

# CORPORATE GOVERNANCE REPORT

Bulten AB (publ) is a Swedish public limited company with its registered office in Gothenburg, Sweden. Bulten has been listed on Nasdaq Stockholm since 20 May 2011. The company conforms with Nasdaq Stockholm's regulatory framework for issuers and applies the Swedish Code of Corporate Governance (the 'Code'). The Code is available on the website of the Swedish Corporate Governance Board at [www.bolagsstyrning.se](http://www.bolagsstyrning.se). The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden and is to be adhered to in full in connection with the first AGM held in the year following listing. Bulten started adapting to the Code in connection with its 2011 AGM and has since implemented it.

The Company does not need to obey all rules in the Code but has options for selecting alternative solutions which it may deem better suit its circumstances provided that any non-compliance and alternative solutions are described and the reasons explained in the corporate governance report.

This corporate governance report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance. It has been checked by the company's auditors.

## ANNUAL GENERAL MEETING

Under the Swedish Companies Act the Annual General Meeting (AGM) is the Company's highest decision-making body. At AGMs, shareholders exercise their voting rights over key issues, such as the adoption of income statements and balance sheets, the appropriation of the company's profits, the authorisation to release the members of the Board of Directors and the President and CEO from liability for the financial year, the election of Board members and auditors and the remuneration for the Board of Directors and the auditors.

Besides the AGM, additional general meetings may be convened. In accordance with the Articles of Association, all meetings shall be convened through announcements in Post-och Inrikes Tidningar and by posting the convening notice on the company's website. An announcement shall be placed in Dagens Industri announcing that the meeting has been convened.

## Right to attend AGMs

All shareholders who are directly registered in the register of shareholders held by Euroclear Sweden AB five working days before the general meeting and who have notified the company of their intention to attend (with any assistants) the AGM by the date stated in the notice of the AGM have the right to attend the meeting and vote in accordance with the number of shares they hold. Shareholders may attend the AGM in person or through a proxy and may also be accompanied by at most two people.

## Initiatives from shareholders

Shareholders who wish to have a question addressed at the AGM must submit a written request to the Board which shall be received by the Board no later than seven weeks prior to the AGM.

## Major shareholders

At the end of 2017 the Company had a total of 6,631 (6,568) shareholders. The five largest shareholders controlled 52.5% (54.2) of capital and votes at the end of the year. The single largest shareholder, Volito AB, controlled 21.2% (21.2) of the capital and votes.

## Annual General Meeting 2018

The 2018 Annual General Meeting (AGM) of Bulten AB (publ) will be held at the company's head office, August Barks gata 6A in Gothenburg, Sweden, at 17:00 on 26 April. More information is available at [www.bulten.com](http://www.bulten.com)

## Board members elected at the 2017 Annual General Meeting

The table below provides an overview of the composition of the Board in 2017. Additional information about Board members can be found on pages 106 and 107.

NAME	BOARD ROLE	ELECTED/ APPOINTED	RESIGNED	AUDIT COMMITTEE	REMUNERATION COMMITTEE	INDEPENDENT OF THE COMPANY AND CORPORATE MANAGEMENT	INDEPENDENT OF THE COMPANY'S MAJOR SHAREHOLDERS
<b>Board members</b>							
Ulf Liljedahl	Chair	2015	-	-	member	Yes	No
Ann-Sofi Danielsson	member	2014	-	Chairman <sup>1)</sup>	-	Yes	Yes
Hans Gustavsson	member	2005	-	-	Chairman <sup>3)</sup>	Yes	Yes
Hans Peter Havdal	member	2013	-	-	member	Yes	Yes
Peter Karlsten	member	2015	-	member	-	Yes	Yes
Anne-Lie Lind	member	2016	-	-	-	Yes	Yes
Gustav Lindner	member	2015	-	Chairman <sup>2)</sup>	-	Yes	No
Johan Lundsgård	member	2012	2017	-	Chairman <sup>4)</sup>	Yes	Yes
Johan Larsson	Employee representative	2016	2017	-	-	-	-
Mikael Jansson	Employee representative	2018	-	-	-	-	-
<b>Deputy</b>							
Thure Andersen	Employee representative	2011	-	-	-	-	-

1) Up to Annual General Meeting of 26 April 2017, Board member thereafter

2) From Annual General Meeting of 26 April 2017, Board member to that point

3) From Annual General Meeting of 26 April 2017, Board member to that point

4) Up to Annual General Meeting of 26 April 2017

## NOMINATIONS COMMITTEE

The nominations committee shall comprise four members – one representative each for the three largest shareholders on the final banking day in September who wish to appoint a member to the committee, and the Chairman of the Board. The three largest shareholders are considered to be the three largest shareholders as registered with Euroclear Sweden AB on the final banking day in September. In the event of a major change in ownership a new major shareholder is entitled, if it so requests, to appoint a representative to the nominations committee.

The instructions for the nominations committee were adopted at the AGM held on 25 April 2017. The nominations committee shall, among other activities, submit proposals for the Chairman of the AGM, the number of Board members elected by the AGM, the names of the Chairman of the Board and other Board members elected by the AGM, the members of the Board's committees, the appointment of auditors and the remuneration to auditors. Øystein Engebretsen was appointed Chairman of the nominations committee.

NOMINATIONS COMMITTEE	COMPANY
Øystein Engebretsen, Chairman	Investment AB Öresund
Claes Murander	Lannebo Fonder
Pär Andersson	Spiltan Fonder AB
Ulf Liljedahl, Chairman of the Board	Bulten AB

With regard to the composition of the Board, the provisions of paragraph 4.1 of the Code on Diversity Policy apply. The aim is for the Board as a whole to possess the requisite breadth in terms of both background and knowledge, taking into account the importance of even gender distribution.

The result of the nomination committee's application of the diversity policy is a Board that represents a breadth of both professional experience and knowledge as well as geographical and cultural background. Women elected by the AGM comprise 29% of the Board.

## BOARD OF DIRECTORS

The Board of Directors is the highest decision-making body after the general meeting. Under the Swedish Companies Act, the Board of Directors is responsible for the company's management and organisation, which means the Board of Directors is responsible for setting goals and strategies, for providing procedures and systems for the evaluation of established goals, for the systematic assessment of the company's financial position and profits and for evaluating the operational management.

In addition, the Board of Directors is responsible for ensuring that the annual accounts and the consolidated financial statements are prepared on time. Furthermore, the Board of Directors appoints the President and CEO.

Members of the Board of Directors are appointed annually by the AGM for the period until the end of the next AGM. According to the company's Articles of Association, the portion of the Board of Directors elected by the general meeting shall consist of a minimum of three and a maximum of ten members without deputies. In addition, employee representatives have been appointed.

### Chairman of the Board

The Chairman of the Board is elected by the AGM. The Chairman of the Board has special responsibility for leading the work of the Board of Directors and for ensuring that the Board of Directors' work is efficiently organised.

### Board's procedures

The Board of Directors follows written rules of procedure, which are revised annually and are adopted by the constituting board meeting each year. Among other things, the rules of procedure regulate functions and the division of work between the members of the Board and the President and CEO. At the time of the constituting Board meeting, the Board of Directors also establishes instructions for financial reporting and instructions for the President and CEO, in addition to rules of procedure for the Board's audit and remuneration committees.

The Board of Directors meets at least five times a year in addition to the constituting Board meeting in accordance with a predetermined annual schedule. Besides these meetings, additional meetings can be arranged to discuss issues which cannot be postponed until the next ordinary meeting. Besides the meetings of the Board, the Chairman of the Board and the President and CEO systematically discuss the management of the company.

At present, the company's Board of Directors consists of eight ordinary elected members, one ordinary employee representative and one deputy. Board members are presented in more detail in the section 'Board of Directors, senior executives and auditors'.

### Board meetings in 2017

Attendance of Board members at Board meetings in 2017.

NAMES OF THE BOARD MEMBERS	ATTENDANCE/ TOTAL NUMBER OF MEETINGS
Ulf Liljedahl	10/10
Ann-Sofi Danielsson	8/10
Hans Gustavsson	10/10
Hans Peter Havdal	10/10
Peter Karlsten	9/10
Anne-Lie Lind	10/10
Gustav Lindner	10/10
Johan Lundsgård (until 25-04-2017)	3/10
Johan Larsson (until 26-10-2017)	7/10
Mikael Jansson (elected 26-02-2018)	-/-
Deputy	
Thure Andersen	9/10

### Evaluation of Board activities in 2017

Each year the Board evaluates its work and this evaluation is presented and discussed at a Board meeting. The purpose of this evaluation is to develop work procedures and enhance efficiency. The evaluation is carried out with the support of external consultants and is based on a survey. The results and an analysis of the survey are reported to the Board and this is followed by a discussion and then an identification of focus areas for future work.

The nominations committee receives the report and the conclusions and outcomes of the Board in their entirety.

## AUDIT COMMITTEE

Bulten has an audit committee consisting of three members: Gustav Lindner (Chairman from 26-04-2017), Ann-Sofi Danielsson (Chairman until 26-04-2017) and Peter Karlsten.

The members of the committee may not be employed by the company. At least one member must have accounting or auditing skills. The committee shall appoint one of its members as its Chairman. The audit committee shall, without it affecting the responsibilities and tasks of the Board of Directors: monitor the company's financial reporting; monitor the efficiency of the company's internal controls, internal auditing and risk management; inform itself of the auditing of the annual report and the consolidated accounts; scrutinise and monitor the impartiality of the auditors and pay close attention to whether the auditors are providing other services besides audit services for the company; and assist in drawing up proposals for the general meeting's decision on the appointment of auditors. The audit committee shall meet regularly with the company's auditors. The audit committee has no special decision-making powers.

<b>NAMES OF THE BOARD MEMBERS</b>	<b>ATTENDANCE/TOTAL NUMBER OF MEETINGS</b>
Gustav Lindner	8/8
Ann-Sofi Danielsson	8/8
Peter Karlsten	8/8

## REMUNERATION COMMITTEE

Bulten has a remuneration committee consisting of three members: Johan Lundsgård (Chairman until 25-04-2017), Hans Gustavsson, (Chairman from 25-04-2017), Ulf Liljedahl and Hans Peter Havdal (from 25-04-2017). The remuneration committee shall prepare matters concerning remuneration policies, remuneration and other employment terms for the President and CEO and all members of the company's management. In addition, the remuneration committee shall monitor and evaluate programmes for variable remuneration to the company management that are ongoing and that are terminated during the year, and follow and evaluate the application of guidelines for remuneration to senior executives as adopted by the AGM, as well as applicable remuneration structures and levels in the company. The Chairman man of the Board may be Chairman of the committee. Other members of the committee shall be independent of the company and the company management. The members of the committee must together possess the requisite knowledge and experience in matters relating to the remuneration of senior executives.

<b>NAMES OF THE BOARD MEMBERS</b>	<b>ATTENDANCE/TOTAL NUMBER OF MEETINGS</b>
Johan Lundsgård	2/4
Hans Gustavsson	4/4
Ulf Liljedahl	4/4
Hans Peter Havdal	2/4

## THE PRESIDENT AND CEO AND OTHER SENIOR EXECUTIVES

The President and CEO reports to the Board of Directors and is primarily responsible for the company's day-to-day administration and operations. The division of responsibilities between the Board of Directors and the President and CEO is set out in the rules of procedure for the Board and the instructions for the President and CEO. The President and CEO is also responsible for drafting reports and compiling information from the management ahead of Board meetings and for presenting the material at the meetings. Under the instructions for financial reporting, the President and CEO is responsible for financial reporting in the company and is thus required to ensure that the Board obtains sufficient information to enable it to continuously evaluate Bulten's profit and financial position. The President and CEO is therefore required to inform the Board of the company's development, sales volume, profit and financial position, liquidity and credit situation, important business events and other circumstances the knowledge of which cannot be assumed to be irrelevant to the company's shareholders and directors. The President and CEO and other senior executives are presented in more detail in the section headed 'Board of Directors, senior executives and auditors'.

## REMUNERATION TO THE BOARD AND SENIOR EXECUTIVES

### Remuneration to the Board

Fees and other remuneration to elected members of the Board, including the Chairman, are determined by the AGM. The AGM held on 25 April 2017 decided that a total fixed remuneration of SEK 2,250,000 shall be paid to the Board of Directors for the period until the next AGM, of which SEK 450,000 shall be paid to the Chairman and SEK 300,000 to each of the other Board members who are elected at a shareholder meeting and not employed by the company. A condition of payment is that the Board member is elected at a shareholder meeting and not employed by the company. The AGM also decided that a fixed remuneration of SEK 75,000 should be paid to the Chairman of the audit committee and SEK 25,000 to the other members of the committee. Remuneration of SEK 65,000 shall be paid to the Chairman of the remuneration committee and SEK 10,000 to the members of the committee. The members of the company's Board shall not be entitled to any benefits once they cease to be members of the Board.

For further information about remuneration to Board members, see Note 8.

### Remuneration to senior executives

Pursuant to the decision of the AGM on 25 April 2017, the following guidelines shall apply to remuneration and other terms of employment for the President and CEO and other senior executives. Salaries and other terms of employment shall be such that Bulten can always attract and retain skilled senior executives at a reasonable cost to the company. Remuneration at Bulten shall be based on the nature of the role, performance, competitiveness and fairness. The salaries of senior executives consist of a fixed salary, variable remuneration, pension and other benefits. Every senior executive shall be offered a fixed salary in line with market conditions and based on their responsibility, expertise and performance. In addition, the AGM may decide to offer long-term incentive programmes such as share and share price-related incentive programmes. These incentive programmes are intended to contribute to long-term value growth and provide a shared interest in value growth for shareholders and employees.

All senior executives may, from time to time, be offered cash bonuses. In the case of the President and CEO such bonuses

may amount to a maximum of 60% of their annual fixed salary. In the case of the other senior executives bonuses may not exceed 40% of their annual fixed salaries. Bonuses shall be based primarily on developments in the Group as a whole or developments in the division or unit which the person in question is responsible for.

For further information about remuneration to senior executives, see Note 8 to this annual report.

### EXECUTIVE MANAGEMENT

As of 1 January 2017 a new organisation has been established. In 2017, the executive management consisted of nine members: the President and CEO, Executive Vice President and CFO, Senior Vice President Marketing and Sales Region East, Senior Vice President HR and Sustainability, Executive Advisor Business Development, Senior Vice President Supply Chain, Senior Vice President Production, Senior Vice President Corporate Communications and Senior Vice President Marketing and Sales Region West. The executive management team meets monthly to follow up business and financial results. Great importance is attached to maintaining close contact with the operational business. See pages 110 and 111.

### INTERNAL AUDIT

Bulten applies the Swedish Code of Corporate Governance with the following exceptions.

A special function for internal audits has not been established within the company. The Board makes an assessment each year whether to establish a function for internal auditing. In 2017 the Board decided that this was not necessary. In reaching this decision the Board decided that internal controls are primarily exercised through the following:

- operations managers at various levels
- local and central finance functions
- monitoring by the executive management team

In light of the above points together and considering the size of the company, the Board believes that it is not economically viable to set up an additional administrative function.

### INTERNAL CONTROL

This section contains the Board's annual report on how internal control in relation to financial reporting is organised. The basis for this description is the Swedish Code of Corporate Governance's

rules and guidelines prepared by the Confederation of Swedish Enterprise and FAR SRS.

The Board's responsibility for internal control is established in the Swedish Companies Act and internal control regarding financial reporting is covered by the Board's reporting instructions for the President and CEO. Bulten's financial reporting complies with the laws and rules for companies listed on the Stockholm stock exchange and the local rules that apply in all of the countries where business is carried out.

In addition to external rules and recommendations there are internal instructions, guidelines and systems as well as the internal delegation of responsibility and authority with the overall aim of providing good control over financial reporting.

### Control environment

The control environment forms the basis for internal control. Bulten's control environment comprises, among other things, an organisation structure, instructions, policies, guidelines, reporting and defined areas of responsibility. The Board has overall responsibility for internal control in relation to financial reporting. The Board has established written procedures outlining the Board's responsibility and regulating the Board's and its committees' division of responsibilities. The Board has appointed an audit committee with the task of safeguarding established policies for financial reporting and compliance with internal control. This committee is also responsible for maintaining appropriate relations with the company's auditors. The Board has also prepared instructions for the President and CEO and has agreed how economic reporting shall be submitted to the Board of Bulten AB (publ). The Group's Executive Vice President and CFO reports the results of the Group's efforts relating to internal control to the audit committee. The results of the audit committee's work in the form of observations, recommendations and proposals for decisions and measures are reported regularly to the Board. Bulten AB's significant steering documents in the form of policies, guidelines and manuals, to the extent they relate to financial reporting, are kept up to date and communicated through established channels to the companies in the Group. Systems and procedures have been established to supply the management with the necessary reports about business results in relation to established targets. Information systems have been established as necessary to ensure that reliable and up-to-date information is provided so that the management can perform its duties correctly and efficiently.

### **Risk assessment**

Bulten's risk assessment regarding financial reporting aims to identify and evaluate the significant risks that affect internal control relating to financial reporting of the Group's companies, business areas and processes.

The significant risks identified in the Group's internal control activities that affect internal control in relation to financial reporting are handled through control structures based on the reporting of non-compliance with established targets or norms for, for example, the valuation of inventories and other significant assets.

### **Internal control in relation to financial reporting**

Financial reports are prepared monthly, quarterly and annually for the Group and subsidiaries. In connection with reporting, comprehensive analyses and associated comments are prepared along with up-to-date forecasts aimed at ensuring, among other things, that financial reporting is accurate. Finance staff and controllers with functional responsibility for accounts, reports and the analysis of financial development work at the Group and unit levels.

Bulten's internal control activities aim to ensure that the Group meets its objectives for financial reporting.

### **Financial reporting shall**

- be correct and complete, and meet all applicable laws, rules and recommendations;
- provide a fair description of the company's business; and
- support a rational and informed valuation of the business.

In addition to these three objectives, internal financial reporting shall support proper business decision-making at all levels of the Group.

### **Information and communication**

Internal information and communication aim to create awareness among the Group's employees of internal and external control instruments as well as of authorities and responsibilities. Information and communication about internal control instruments for financial reporting are accessible by all employees.

The key tools for this are Bulten's manuals, policies, intranet and training activities.

### **Control activities**

The Group's CFO plays a key role in analysing and following up the Group's financial reporting and results. The Parent Company has additional functions for the systematic analysis and follow-up of the financial reporting of the Group and subsidiaries.

A Group-wide internal control programme for key processes at the subsidiary and Group levels has been implemented. The internal control programme covers essential processes and aims to ensure that appropriate controls are designed and implemented to prevent errors in financial reporting.

The Group's reporting units also conduct regular self-assessments regarding the effectiveness of internal control in relation to financial reporting. The assessments are reported to the executive management, which summarises the results for the audit committee to discuss measures and ongoing monitoring.

### **Follow-up of financial information**

The Board publishes, and has responsibility for, the company's financial reporting. The audit committee supports the Board by preparing activities that assure the quality of the company's financial reporting. This is partly achieved by the audit committee checking the financial information and the company's financial controls.

The Board is informed monthly about business development, profit, financial position and cash flow. Outcomes and forecasts are assessed and monitored.

All of the Group's companies report financial information in accordance with an established format and established accounting policies. In connection with this reporting, an analysis and risk assessment of the financial situation are carried out.

### **AUDITORS**

Bulten's auditors are PricewaterhouseCoopers AB (PwC), with Fredrik Göransson being the authorised public accountant in charge of the audit. PwC audits Bulten AB (publ) and all major subsidiaries. Each year the audit includes a statutory audit of Bulten AB's annual accounts, a statutory audit of the Parent Company and all significant subsidiaries, an audit of internal report packages, an audit of the year-end closing and a general review of one interim report. Reviews of internal control are included as part of the work.

During the second quarter a meeting was held with the executive management to determine an audit plan and to analyse the organisation, operations, business processes and balance sheet items for the purpose of identifying areas with an elevated risk of errors in financial reporting.

In addition, a meeting was held with the audit committee for the reconciliation of strategy and aims. The auditor also attends at least one Board meeting each year pursuant to the rules of procedure of the audit committee meeting.

A general review of the year-end closing is performed for the period January to September. In October an early warning review is performed of the nine-month accounts, followed by an early warning meeting with the executive management where important questions for the annual closing are raised. A review and audit of the annual closing and annual accounts are performed between January and February.

During 2017, in addition to the audit assignment, Bulten consulted PwC on taxes, transfer price matters and accounting matters. The remuneration paid to PwC in 2017 is shown in Note 9 on page 72.

PwC has an obligation to examine its independence prior to decisions to provide independent advice to Bulten in addition to its auditing assignments.

In accordance with the company's articles of association, the company shall have at least one, and at most two, auditors, and at most two deputy auditors. In accordance with the articles of association, the mandate period for the auditors shall be one year.

### **COMMUNICATION**

The company's information to shareholders and other stakeholders is supplied via the annual report, interim reports and press releases. All external information is published on the company's website at [www.bulten.se](http://www.bulten.se).

# SIGNATURES

Gothenburg, 20 March 2018

Ulf Liljedahl  
Chairman of the Board

Ann-Sofi Danielsson  
Board member

Hans Gustavsson  
Board member

Hans Peter Havdal  
Board member

Peter Karlsten  
Board member

Anne-Lie Lind  
Board member

Gustav Lindner  
Board member

Mikael Jansson  
Employee representative

Tommy Andersson  
President and CEO

## AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of the shareholders of Bulten AB (publ), corporate identity number 556668-2141

### Assignment and division of responsibility

It is the Board of Directors that is responsible for the Corporate Governance Report for the year 2017 presented on pages 101 to 107 and its preparation in accordance with the Annual Accounts Act.

### The focus and scope of the review

Our review has been conducted in accordance with FAR's statement RevU 16 'Auditor's review of the corporate governance report'. This means that our review of the corporate governance report has a different focus and is substantially smaller in scope than the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides a sufficient basis for our opinion.

### Statement

A corporate governance report has been prepared. Information in accordance with Chapter 6, Section 6, second paragraph, points 2 to 6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph, of the same act are consistent with the annual report and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg, 20 March 2018  
PricewaterhouseCoopers AB

Fredrik Göransson  
Authorised Public Accountant

# OVERVIEW OF CORPORATE GOVERNANCE

