

CORPORATE GOVERNANCE

Corporate governance refers to the regulations and structure in place to govern and manage the operations of a limited company in an effective and controlled manner. FM Mattsson Mora Group's corporate governance relates to how the operations are governed, managed and controlled with the aim of creating value for the company's shareholders and other stakeholders.

REGULATIONS

Ultimately, corporate governance is intended to satisfy shareholders' requirements for returns, and to give all stakeholders satisfactory and accurate information on the company and its development. Internal and external regulations form the foundation of the governance of FM Mattsson Mora Group AB (publ), referred to as the company below.

Because the company is not listed on Nasdaq Stockholm or any other regulated market, it is not subject to the Swedish Corporate Governance Code (the Code), although the company applies most of the Code's rules.

EXTERNAL REGULATIONS

The Swedish Companies Act, the Swedish Annual Accounts Act, other relevant legislation and the Code form part of the external governance system, which comprises the framework for the company's corporate governance.

INTERNAL REGULATIONS

The most important internal governance documents include the Articles of Association established by the Annual General Meeting (AGM). The next most important documents are the Rules of Procedure for the Board of Directors and the Board of Directors' instructions for the CEO. The Board of Directors has also established a number of policies, guidelines and instructions with binding rules for the Group's operations. All policies are revised annually. In addition, the company promotes its core values for all employees of the Group.

SHAREHOLDERS

The total number of shares in the company is 11,445,100, of which 2,045,900 are Class A shares that confer the right to ten votes and 9,399,200 are Class B shares with one vote each. At 31 December 2015, the company had 167 shareholders. The company has been a so-called CSD-registered company since autumn 2003, which means that its share register is maintained by Euroclear. The company has also been a public limited company since the 2011 AGM. The company's largest shareholders, which represent at least one tenth of the number of votes for all of the company's shares, are stated on page 31 of the Annual Report.

ANNUAL GENERAL MEETING

Shareholders exercise their rights to make decisions concerning the company's affairs at the General Shareholder Meeting, which is the company's highest decision-making body. The Annual General Meeting is held every year within six months of the end of the fiscal year. The company's Board of Directors and Auditors are elected at the Meeting. The AGM also adopts the company's income statement and balance sheet and discusses matters regarding dividends, discharge from liability for Board members and the CEO and the determining of fees for Directors and Auditors. The AGM also considers other matters that are mandatory according to the Swedish Companies Act and the Articles of Association.

The company's ambition is for the AGM to be a satisfactory body for the shareholders, and its objective is thus for the whole Board, representatives of the Nomination Committee, the CEO and other members of management, as well as the Auditor, to always attend the AGM.

Extraordinary general meetings (EGM) are convened when the Board of Directors or Auditors consider them necessary.

NOMINATION COMMITTEE

The Nomination Committee is the AGM's body for consulting on AGM resolutions in matters of elections and fees with the aim of creating solid supporting data for the Meeting to consider these matters. The duty of the Nomination Committee is to submit proposals to the AGM on:

- The Chairman of the AGM
- Number of Board members
- Fees to be paid to the Board and the Auditors
- Chairman of the Board and other members
- Auditor
- Proposals for amendments to guidelines for appointing a Nomination Committee

As part of its work, the Nomination Committee is to participate in the annual evaluation of the Board's work, which is presented by the Chairman of the Board. The evaluation of the Board's work and the company-specific requirements form the basis of the Nomination Committee's work. The Nomination Committee's proposals are presented in the notice of the AGM.

The company has not adopted any specific age limit for Board members, nor any time limit specifying how long a member can serve on the Board. The Auditor's appointment is a matter submitted to the AGM annually.

All shareholders are entitled to submit proposals concerning prospective Board members to the Nomination Committee, and should do so by e-mail to the Chairman of the Nomination Committee at valberedningen@fmm-mora.com.

BOARD OF DIRECTORS

Size and composition

According to the Articles of Association, the Board of Directors should consist of between four and seven members. Otherwise, the Articles of Association stipulate no limitation regarding the appointment and dismissal of Board members or amendments to the Articles of Association. The Board of Directors is elected annually at the AGM.

Chairman of the Board

The Chairman of the Board should ensure that the Board of Directors' work is conducted in accordance with the stipulations of the Articles of Association, the Swedish Companies Act, rules and ordinances, and the Rules of Procedure of the Board of Directors. The Chairman maintains ongoing contact with the CEO to monitor the company's operations and is responsible for other Board members receiving the information and documentation necessary to enable them to conduct their duties on the Board. The Chairman is responsible for evaluating the work of the Board of Directors, participates in the evaluation of the Group's senior executives and represents the company on ownership issues.

The work of the Board of Directors

The Board of Directors bears ultimate responsibility for the company's organization and administration and is also responsible for making decisions on strategic issues. The ambition of the Board of Directors has been to devote particular attention to establishing the overarching targets of the operations and decide on strategies to achieve them. In addition, the Board continuously evaluates Group Management to ensure the company's governance, management and control. The Board of Directors is to work towards putting a system for monitoring and controlling its financial position in place, and is to verify compliance with laws and other regulations.

The Board's work is regulated by annually established Rules of Procedure that concern the internal division of responsibility, decision-making processes in the company, company signatories, the agenda of Board meetings and the Chairman's duties. Written instructions regulate the division of duties between the Board of Directors and the CEO. These instructions are evaluated annually. Directors' fees are decided by the AGM.

Audit Committee

In accordance with Chapter 8, Section 49a of the Swedish Companies Act, the Board has appointed an Audit Committee that makes proposals to the Board for its approval. The Committee works according to an annually established agenda and is tasked with monitoring the company's financial reporting and the efficiency of the company's internal control and risk management activities. The Audit Committee is also to keep itself informed about the audit of the annual report and consolidated financial statements. The Committee is also responsible for reviewing and monitoring the Auditor's independence and

objectivity, paying particular attention to whether the Auditor provides services other than auditing. The Committee also assists by making proposals to the AGM regarding the appointment of an Auditor:

Remuneration Committee

The Board of Directors has appointed a Remuneration Committee that is to consist of the Chairman and two members elected by the AGM. Its task involves consulting on the CEO's salary and other employment terms for decision by the Board of Directors. The AGM resolution regarding the guidelines for remuneration of senior executives is the basis of this work. The Committee should receive and approve agreements that the CEO makes with senior executives of the company. Minutes are kept at all Remuneration Committee meetings and the minutes are sent to the Board together with an oral report of the Board's decision-making.

AUDITORS

Auditors are appointed by the AGM following proposals from the Nomination Committee and elected for a period of one year. In the case of additional services provided by the accounting firm alongside the audit, such services are solely provided to the extent consistent with the regulations in the Swedish Auditing Act and the Swedish Institute of Authorised Public Accountants' (FAR) rules of professional conduct pertaining to the objectivity and independence of auditors.

CEO AND MANAGEMENT

CEO's duties

The Chief Executive Officer is appointed and dismissed by the Board and his work is evaluated continuously by the Board of Directors. The Board of Directors approved the instructions for the CEO, which have now been adopted, at its meeting on 12 May 2015, which included the following main areas:

- Preparing a business plan
- Monitoring compliance with the objectives, policies and strategic plans the Board of Directors has adopted
- Ensuring that financial reporting reflects the Group's overall financial position and earnings, as well as other circumstances of material significance
- Ensuring that Group Management has the appropriate skills and composition to manage the operations in the way the Board of Directors has decided

The companies in FM Mattsson Mora Group are managed by internal Boards where the majority of Board members are part of Group Management.

EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting took place in Mora on 10 August 2015. 71 shareholders and proxies were present at the meeting. These shareholders represented 7,620,618 shares, corresponding to 67 percent of the number of shares in the company and 71 percent of the voting rights.

In connection with the Board's proposal to change the company's name and amend Article 1 in the Articles of Association, the meeting resolved the following: "The registered name of the company is FM Mattsson Mora Group AB (publ)."

The complete minutes of the AGM are available from the company's website.

CORPORATE GOVERNANCE 2015

Resolutions passed at the 2015 AGM

The AGM 2015 was held on 12 May 2015 in Mora, Sweden. 96 shareholders and proxies were present at the Meeting. These holders represented 10,066,408 shares, corresponding to 88 percent of the number of shares in the company and 88 percent of the voting rights. The resolutions passed at the AGM 2015 included the following:

■ To pay a dividend of SEK 3.00 per share to the shareholders in accordance with the Board of Directors' proposal

■ To leave the Board of Directors unchanged with seven members without deputies

■ To pay a total of SEK 1,080,000 in fees to the Board in line with the Nomination Committee's proposal.

The fees are to be distributed as follows:

- SEK 210,000 to the Chairman
- SEK 145,000 to each of the other elected members

■ Election of the Chairman of the Board and Board members in line with the Nomination Committee's proposal:

- New election of Johnny Alvarsson as Chairman of the Board
- Re-election of Lars Erik Blom, Erik Eriksson, Christer Lenner, Lotta Lundén, Hans Åke Norås and Anna Maria Rylander.

■ To elect accounting firm KPMG as the company's Auditor, with Authorised Public Accountant Helena Arvidsson Älgne as Head Auditor

■ To decide on principles regarding remuneration of senior executives in line with the Board's proposal.

■ To authorise the Board of Directors on one or more occasions up to the next AGM to decide on the new issue of a maximum of 3,000,000 Class B shares.

The complete minutes of the AGM are available from the company's website.

NOMINATION COMMITTEE PRIOR TO THE 2016 AGM

In accordance with the principles governing the appointment of the Nomination Committee adopted by the 2013 AGM, three shareholders' representatives have been appointed.

- Hans Karlsson, Chairman (nominated by the largest shareholder Tibia Konsult)
- Peter Hermansson (nominated by former largest shareholder of Mora Armatur)
- Agneta Eriksson (nominated by former largest shareholder of FM Mattsson)

The Nomination Committee held six meetings prior to the AGM. No remuneration has been paid for work in the Nomination Committee.

BOARD OF DIRECTORS

The 2015 AGM resolved that the Board of Directors should consist of seven Board members with no deputies elected by the AGM. This number has been constant since 2006. Two members and one deputy are appointed by the employees. FM Mattsson Mora Group's CEO is not a member of the Board, but does participate in Board meetings to present reports. The composition of the Board is presented in the table below. A more detailed presentation of the Board members can be found on page 73.

Name	Total fees (SEK 000s)	Remuneration Committee	Audit Committee	Attendance at Board meetings out of a possible 11	Remuneration Committee	Audit Committee**
Johnny Alvarsson	183	Yes	No	11		
Lars Erik Blom	145	Yes	Yes	11	1/1	1/1
Erik Eriksson	145	Yes	No	11	1/1	
Christer Lenner	222	No	No	11	1/1	
Lotta Lundén	145	No	Yes	11		1/1
Hans Åke Norås	145	No	Yes	11		1/1
Anna Maria Rylander*	133	No	No	10		
Staffan Gryting	–	No	No	11		
Ellinor Sparby	–	No	No	11		

* Board member Anna Maria Rylander stepped down at an extraordinary Board meeting on 17 November 2015.

** The Audit Committee held its first meeting on 24 November 2015.

Independence of the Board

According to the Code, a majority of the members elected by the AGM are to be independent in relation to the company and its management. At least two of these are also to be independent in relation to the company's major shareholders. FM Mattsson Mora Group's Board has been deemed to fulfil such independence requirements.

Name	Position	Member since	Independence in relation to:	
			company	major shareholders
Johnny Alvarsson	Member of the Board (Chairman)	2012 (ordf. från 2015)	Yes	Yes
Lars Erik Blom	Member of the Board	2013	Yes	No
Erik Eriksson	Member of the Board	2003	Yes	No
Christer Lenner	Member of the Board	2009 (ordf. 2009-2015)	Yes	Yes
Lotta Lundén	Member of the Board	2014	Yes	Yes
Hans Åke Norås	Member of the Board	2009	Yes	Yes
Anna Maria Rylander	Member of the Board	2014*	No	No
Staffan Gryting	Member of the Board (empl. representative)	2005	No	Yes
Ellinor Sparby	Member of the Board (empl. representative)	2014	No	Yes

* Board member Anna Maria Rylander stepped down at an extraordinary Board meeting on 17 November 2015

The work of the Board of Directors

In 2015, the Board of Directors held 11 meetings, one of which was a statutory meeting. Minutes were taken by the secretary of the Board of Directors at these meetings, who is also the company's Chief Financial Officer. Documentation for the meetings was sent to all members prior to each meeting, which were then held in accordance with the approved agenda for the meeting. Other executives participate at Board meetings to submit reports. At its meetings during the financial year, the Board of Directors considered the fixed items on its agenda for each Board meeting such as business conditions, financial reporting and investments. Other issues discussed in 2015 included strategy, market trends, product development, stock-exchange listing, establishment of a separate Audit Committee, acquisitions and the appointment of a new CEO. In addition, matters regarding the annual financial accounts, interim reports, budgets and forecasts are considered at designated Board meetings.

Chairman of the Board Johnny Alvarsson is not an employee of the company and does not have any assignments for the company apart from his Chairmanship of the company

REMUNERATION COMMITTEE

As of 12 May 2015, the Remuneration Committee comprises Johnny Alvarsson (Chairman), Lars Erik Blom and Erik Eriksson. During the year, the Committee discussed conditions and results regarding variable remuneration to senior executives at the Group and proposals for principles governing variable remuneration. The Remuneration Committee had one meeting during the year at which all members were present. No remuneration has been paid for work in the Remuneration Committee.

AUDIT COMMITTEE

The Audit Committee comprises Lars Erik Blom (Chairman), Lotta Lundén and Hans Åke Norås. Lotta Lundén and Hans Åke Norås are independent of both the company's management and major shareholders. On 24 November 2015, the Audit Committee held an initial meeting at which the Committee's Rules of Procedure were discussed prior to a decision by the Board as a whole.

AUDITORS

At the 2015 AGM, KPMG was appointed the company's Auditor, with Authorised Public Accountant Helena Arvidsson Älgne as Head Auditor. In addition to the audit, the company appointed KPMG to handle tax matters, the stock-exchange listing and various accounting issues. Information on fees to the audit firm is provided in Note 8. Auditors' fees to other Auditors primarily consist of statutory audits of minor Group subsidiaries. Remuneration of auditors is presented in Note 8.

GROUP MANAGEMENT

In 2015, FM Mattsson Mora Group's Group Management comprised the CEO, the five heads of Group functions and one CEO of a subsidiary. A more detailed presentation of Group Management can be found on page 72. Claes Seldeby was appointed CEO on 25 May 2012 but announced on 27 November 2015 that he intended to leave the Group. Mr. Seldeby had no shareholdings or partnerships in entities with which the company has significant business relationships. On 14 December, the Board appointed Fredrik Skarp as the new CEO, who took over on 14 March 2016.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

It is very important that there is a clear correlation between remuneration and the Group's financial targets in the short and long term. The company should be able to offer competitive market terms that enable the company to recruit and retain the right senior executives. The criteria for establishing remuneration should be based on the significance of duties and the employee's competence, experience and performance. Remuneration is to consist of the following components:

- basic salary
- variable remuneration
- pension benefits
- other benefits and conditions on termination of employment

Other senior executives are defined as the six people plus the CEO who comprise Group Management. The 2015 AGM adopted guidelines stating that variable remuneration should be based on operating income for the 2015 financial year. Variable remuneration should be capped at 50 percent of basic salary for the CEO and at 35 percent of basic salary for other senior executives.

Pensions should be defined contribution to create predictability. For the CEO, the premium is 30 percent of basic salary. For other senior executives, there are customary pension obligations within the framework of the general pension plan. Further pension premiums are also provisioned at 5 percent of basic salary.

Members of Group Management have the customary benefits for people in an equivalent position, such as car and healthcare benefits. There is a notice period of 12 months between the company and the CEO of the Parent Company for termination by the company and six months for termination by the CEO. In the event of termination by the company, the CEO is entitled to salary and other employment benefits for 12 months, as well as severance pay equal to 12 monthly salaries.

THE BOARD'S PROPOSAL FOR NEW GUIDELINES GOVERNING REMUNERATION OF GROUP MANAGEMENT

There are no proposals to change the principles governing remuneration and other employment conditions for Group Management ahead of the 2016 AGM.

INTERNAL AUDIT

The Group has a simple legal and operational structure and established governance and internal control systems. In light of this, the Board has decided against conducting a dedicated internal audit.

THE BOARD'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors' responsibility for internal controls and governance is formalised by the Swedish Companies Act and the Swedish Annual Accounts Act. The Swedish Corporate Governance Code is also applied.

FM Mattsson Mora Group endeavours to conduct its operations as efficiently as possible. Financial reporting should be reliable and reflect the company's operations accurately and be prepared in accordance with applicable laws and ordinances.

The company has chosen to adopt the COSO definition of internal controls as the basis of its work on internal controls. COSO stipulates that internal control has five components: control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

The basis of internal control over financial reporting is the control environment, which includes the culture within which the Board and management communicate and work. The control environment primarily consists of an organisational structure, responsibilities and authorisations, management philosophy, ethical guidelines and the company's policies, guidelines and processes. Decision paths, authorisations and responsibilities that are clearly defined and communicated between different levels of the organisation, control documents in the form of policies and guidelines covering all significant segments, and offering guidance to senior executives of the Group, are an important component of the control environment.

An important part of the Board's work is to formulate and approve a number of fundamental policies, guidelines and frameworks. These include the Board of Directors' Rules of Procedure, instructions for the CEO, communications, environmental and financial policy. The purpose of these policies is to create a foundation for efficient internal controls. All policies are revised annually and are adopted by either the company's management or the Board. The Board also endeavours to provide clear roles, responsibilities and processes via its organisational structure that enable effective management of operational risks and the achievement of targets.

Risk assessment

Through its operations, the company is exposed to various types of risk. Structured risk assessment enables identification of the material risks that affect the internal control of financial reporting. The company works continuously on risk analysis, where an analysis of the risks of misstatement in financial reporting of significant income statement and balance sheet items is performed. Other risks relating to financial reporting include the risk of fraud, losses or misappropriation of assets. The Board of Directors continuously evaluates Group Management's risk management process. This work includes judging which preventative measures should be taken to reduce the company's risks.

Control activities

The risk of misstatements in financial reporting is reduced through good internal control over financial reporting, with a particular focus on critical segments defined by the Board of Directors. The purpose of control activities is to discover, prevent and correct inaccuracies and discrepancies in the reporting.

Information and communication

The company has a communication policy that includes guidelines for internal and external communication from the company. The purpose of this policy is to ensure compliance with all external and internal communication obligations, and to maintain good communication with staff.

Monitoring

There is monthly monitoring of all profit centres, companies and at Group level. Monitoring is usually conducted against the budget, the previous year and the most recent forecast. Forecasts are prepared three times a year for internal use. The results are analysed by the accounting and finance function along with managers responsible for profit centres. The CFO reports to the CEO, who submits monthly financial reports to the Board of Directors. The Board of Directors continuously evaluates the information provided by Group Management.