

# CORPORATE GOVERNANCE

Byggmax Group AB (publ) is a Swedish public limited liability company listed on Nasdaq Stockholm. Byggmax applies the Swedish Corporate Governance Code and hereby submits its Corporate Governance Report for the fiscal year January 1, 2015 to December 31, 2015. Byggmax has prepared the Corporate Governance Report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Corporate Governance Code. The guidelines for the Swedish Corporate Governance Code are available from the website of the Swedish Corporate Governance Board ([www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)). The Corporate Governance Report is included as part of the Administration Report.

Corporate governance means 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 Corporate Governance Code (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 has not made any deviations from the Code in 2015.

## 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, 2015 was 12,231. At December 31, 2015, the largest shareholder was Nordea Investment Funds with 10.6 percent of the shares. Non-Swedish owners accounted for ownership of approximately 59.0 percent of the total number of shares. For further information regarding the share and shareholders please see pages 31-32 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. Byggmax's Articles of Association are available in their entirety at [byggmax.com](http://byggmax.com).

### *2015 Annual General Meeting*

The 2015 AGM was held on May 5, 2015, at the Primus conference center in Stockholm. At the AGM, 105 shareholders representing 54.0 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:

- Re-election of Board members Anders Moberg, Stig Notlöv, Karin Hygrell-Jonsson and Lottie Svedenstedt. Daniel Mühlbach and Hannele Kempainen were elected as new Board members.
- Policies for compensation and terms of employment for the President and other senior executives
- Policies for the appointment of the Nomination Committee.

### *Proposals for the 2016 AGM*

The next AGM for shareholders in Byggmax will be held on Wednesday, May 10, 2016, at Alviks Strand Conference Center in Bromma (Stockholm) from 10:00 a.m. to 12:00 p.m. For further information regarding the AGM, please visit the Byggmax website.

## NOMINATION COMMITTEE

The AGM on May 5, 2015, resolved that a Nomination Committee would be appointed for the 2016 AGM. The Chairman will convene the three largest 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 policies governing the appointment of the Nomination Committee's members. No remuneration is payable to members of the Nomination Committee.

## BOARD OF DIRECTORS

### *The Board's formal work plan and written instructions*

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, the 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 "The Board's composition and attendance at meetings" (See page 40). 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.

### The Board's composition and attendance at meetings

A detailed description of the Board members is available on page 80 and the Board's composition and attendance at Board meetings is presented on page 40.

### The Board's work in 2015

The Board held 18 meetings in 2015. Important issues addressed by the Board in 2015, in addition to the adoption of the Annual Report and interim reports, and the business plan and attendant budget, included the following:

- Proposed dividend for 2015 of SEK 2.6 per share
- Revision and adoption of the company's policies
- Opening of new stores in all three countries
- Continued expansion of the online product range
- Continued roll-out of the new store concept, Byggmax 2.0
- Continued work on improving operating activities
- Acquisition of Buildor AB and Skånska Byggvaror.

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

### Evaluation of the work of the Board of Directors in 2015

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. In 2013, an external company was engaged to carry out a thorough evaluation of the Board's members and work. The evaluation of the work of the Board concluded that the work is efficient and goal oriented. The external company used also completed an evaluation of members of the Group management and the assessment was that the management functions well. In 2015, the Board carried out

an internal evaluation of the Board's work, which was reported verbally to the Nomination Committee by the Chairman of the Board.

### Board committees

The Board currently has no separate remuneration committee or audit 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, and assesses the application of the guidelines adopted by the AGM for remuneration of 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 committee/Board are given the opportunity to meet with the auditor without the President being present.

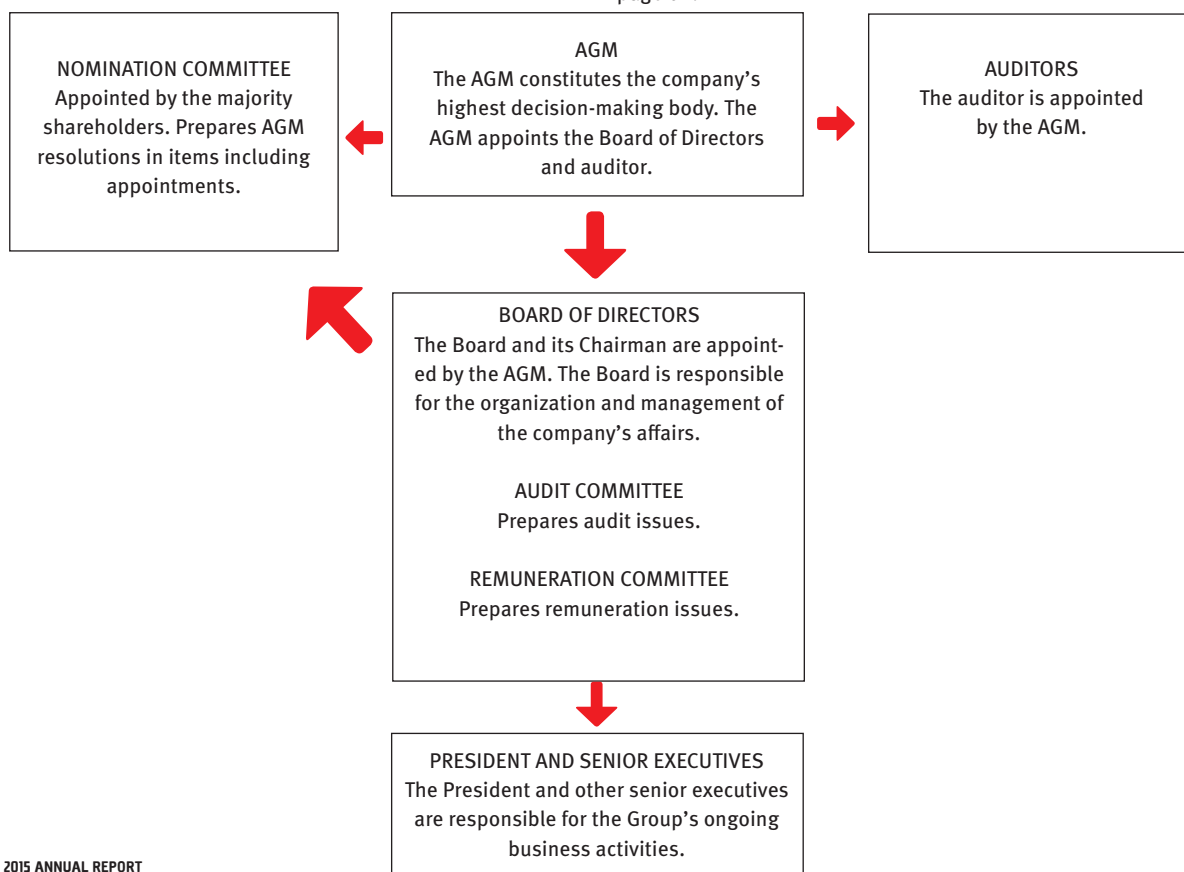
### PRESIDENT AND SENIOR EXECUTIVES

The 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 seven members including the President. A description of the management is available under the heading "Byggmax Group Management" (page 79).

### REMUNERATION GUIDELINES

For information concerning salaries and other remuneration to the President and other senior executives see Note 9, page 62.



## AUDITORS

The AGM appoints the company's auditors every year. Öhrlings Price-WaterhouseCoopers, referred to below as PWC, has been the company's auditor since the 2010 AGM. In autumn 2013, Ann-Christine Häggglund was appointed the new Auditor in Charge 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 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 internal audit function. The question of whether to establish a separate internal audit function is tested on an annual basis.

## THE BOARD'S COMPOSITION AND ATTENDANCE AT MEETINGS

Name	Function	Elected	Board Attendance	Directors' fees	Independence of the company's management and major shareholders
Fredrik Cappelen <sup>2</sup>	Chairman of the Board	2006	5/18	SEK 172,651	No
Anders Moberg	Chairman of the Board	2006	18/18	SEK 447,238	No
Karin Hygrell-Jonsson	Board member	2014	18/18	SEK 256,575	No
Hannele Kempainen <sup>1</sup>	Board member	2015	13/18	SEK 170,939	No
Stefan Linder <sup>2</sup>	Board member	2006	5/18	None	No
Lottie Svedenstedt	Board member	2010	17/18	SEK 256,575	No
Daniel Mühlbach <sup>1</sup>	Board member	2015	13/18	SEK 170,939	No
Stig Notlöv	Board member	2006	14/18	SEK 256,575	No

<sup>1</sup> Daniel Mühlbach and Hannele Kempainen were elected at the 2015 AGM.

<sup>2</sup> Fredrik Cappelen and Stefan Linder declined re-election ahead of the 2015 AGM.



## INTERNAL CONTROL OF FINANCIAL REPORTING

The Board's responsibility for internal control is regulated by the Swedish Companies Act and in the Swedish Corporate Governance Code, which contains requirements for annual external disclosures regarding the organization of internal control for financial reporting.

The Board has overriding responsibility for internal control at Byggmax. The President has the ongoing responsibility for maintaining internal governance 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, and to protect 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 comprises 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 includes creating the foundation for sound 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.

Furthermore, the Board has ensured that the organizational structure provides clear roles, responsibilities and processes that promote efficient management of operational risks and enable targets to be achieved. The responsibility structure includes, as one element, evaluation by the Board of the performance and results of business activities through an appropriate reporting package comprising outcome, forecasts, business plans, strategic plans, follow up of financial risks and analyses of key performance indicators.

### *Risk assessment*

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 assesses 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's 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 work with internal control supports the Board and management with assessing and reviewing significant risk areas in the financial reporting to thereafter be able to select actions and follow-up measures in the chosen areas. 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.

<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.