

# CORPORATE GOVERNANCE REPORT

Byggmax is a Swedish public limited liability company listed on NASDAQ OMX Stockholm. Byggmax applies the Swedish Code of Corporate Governance and hereby submits its Corporate Governance Report for the fiscal year January 1, 2011 to December 31, 2011. Byggmax Group AB (publ) has prepared the Corporate Governance Report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Code of Corporate Governance. The guidelines for the Swedish Code of Corporate Governance are available from the website of the Swedish Corporate Governance Board ([www.bolagsstyrning.se](http://www.bolagsstyrning.se)).

Corporate governance regards the rules and regulations as well as the existing structure for managing and leading business activities in a limited company with an efficient and controlled approach. Ultimately, corporate governance aims to meet shareholder requirements in respect of return and to provide all stakeholders with adequate and correct information about the company and its development.

The Byggmax Group AB (publ), hereinafter called Byggmax or the Company, is listed on NASDAQ OMX Stockholm and applies the Swedish Code of Corporate Governance (the Code) from the date of its listing, which was June 2, 2010. The Code builds on the principle "comply or explain" which means that companies that apply the Code can deviate from specific rules but must explain the underlying reasons behind the deviation. Byggmax Group AB (publ) has made the following deviations from the Code:

- The Board has elected to not have a specific internal audit since the company has a straightforward legal and operational structure, and comprehensive management and internal control systems

## SHAREHOLDERS

The share capital in Byggmax amounted to SEK 20,245,682 M divided among 60,737,045 shares. Only one class of shares exists and all shares have equal rights to participation in the company's assets and profits. The number of shareholders on December 31, 2011 was 4,748. Altor 2003 fund is the largest shareholder and has a holding equivalent to 35.8 percent. Non-Swedish owners accounted for ownership of approximately 70.9 percent of the shares. For further information regarding the share and shareholders please see pages 27-28 and the Byggmax website.

## ANNUAL GENERAL MEETING

Shareholders exercise their influence over the company at the Annual General Meeting (AGM) which constitutes the company's highest decision making body.

## 2011 Annual General Meeting

The 2011 AGM was held on April 1, 2011, at Infracity in Upplands Väsby (Stockholm). At the AGM, 55 shareholders representing 67 percent of the votes were present either in person or via representatives. Fredrik Cappelen was elected Chairman of the AGM.

The main resolutions passed were as follows:

- Amendment of the Articles of Association concerning a notice to the General Meeting of Shareholders.
- Resolution on an incentive program comprising a private placement and the transfer of warrants.
- Reelection of board members Fredrik Cappelen, Johannes Lien, Stefan Linder, Anders Moberg, Stig Notlöv and the election of Lottie Svedenstedt
- Policies for compensation and terms of employment for the President and other senior executives.
- Policies for the appointment of the Nomination Committee

## Proposal for 2012 AGM

The next AGM for shareholders in Byggmax will be held on Friday, April 20, 2012, at the Primus conference center in Stockholm from 11:30 a.m. For further information regarding the AGM visit the Byggmax website.

## NOMINATION COMMITTEE

The AGM on April 1, 2011, resolved that a Nomination Committee would be appointed for the AGM 2012. The Chairman will convene the three largest directly registered owner-categorized shareholders of the company – according to Euroclear Sweden AB as of August 31 – who will subsequently each be entitled to appoint a member to the Nomination Committee. The composition of the Nomination Committee will be published not later than six months prior to the AGM.

The Nomination Committee is to prepare and submit proposals to the General Meeting of Shareholders concerning a Chairman for the AGM, the Chairman of the Board of Directors and other members of the company's Board. The Nomination Committee is also tasked with submitting proposals for directors' fees that are to be allocated among the Chairman and other members, the election of (where applicable) and fees to auditors, as well as decisions on principals concerning the appointment of the Nomination Committee's members.

## BOARD OF DIRECTORS

Each year the Byggmax Board of Directors adopts a formal work plan and written instructions in respect of financial reporting and allocation of duties between the Board and the President. The formal work plan regulates the Board's

obligations, division of work among board members, the minimum number of board meetings per year, notice of and documents before board meetings and the preparation of the minutes of board meetings.

Written instructions regulate the reporting system that exists to enable the Board to continuously assess the Company's and the Group's financial situations and the allocation of work between the Board and the President.

#### Independence of the Board

The Board's assessment of the individual board members relation to the Company and the shareholders is defined in the table "Composition and attendance of Board meetings". As is made evident, Byggmax meets the Code's requirement that the majority of the elected board members are independent of the Company and the Group management and that at least two of these are independent of the Company's major shareholders.

#### Composition and attendance of Board meetings

A detailed description of the Board members is available on page 72.

#### The Board's work in 2011

The Board held ten meetings in 2011. Important issues addressed by the Board in 2011, in addition to the adoption of the Annual Report and interim reports, and the business plan and attendant budget, include the following: Beslut om aktieutdelning för 2010 med 1,5 kr per aktie

- Resolution concerning a dividend of SEK 1.5 per share for 2010

- Resolution concerning the implementation of a long-term incentive program
- Revision and adoption of the company's policies
- Opening of new stores in all three countries

The Group's President, Magnus Agervald and CFO, Pernilla Walfridsson, participate at board meetings. Other employees may also participate in Board meetings as reporters for specific issues.

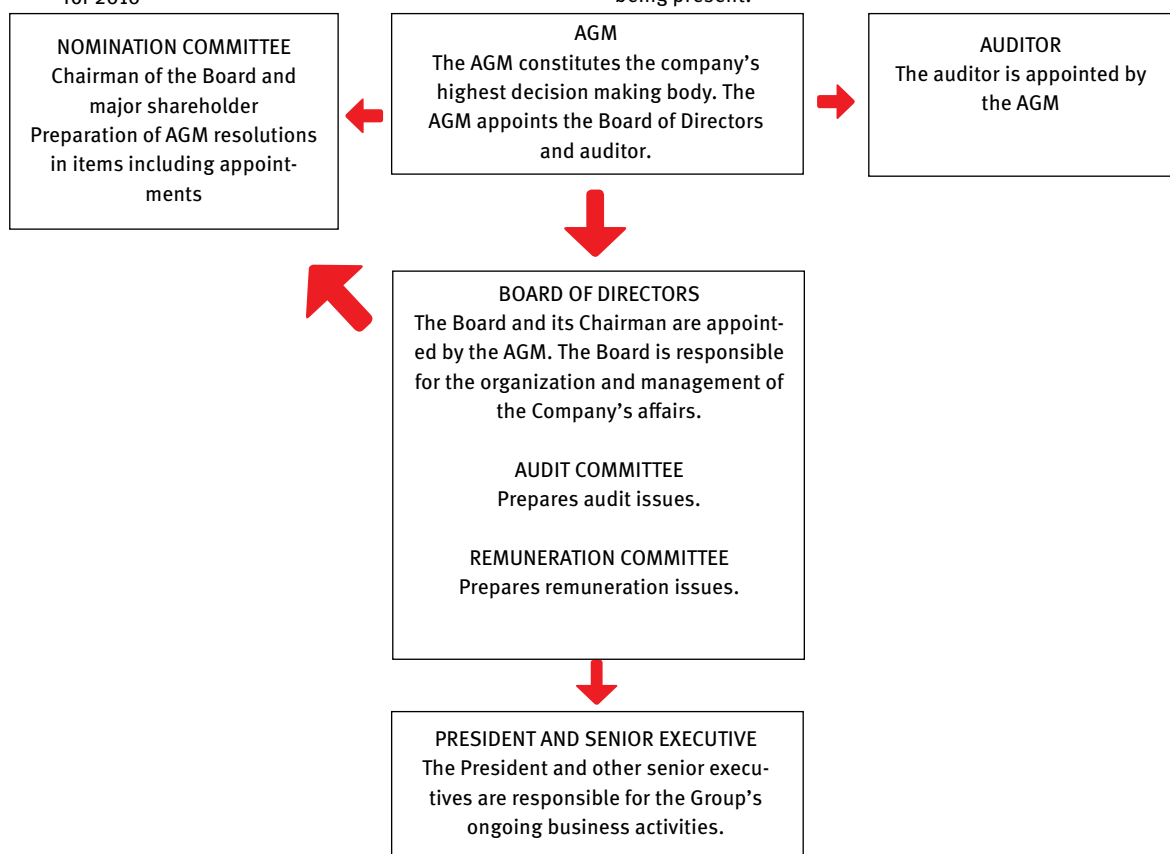
#### Evaluation of the work of the Board of Directors in 2011

The Chairman of the Board is responsible for evaluating the work of the Board including the input of the individual board members. The evaluation focuses on the supply and demand of specific competence and ways of working. The evaluation of the work of the Board has concluded that the work is efficient and goal oriented.

#### Board committees

The Board currently has no remuneration committee, audit committee or any other committee. It is the Board's belief that the tasks that would otherwise be performed by committees can be carried out more effectively by the Board in its entirety.

The Board, as a whole, prepares and addresses issues regarding remuneration and other employment terms for senior executives. The audit committee is comprised by the Board in its entirety. The committees/Board meet the Company's auditors twice yearly to discuss matters including audit plans and audit reports. At meetings with the Company's auditors, the committees/Board are given the opportunity to meet with the auditor without the President being present.



## PRESIDENT AND SENIOR EXECUTIVES

President, also CEO, is tasked with managing the ongoing operation of the Company in accordance with the written instructions adopted by the Board.

Magnus Agervald has been the President and CEO of Byggmax since January 1, 2008. He has no shareholding or partnership in any company that the Company has a significant business relationship with.

The Byggmax Group management comprises five members including the President. A description of the management is available under the heading "Byggmax Group Management" (page 71).

## REMUNERATION GUIDELINES

For information concerning salaries and other remuneration to the President and other senior executives see Note 9, page 54.

## AUDITORS

The AGM appoints the auditor for the Company every four years. Öhrlings PriceWaterhouseCoopers, hereinafter called PWC, was elected by the AGM 2010 for a mandate period of

four years. PWC has appointed Authorized Public Accountant Anna-Carin Bjelkeby as principal auditor for the audit. In addition to the audit assignment, Byggmax has consulted PWC on taxes and other accounting issues. PWC is obligated to test its independence prior to accepting independent advisory assignments in addition to its auditing assignments for Byggmax. Information in respect of the fees paid to the auditing company is provided in Note 8.

According to the Code, the Company's Board should ensure that the interim report in respect of the second or third quarter is reviewed by the auditors. Byggmax's auditors conducted a basic review of the company's nine-month interim report.

## INTERNAL AUDIT

The Company has a simple legal and operative structure and a comprehensive management and internal control system. The Audit Committee follows up the Company's assessment of the internal audit through contact with the Company's auditors. In view of the aforementioned, the Board has opted not to have a separate Corporate Internal Audit.

## THE BOARD'S COMPOSITION AND ATTENDANCE AT MEETINGS

Name	Function	Elected	Board attendance	Director fees	Independence of the Company's management and major shareholder
Fredrik Cappelen	Chairman of the Board	2006	10/10	500 000 SEK	No
Anders Moberg	Board member	2006	10/10	250 000 SEK	No
Johannes Lien	Board member	2009	9/10	Inget	Yes
Lottie Svedenstedt	Board member	2010	10/10	250 000 SEK	No
Stefan Linder	Board member	2006	10/10	Inget	Yes
Stig Notlöv	Board member	2006	10/10	250 000 SEK	Yes

## INTERNAL CONTROL

The Board's responsibility for internal control is regulated in the Swedish Companies Act and in the Swedish Code of Corporate Governance that contain requirements in respect of yearly external disclosure regarding the organization of internal control regarding financial reporting.

The Board has overriding responsibility for internal control at Byggmax. The President has the ongoing responsibility for maintaining internal steering and controls. The ultimate aim of internal control is to ensure that Byggmax's financial reports are prepared in accordance with the law, applicable accounting policies and other requirements that apply to listed companies in addition to protecting Byggmax's assets. Byggmax has elected to use COSO's definition of internal control as the foundation for its work with internal control. According to COSO, internal control comprise five different parts; the control environment, risk assessment, control activities, information and communication and follow-up. These various parts are described briefly below.<sup>1</sup>

### Control environment

The control environment forms the basis for the internal control and builds on the culture that the Board of Directors and management communicate and work by. It primarily comprises values, competence, management philosophy, organizational structure, responsibility and authorizations as well as policies and routines. A key component of the control environment is the clear definition and communication of decision paths, authorizations and responsibility between differing levels in the organization and that steering documents in the form of internal policies and guidelines include all material areas and that these provide guidance to the various employees of Byggmax.

A key component of the Board's work is the preparation and approval of a number of policies including the rules of procedure for the Board of Directors, the President's instructions, financial policy, IT policy, information policy and the logbook and insider policy. The aim of these policies

<sup>1</sup> COSO (Committee of Sponsoring Organizations of the Treadway Commission), which is the framework that has the widest spread and international acceptance, and which takes a particular position on the definition of accepted internal control.

includes creating the foundation for acceptable internal control. All policies are reported annually and adopted by the Group management or Board.

Byggmax's accounting process is documented in an accounting manual.

#### **RISKASSESSMENT**

All business activities are linked to a certain degree of risk taking. A structured risk assessment enables the identification of significant risks. Byggmax operates an ongoing process of risk analysis in which the risks of errors in the financial reporting of significant income statement and balance sheet items are analyzed. Other risks in conjunction with the financial reporting include the risk of fraud, loss or misappropriation of assets. The Board of Byggmax continuously assess the Company's risk management. This includes assessing the preventative measures taken to reduce the Company's risks, which entails ensuring the Company is appropriately insured and that the Company has the requisite policies and guidelines in place.

#### **Control activities**

The Group' control structure is designed to handle the risks the Board assesses as being significant for the internal control of financial reporting. In Byggmax, the control structures comprise an organization with clear roles that enables an efficient, and from an internal control perspective, suitable allocation of responsibilities, and additionally of specific control activities that are aimed at identifying or safeguarding from the risks of errors in the reporting. Byggmax has

a systematic modus operandi to minimize the risk of fraud and/or theft, this includes efforts to minimize waste in the stores.

#### **Information and communication**

Byggmax has an information policy that includes guidelines for internal and external information from the Company. External information is disclosed in compliance with stock exchange and securities legislation and the Swedish Financial Supervisory Authority's regulations. Internal dissemination of price-sensitive information occurs only after Byggmax has released the corresponding information to the stock market. Steering documentation in the form of policies, guidelines and manuals are communicated via the Group's intranet and accounting manual.

#### **FOLLOW UP**

The Group's accounting functions are integrated via a joint accounting and reporting system. The Board and Group management are provided with ongoing information in respect of the Group's financial performance, situation and development of the business. The reports also contain analytical follow-ups, trend monitoring and benchmarking between stores. The accounting function has the same procedures and requirements of documentation at every monthly accounts date. The Board continuously evaluates the information provided by the Group management. The work includes ensuring that measures are taken in respect of faults and proposed measures that may have been identified in the external audit.

FREDRIK CAPPELEN  
Chairman of the Board

ANDERS MOBERG  
Board member

JOHANNES LIEN  
Board member

LOTTIE SVEDENSTEDT  
Board member

STEFAN LINDER  
Board member

STIG NOTLÖV  
Board member

# AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of Byggmax Group AB (publ), corporate identity number 556656-3531

## Assignment and allocation of responsibilities

We have examined the Corporate Governance Report for 2011 on pages 74–77. It is the Board of Directors who bears responsibility for the Corporate Governance Report and its preparation in accordance with the Swedish Annual Accounts Act. Our responsibility is to express an opinion on the Corporate Governance Report based on our audit.

## The objective and scope of the audit

The audit has been performed in accordance with RevU 16, Auditor's review of the corporate governance report. This requires that we plan and perform the audit to obtain reasonable, but not absolute, assurance that the Corporate Governance Report is free of material misstatement. An audit includes examining, on a test basis, a selection of the underlying evidence for the Corporate Governance Report. We believe that our audit provides us with a reasonable basis for our opinion set out below.

## Opinion

The Corporate Governance Report has been prepared and is consistent with the annual accounts and consolidated accounts.

Stockholm, March 1, 2012

Öhrlings PricewaterhouseCoopers AB

Anna-Carin Bjelkeby

Authorized Public Accountant