AGM. The remuneration committee is represented by the Chairman of the Board in negotiations with the CEO.

### Remuneration

Resolutions were made during the 2016 AGM regarding guidelines for remuneration of the CEO and senior executives. These were mainly the same as in previous years. The main principle for these guidelines is that senior executives at Rejlers must be offered remuneration on market terms to enable the company to attract, develop and retain key individuals. The remuneration structure may be made up of a basic salary, variable remuneration and in certain cases other benefits. The variable remuneration for senior executives is limited to a maximum 60 per cent of basic salary. The full guidelines are available appended to the AGM minutes and on the company website. The term senior executives refers to the members of the Group's management group.

The AGM approved remuneration of the Board in the amount of SEK 370,000 to the Chairman of the Board and SEK 200,000 each to the other members who are not Rejlers employees. An additional SEK 225,000 was set aside for committee work.

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

### CEO and Group management

The CEO is appointed by the Board and is tasked with the day-to-day administration of the company in accordance with the guidelines and instructions contained in law, the articles of association and the internal work instructions.

Day-to-day management includes all measures that, in consideration of the scope and nature of the company's operations, are of an unusual character or of great significance or are expressly defined as falling within the responsibility of the Board.

Peter Rejler has been President and CEO for Rejlers since 1 April 2014. He was born in 1966 and has worked within Rejlers since 1998.

In 1999, he became the CEO for Rejlers' operations until 2012. During the period 2012-2014, he was the executive Chairman of the Board but returned to his role as CEO as of 1 April 2014. As of August 2014, Peter also had the role as the President of Rejlers' Swedish operations.

Peter holds a Bachelor of Science in Electronics and a Master of Science in Mechanical Engineering.

The CEO directs the work of Group management and makes decisions in consultation with other members of the management team. Group management holds regular meetings under the direction of the CEO. Between these meetings, regular checks are made regarding the status of each operation. Group management prepares an annual business plan which is followed up through monthly reports that focus on profitability, cost control and cash flow. Group management comprised the CEO, the CFO, the Heads of operations for Sweden, Norway and Finland, the Head of IT Solutions, the CIO and the Head of HR, in all six members.

Information about the CEO and the members of the group management team, their ages, education and shareholdings, is available in the Group Management section on page 10.

### Audits

The AGM's tasks include selecting an auditor. The 2016 AGM elected Deloitte as auditors, with authorized public accountant Birgitta Lööf as auditor-in-charge. Deloitte audits all active Rejlers companies in Sweden, Finland and Norway which were wholly owned by Rejlers during 2016 except for Embriq. The auditor works from an audit plan and reports her 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.

A review of internal procedures and control systems is also carried out in conjunction with the audit review.

In addition to the audit review, Deloitte was also engaged for other assignments. Among other things, the work included tax and acquisitions issues along with various audit issues (see also Note 8 to the annual accounts). All of the assignments fall within the framework of policy laid down by the Audit Committee.

Remuneration of the company auditors for 2016 and 2015 are presented in the Annual Report.

### Financial reporting and information

Rejlers provides the market with regular information on the progress and financial position of the company. Information is provided 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 are of strategic value
- Presentations for financial analysts, investors and media
- Rejlers' website – [www.rejlers.com](http://www.rejlers.com) – where the information described above is available

## **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 upon which Rejlers operates and defines standards and guidelines for the operation's actions. In practical terms, the control environment consists of documented guidelines, manuals and instructions disseminated throughout the organization. The quality management system is supplemented by a series of documented directives, which include a financial manual containing policies for accounting and financial management together with the information policy. Rejlers maintains a quality management system that includes procedures, instructions and templates for relevant processes. Rejlers is always busy developing and improving quality and processes in order to meet the standards customers, suppliers and employees demand of a consultancy. The organizational structure is transparent, with defined roles and responsibilities that are communicated through documented work instructions for the Board, Board committees, the CEO and managers in the Group. There are rules of procedure for the Board and instructions for the CEO of each company in the Group, based on the same principles as those for Rejlers AB.

Each company has a board tasked with continuously ensuring compliance with the overall guidelines and policies and making regular assessments of the company's financial situation.

The boards each have at their disposal a president, who in the larger subsidiaries also has a management group. In each of the countries concerned, the Rejlers organization allows local units great independence. Managers at all levels have clearly assigned responsibilities and powers to develop their operations based on local conditions and their customers' needs. Regular evaluations are conducted in the organization at both function and departmental level in order to ensure relevant knowledge of financial reporting in the organization. The aim is the ability to guarantee with reasonable certainty that Rejlers' short-term and long-term targets are achieved. The aim of risk management and internal controls in connection with financial reporting is the ability to guarantee with reasonable certainty 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 that must be met by listed companies.

### **Information and communication**

The most important steering documents regarding the financial statements are continuously updated and communicated to relevant employees over the company's intranet, information letters, regular meetings, etc. Information channels are established to communicate to concerned employees in the organization as effectively as possible. Rejlers also has an information policy in regard to both internal and external communication.

### **Control activities**

The control structure is designed to manage the risks the Board and the senior management consider significant for operational activities, compliance with laws and regulations and financial reporting. Defined decision-making procedures, including an authorization manual, are established e.g. 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 risks in customer projects are noted, managed and correctly reflected in financial reporting, a separate function has been set up – the project building – to carry out regular checks to ensure customer projects are run in compliance with Rejlers' quality management system in regard to both 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 unit head is responsible for ensuring adequate internal control in the unit concerned and for ensuring that the units comply with the Group's directives for financial reporting. In addition, the internal control structure of separate, decentralized functions is reviewed by a special function. Because the Board considers Rejlers' significant areas of risk to be covered by the reviews carried out, it sees no current need to set up a separate function for internal audit at present.

**Stockholm, 20 March 2017**  
**Board of Directors Rejlers AB**