

Corporate governance and corporate responsibility

**Beijer Ref is a Swedish public limited company
listed on Nasdaq OMX Stockholm, Large Cap.**

FROM THE CHAIR OF THE BOARD OF DIRECTORS

2019 was yet again one of Beijer Ref's strongest years. The acquisitions performed in 2018 have been consolidated and have helped to even out seasonal variations and the group's risk diversification has increased. Everything is in line with the strategy that the board has established.

The board has a well-prepared work process that follows an annual plan. This means that we consistently review developments within Beijer Ref's strategic focus areas, follow up and are clear about our expectations.

Growth is always a high priority. Making acquisitions is part of the company's DNA and is important so as to continue to create a group that has an attractive and widespread distribution network and can achieve good synergies. That is why we are continuously reviewing a number of takeover candidates. 2018 was a year of intensive acquisition, while no new companies were added to the group in 2019. The range of suitable companies that are available quite simply varies from year to year. It is gratifying that 2020 started with the acquisition of the HVAC company ACD Trade in Australia.

Organic growth is also fundamental to Beijer Ref. At a time when the market for traditional refrigerants seems volatile and is also beyond our control, it is important to encourage business in those areas that are not affected by

such price developments. Investment in environmentally friendly products is one such segment. Beijer Ref is in a market that, thanks to regulatory provisions, is likely to grow for many years to come. The demand for refrigeration technology based on natural and synthetic refrigerants is therefore growing, and the Group has a favourable position to work from in terms of being able to offer its customers alternatives with a green profile. In order to be positioned correctly, we decided during the year to invest in a new plant in Italy that manufactures just such technology. This is in line with our ambition that Beijer Ref shall be one of the companies that lead developments in this area.

When Beijer Ref expands, this also affects the organisational structure. The head office is growing, which is necessary as the group expands into more markets and more product segments. It is still important to maintain the decentralised organisational model. Having the right expertise in the right place that knows its market and target group is an essential aspect of the group's success.

Environmental and sustainability issues in general are part of the daily work of Beijer Ref. Ethical rules of conduct and internal working climate are important issues that fall within this subject area and the board reviews what has been done at each meeting. During the year, mandatory training on important ethical issues has been spread within the Group, which contributes to sustain-

ability permeating the company even more. Measuring and monitoring goals are also issues that we discuss on an ongoing basis.

My attitude to successful board work has always been that the composition of members should represent a breadth of knowledge and experience from different industries and that the work should be characterised by continuity. In the case of Beijer Ref, both these criteria are met. I and my colleagues on the board have had the privilege of working together for several years and have found a model that is efficient and that provides the conditions for effective decisions. That the largest owners are represented on the board is an advantage that helps us to keep decision paths short. For me, however, it is important to have an outside perspective on our work. That is why I have been keen to include external analysis and evaluation every year. The results to date have shown high ratings.

The board will continue to prioritise strategic growth initiatives, optimisation of working capital and a strong cash flow. Together with good cost control, this gives us good opportunities to continue to create value for Beijer Ref.

The share price also had a positive development in 2019.

In conclusion, I would like to thank Beijer Ref's management, other employees and the board members for their work in 2019. Beijer Ref has the future before it and I and my colleagues on the board look forward to continuing to contribute

to the group's development in a sustainable direction.



Bernt Ingman
Chair of the Board

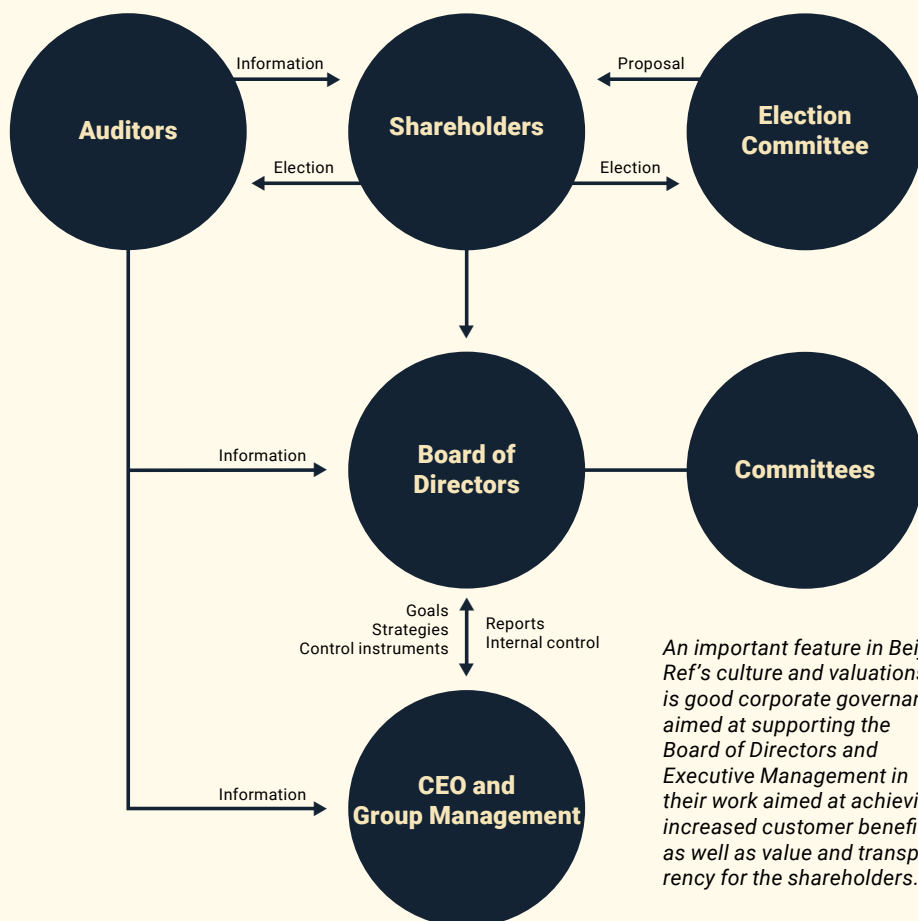
Beijer REF applies the Swedish Corporate Governance Code and here presents the annual corporate governance report for 2019. Investigation of the corporate governance report has been performed in accordance with RevU 16 by the company's auditor.

SHAREHOLDER INFLUENCE THROUGH THE ANNUAL GENERAL MEETING

The shareholders' influence is exercised through participation at the annual general meeting, which is Beijer Ref's highest decision-making body. The annual general meeting decides on the articles of association and elects board members, the chair and the auditor and decides on their fees. The annual general meeting also decides on the adoption of the income statement and balance sheet, on the allocation of the company's profit and on discharge from liability to the company for the board members and CEO. The annual general meeting also decides on the composition and work of the nomination committee and decides on principles for remuneration and terms of employment for the CEO and other senior executives. The annual general meeting of Beijer Ref is usually held in April.

ANNUAL GENERAL MEETING 2019

The annual general meeting 2019 was held on 10 April 2019 in Malmö. 165 (176) shareholders attended, in person or by proxy. These represented approximately 84 (86) per cent of the total votes. Four shareholders, Carrier, Peter Jessen Jürgensen, Joen Magnusson and Per Bertland, together represented approximately 64 (76) per cent of the votes represented at the AGM. Bernt Ingman was elected as chair of the meeting. All board members elected by the meeting were present.



The full minutes of the meeting may be found on Beijer Ref's website. Among other things, the AGM decided on:

- Dividend in accordance with the board's and the CEO's proposal of SEK 3.00 per share for the financial year 2019, as well as that payment shall be made in two instalments of SEK 1.50 each.
- Re-election of board members: Peter Jessen Jürgensen, Bernt Ingman, Joen Magnusson, William Striebe, Monica Gimre and Frida Norrbom Sams. Bernt Ingman was re-elected as chair of the board.
- New election of Chris Nelson as a board member.
- Determination of remuneration to the board and auditor.
- Principles for remuneration and other terms of employment for the CEO and other senior executives.
- Decision on changes to the description of business operations in the company's articles of association
- Re-election of PricewaterhouseCoopers AB as the company's auditor in 2019 with Cecilia Andrén Dorselius as chief auditor.

Beijer Ref's next annual general meeting will be held on 16 April 2020 in Malmö. For further information on the next AGM, see page 102 of this annual report.

For information about shareholders and the Beijer Ref share, see pages 48-50 and Beijer Ref's website.

NOMINATION COMMITTEE

The nomination committee represents the company's shareholders and nominates board members and auditors and proposes their fees.

NOMINATION COMMITTEE BEFORE AGM 2020

The nomination committee was appointed in October 2019 and shall, according to the AGM, consist of five members. The members of the nomination committee were appointed from among the company's largest shareholders and were: Johan Strandberg (SEB Funds) and chair of the nomination committee, Bernt Ingman (chair of the Beijer Ref board), Muriel Makharine (Carrier Corp), Arne Lööv (Fourth Swedish National Pension Fund) and Joen Magnusson (own shareholding). The 2019 nomination committee has held 4 (4) meetings. The nomination committee has performed its work by evaluating the board's work, composition and competence.

PROPOSALS TO THE AGM 2020

The nomination committee has prepared the following proposals to be presented to the AGM 2020 for decision: The nomination committee has decided

to propose to the AGM:

- re-election of the board members: Peter Jessen Jürgensen, Bernt Ingman, Joen Magnusson, William Striebe, Monica Gimre and Frida Norrbom Sams
- new election of Gregory Alcorn, since Chris Nelson has declined re-election
- re-election of Bernt Ingman as chair of the board and
- new election of Deloitte AB as the company's auditor in 2020.

THE BOARD

The board has overall responsibility for the organisation and management of Beijer Ref. According to the articles of association, the board of directors shall consist of a minimum of 4 and a maximum of 8 members, with or without deputies. The board members are elected annually at the AGM for the period until the end of the next AGM.

THE COMPOSITION OF THE BOARD IN 2019

In 2019, the board of Beijer Ref consisted of seven members elected by the AGM. The CEO, CFO and Legal Counsel participate in all board meetings and other executives in the group participate as rapporteur on specific issues as necessary. For further information about the board members, see pages 60-61 and Note 6, page 83.

RESPONSIBILITIES OF THE CHAIR

The chair is responsible for ensuring that the work of the board is well organised and effective and that the board fulfils its duties. The chair monitors the business in dialogue with the CEO. He is responsible for ensuring that the other members of the board receive the information and documentation necessary for a high quality of discussion and decisions, as well as verifying that the board's decisions are implemented.

THE BOARD'S INDEPENDENCE

The board's assessment, which is shared by the nomination committee, regarding the members' positions of dependence in relation to Beijer Ref and the shareholders appears on pages 60-61. As is shown, Beijer Ref complies with the Swedish Corporate Governance Code requirement that the majority of the AGM-elected members are independent in relation to Beijer Ref and the executive management, and that at least two of these are also independent in relation to Beijer Ref's major shareholders.

THE WORK OF THE BOARD IN 2019

During 2019, the board of Beijer Ref had 7 (6) ordinary meetings, at one of which the company's strategic direction was addressed. At each ordinary board meeting, the company's financial position and investment activities were discus-

sed. Work in 2019 has been largely focused on issues involving strategy and continued expansion. The company's auditors attended the board meeting that dealt with the annual accounts and reporting of the ongoing investigation before the Audit Committee.

Between the board meetings, a large number of contacts have taken place between the company, its chair and other board members. Members are regularly sent written information concerning the company's activities, financial status and other relevant information. The measures taken by the board to monitor the functioning of internal control in relation to financial reporting and reporting to the board include requesting in-depth information in certain areas, in-depth discussions with parts of group management and requesting descriptions of the components of internal control in connection with reporting. The board has rules of procedure which are established at the statutory board meeting after the AGM. At the same time, the board establishes instructions for the CEO. Frida Norrbom Sams, Peter Jessen Jürgensen and Ross B Schuster have missed one board meeting each. Other members have attended all board meetings during the year.

EVALUATION OF BOARD MEMBERS AND THE CEO 2019

The chair of the board is responsible for evaluating the board's work, including the input of individual members. This is done through an annual, structured evaluation with subsequent discussions by the board, at which the results of the survey, including comments submitted, are presented by giving individual responses to each question, as well as averages and standard deviation. During 2019 the evaluation has been done through a web-based evaluation of the board where the board members individually, and anonymously, decide on statements regarding the board as a whole, the chair of the board, the CEO's work on the board and their own input. The evaluation focuses on improving the board's efficiency and focus areas as well as the need for specific skills and working methods. In the nomination committee, the results of the evaluation of the board have been presented by the company that produced the digital board evaluation questionnaire. The nomination committee has also interviewed individual board members. In addition to the above annual board and CEO evaluation, the board evaluates the work of the CEO continuously by following the development of the business towards the established goals.

BOARD COMMITTEES

The board has an audit committee consisting of Bernt Ingman, chair, and Frida Norrbom Sams.

The audit committee met 4 (5) times during 2019. The work has mainly focused on:

- Current and new accounting issues
- Review of interim reports, year-end report and annual report
- Review of reports by the company's auditor including the auditor's audit plan and follow up on auditing fees
- Assistance in drawing up proposals for the AGM's decision on the election of the auditor
- Review of procedures and work plan for the work of the committee
- Ensuring that policies exist and rules are complied with
- Follow-up and reporting back concerning the company's tax situation and tax audits
- Review of the company's risk analysis

The board of Beijer Ref as a whole constitutes the company's remuneration committee and fulfils its tasks. Questions are prepared during the first board meeting of the year and decided at the board meeting held in connection with the AGM. The remuneration committee has, among other things, the task of monitoring and evaluating:

- The application of the company's guidelines for remuneration to senior executives and the current remuneration structures and levels of remuneration in the company,
- All programmes for variable remuneration for company management.

EXTERNAL AUDITORS

The AGM appoints the external auditor. Beijer Ref's auditor is the authorised accounting firm PricewaterhouseCoopers AB, with authorised public accountants Cecilia Andrén Dorselius and Mikael A Nilsson. Cecilia Andrén Dorselius is the chief auditor. PricewaterhouseCoopers AB has been elected by the annual general meeting 2019 as Beijer Ref's auditor for the period until the AGM 2020. After procurement from among the four largest firms, the board has decided to propose to the meeting the election of Deloitte AB as the new auditor with Richard Peters as chief auditor.

INTERNAL AUDITS

There is a limited internal control function. The function has performed a mapping of risks, developed focus areas and carried out a self-assessment procedure with the group's companies. There is no fully developed internal auditor function in the Beijer Ref group. In accordance with the rules of the Swedish Cor-

porate Governance Code, the board of Beijer Ref AB has decided on any need for a special internal audit function. The board has found that there is currently no need for such an organisation in the Beijer Ref group. The background to this position is the company's risk profile and the control functions and control activities that are built into the company's structure, such as active boards in all companies, a high degree of presence from local management and board representation by management at the level above etc. Beijer Ref has defined internal control as a process that is influenced by the board, the audit committee, the CEO, group management and other employees and designed to provide a reasonable assurance that Beijer Ref's goals are achieved in terms of: efficient and appropriate operations, reliable reporting and compliance with applicable laws and regulations. The internal control process is based on a control environment that creates discipline and provides a structure for the components of the process – risk assessment, control structures and follow-up. For information on internal control relating to financial reporting, see the section on internal control. For information on risk management, see pages 58-59.

CEO AND GROUP MANAGEMENT

Per Bertland is President and CEO of the Beijer Ref group. The President and CEO continuously manages Beijer Ref's operations. The CEO is assisted by a group management team consisting of the heads of business operations, purchasing, legal and finance staff. At the end of 2019, group management, including the CEO, consisted of 7 people. For further information about group management, see pages 62-63.

REMUNERATION TO SENIOR EXECUTIVES

Proposals for new remuneration guidelines will be submitted to the 2020 Annual General Meeting. These do not contain any significant changes to the existing guidelines. The aim of Beijer Ref's remuneration policy for senior executives is to offer competitive and market-based remuneration, so that competent and skilled employees can be attracted, motivated and retained. These guidelines allow senior executives to be offered a competitive total remuneration. The guidelines shall apply to remuneration agreed upon, as well as changes made to already agreed remuneration, after the guidelines have been adopted by the 2020 annual general meeting. The board, in its capacity as the company's remuneration committee, shall prepare, follow and evaluate matters related to variable cash remuneration. The remuneration shall consist of fixed

salary, variable cash remuneration, pension benefits and other remuneration. Variable cash remuneration shall be based on predetermined, well-defined and measurable financial targets for the group and at group and individual level such as profit growth, sales growth and change in working capital. The weighting between the respective targets set shall be so that the heaviest weighting is placed on profit growth. Fulfilment of criteria for the payment of variable cash remuneration shall be measurable over a period of one year. The CEO will receive a maximum amount equal to 55% of annual salary and other senior executives will receive a maximum amount equal to 50% of annual salary. The board shall have the possibility, according to law or contract, to recover in whole or in part any variable remuneration paid in error.

Senior executives' pension benefits, including health insurance benefits, are defined contribution. An amount equal to a maximum of 30% of fixed annual salary is allocated to the CEO, and an amount equal to a maximum of 25% of fixed annual salary is allocated to other senior executives. Other benefits may include health insurance and car benefit, which shall not constitute a substantial part of the total remuneration. Extraordinary remuneration may be paid as one-off arrangements in exceptional circumstances for the purpose of recruiting or retaining executives. Such remuneration may not exceed an amount equal to one year's fixed salary.

For senior executives outside Sweden, whose employment relationships are subject to rules other than Swedish, other conditions may apply as a result of legislation or market practice and adaptation may thus occur.

Severance pay and fixed salary during notice are paid to the CEO up to a maximum of 24 months' fixed salary and to other senior executives up to a maximum of 12 months' fixed salary. Senior executives may resign with a notice period of 6 months. In the event of resignation by the senior executive, there is no severance pay. In addition, compensation for any undertaking on restriction of competition may be paid. Such remuneration shall compensate for any loss of income and shall be paid only to the extent that the former executive is not entitled to severance pay for the corresponding period of time.

The board's discussion of and decisions on remuneration-related matters do not include the CEO or other members of group management, to the extent that they are affected by the issues. The board shall draw up proposals for new

guidelines at least every four years and submit the proposal for decision by the annual general meeting.

The board may decide to suspend these guidelines in whole or in part if, in an individual case, there are special reasons for doing so and a deviation is necessary to satisfy the long-term interests of the company, including its sustainability, or to ensure the company's financial viability.

For more detailed information on remuneration guidelines, see Note 6 on page 83 of this annual report.

FURTHER INFORMATION ABOUT CORPORATE GOVERNANCE

The following information may be found at www.beijerref.com:

- Previous annual corporate governance reports
- Notice of the AGM
- Minutes
- Quarterly reports

INTERNAL CONTROL

The Board's responsibility for internal control is regulated by the Swedish Companies Act and the Swedish Corporate Governance Code. Internal control of financial reporting is intended to provide reasonable assurance of the reliability of the external financial reporting in the form of quarterly reports, annual accounts and year-end releases, and that the external financial reporting is prepared in accordance with law, applicable accounting standards and other requirements for listed companies.

EXTERNAL CONTROL INSTRUMENTS

The external instruments that form the framework for corporate governance within Beijer Ref include:

- The Swedish Companies Act
- Swedish and international financial reporting law
- Nasdaq OMX Stockholm's rules
- The Swedish Corporate Governance Code

INTERNAL CONTROL INSTRUMENTS

The binding internal control instruments include:

- The articles of association
- The rules of procedure for the board
- The board's instructions to the CEO
- Authorisation rules
- Ethical guidelines
- Financing policy
- The finance manual
- The internal control process
- The whistleblower process