

Corporate Governance Report

At Systemair AB (publ), corporate governance is exercised via the Annual General Meeting (AGM), the Company's Articles of Association, the Board of Directors and the Chief Executive Officer, in accordance with the Swedish Companies Act, the Swedish Annual Accounts Act, the NASDAQ OMX Stockholm Rule Book for Issuers and the Swedish Code of Corporate Governance.

Application of the Swedish Code of Corporate Governance ("the Code")

It is generally accepted practice in the stock-market for Swedish companies whose shares are listed for trading in a regulated market to apply the Code. Systemair applies the Code with the following exceptions:

The AGM has appointed a nominating committee consisting of representatives of three of the largest shareholders. The chairman of the nominating committee is the Company's main shareholder, Gerald Engström, who owns 42.3 percent of the share capital and votes in Systemair via his wholly owned company Färna Invest AB. Engström is also Chairman of the Board of Directors. The second largest shareholder, ebm-papst AB, owns 21.3 percent of the capital and votes and is represented on the nominating committee by Gerhard Sturm.

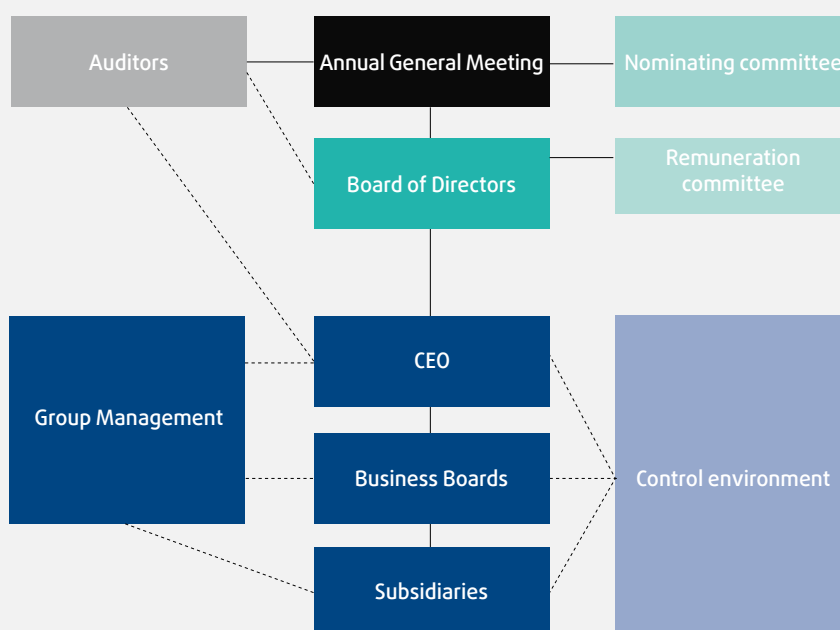
The Code states for example that the majority of the members of the nominating committee must be independent of the Company and company management. Further, the chairman of the nominating committee must not be a director of the company.

However, the majority of the members of Systemair's nominating committee are not independent, which is a deviation from the Code. The Company's judgement is that the said arrangement is in the interests and to the benefit of the Company and the other shareholders.

Shareholders and share capital

Systemair AB (org. reg. no. 556160-4108) is headquartered at Skinnskatteberg in the County of Västmanland, central Sweden. The Company's shares have been quoted on the Mid Cap List of NASDAQ OMX Stockholm since 12 October 2007. The Company's trading symbol is SYSR. At the end of the accounting period, Systemair AB had 3,503 shareholders. The largest individual shareholder is Färna Invest AB, which owns 42.3 percent of the capital and votes and is 100 percent controlled by Chairman of the Board Gerald Engström. Other major shareholders are ebm-papst AB, Järfälla, Sweden, wholly owned subsidiary of ebm-papst GmbH, Mulfingen, Germany, with 21.3 percent of

How Systemair is governed



Facts

2015 Annual General Meeting

Systemair's Annual General Meeting, held in Skinnskatteberg, Sweden on 27 August 2015, was attended by 96 shareholders, representing 85 percent of the shares and votes in the Company. Lars Hansson, then Chairman of the Systemair Board, was appointed to chair the meeting. The Chairman, Lars Hansson, informed the AGM of the work of the Board and reported on the guidelines for remuneration to senior executives, as well as on the work of the Board's committees. In addition, Systemair's President Gerald Engström gave a talk on Systemair's business during the 2014/15 financial year. Åsa Lundvall, the auditor in charge, presented sections of the audit report.

Resolutions adopted at the AGM:

- To discharge the Board and Chief Executive Officer from liability in respect of the past financial year.
- To re-elect Gerald Engström, Elisabeth Westberg and Hannu Paitula as Board members.
- To elect Carina Andersson and Per-Erik Sandlund as new Board members.
- To elect Gerald Engström as Chairman of the Board.
- To pay a Board fee of SEK 550,000 to the Chairman and SEK 275,000 to each director not employed by the Company, together with an extra fee of SEK 600,000 to the Chairman for work on acquisition and investor issues. To pay a fee of SEK 27,500 to each employee representative.
- To pay a dividend of SEK 2.00 per share.
- That the nominating committee shall be made up of representatives of the three biggest shareholders, based on the ownership details on 31 January 2016.
- To authorise the Board, during the period until the 2016 AGM, to take decisions to issue new shares equal to no more than 10 percent of the number of shares in the Company.

The minutes from the 2015 AGM are posted on Systemair's website at: www.systemair.com, Investor & Media

the capital and votes, and Alecta Pensionsförsäkring, with 4.8 percent. All shares have a quotient value of SEK 1. At the financial year-end, 30 April 2016, the total number of shares outstanding was 52,000,000, all of the same class. For more information, see section "The Systemair Share", on page 42.

Articles of association

Systemair is a limited company whose business is to conduct the manufacture and sale of ventilation and heating products. The Board of Directors shall consist of no fewer than three and no more than eight members and no more than three deputy members. In addition, the trade unions are entitled by Swedish law to appoint two members and two deputies. The Board of Directors shall have its registered office in Skinnskatteberg Municipality, Västmanland County, Sweden. The Company's Annual Report and the management of the Company by the Chief Executive Officer and Board of Directors shall be audited by a registered public accounting firm or an auditor, with or without a deputy auditor. The Company's financial year shall be 1 May-30 April.

For the complete articles of association, please visit Systemair's website: www.systemair.com; go to Investor & Media.

The nominating committee

The 2015 AGM resolved that the nominating committee shall be made up of representatives of three of the largest shareholders. The record date for determining the three largest shareholders was 31 January 2016. The nominating committee shall submit nominations for election of the Chairman of the AGM, the Board and Chairman of the Board, the choice of auditors in consultation with the Board, as well as proposed fees to the Chairman of the Board and other directors, proposed remuneration for work on committees and proposed auditors' fees. These proposals shall be submitted to the AGM.

The nominating committee held one meeting in 2015/16. No remuneration has been paid for work on the nominating committee.

The proposals of the nominating committee to the 2016 AGM are shown in the Notice of AGM posted on the Systemair website, www.systemair.se. Shareholders wishing to submit proposals for the nominat-

Composition of the nominating committee for the 2016 AGM

Member	Representative of	Contact (e-mail)
Gerald Engström, chairman of the nominating committee	Färna Invest AB, Chairman of the Board	gerald.engstrom@systemair.se
Gerhard Sturm	ebm-papst AB	gerhard.sturm@de.ebmpapst.com
Björn Henriksson	Nordea Fonder	bjorn.henriksson@nordea.com

Directors - attendance and dependence/independence

	Board of Directors	Remuneration committee	Year elected	Dep./Indep.	
				Company	Owner
Number of meetings	8	1			
Lars Hansson, Chairman ¹	4	-	2006	Indep.	Indep.
Gerald Engström, Chairman ²	8	1	1974	Dep.	Dep.
Elisabeth Westberg	8	1	2006	Indep.	Indep.
Göran Robertsson ³	4	-	2006	Indep.	Indep.
Hannu Paitula	8	1	2011	Indep.	Indep.
Carina Andersson ⁴	4	-	2015	Indep.	Indep.
Per-Erik Sandlund ⁴	4	-	2015	Indep.	Indep.
Kevin Rowland ⁵	4	-	2002	-	-
Ricky Sten ⁵	8	-	2014	-	-
Åke Henningson ^{4,5}	4	-	2015	-	-

¹ Lars Hansson resigned as Chairman on 27 August 2015. The mandate period covers 4 meetings.

² Gerald Engström was elected as Chairman of the Board on 27 August 2015. He previously served as a member of the Board.

³ Göran Robertsson resigned as Board member on 27 August 2015. The mandate period covers 4 meetings.

⁴ Carina Andersson, Per-Erik Sandlund and Åke Henningson were elected to the Board on 27 August 2015. The mandate period covers 4 meetings.

⁵ Employee representative

ing committee may do so by e-mail to any member of the nominating committee.

Board of Directors

Composition of the Board of Directors

Until the start of the 2015 Annual General Meeting, Systemair's Board of Directors consisted of five members elected by the AGM, Lars Hansson, (Chairman), Gerald Engström (then Systemair's President) Elisabeth Westberg, Göran Robertsson and Hannu Paitula. At the AGM, Gerald Engström, Elisabeth Westberg and Hannu Paitula were re-elected as members of the Board. Lars Hansson and Göran Robertsson declined to stand for re-election. Carina Andersson and Per-Erik Sandlund were elected as new Members. Gerald Engström was elected as Chairman of the Board. The employees elected two representatives, Åke Henningsson, Unionen, and Ricky Sten, IF Metall. More detailed biographies of the members of the Board of Directors are provided on page 54 of this annual report.

Anders Ulff, CFO, serves as Secretary to the Board. As the chart on the previous page shows, all members of the Board elected by the AGM, except for Gerald Engström, are independent of Systemair. Senior executives participate as needed in Board meetings in a reporting capacity.

Work of the Board

During the 2015/16 financial year, the Board held seven meetings and one statutory meeting. According to the Board's rules of procedure, the Board must meet at least six times during the financial year.

All decisions taken by the Board were unanimous and placed on record.

The work of the Board is governed by annually approved rules of procedure which govern the work of the Board and its internal allocation of tasks, including committees, decision-making process within the Board and the Board's meeting procedures. The Chief Executive Officer also maintains regular contact with the Chairman of the Board.

During the year, the Board of Directors assessed its work, and all directors participated in the assessment and provided observations. The Chairman of the Board is responsible for the assessment.

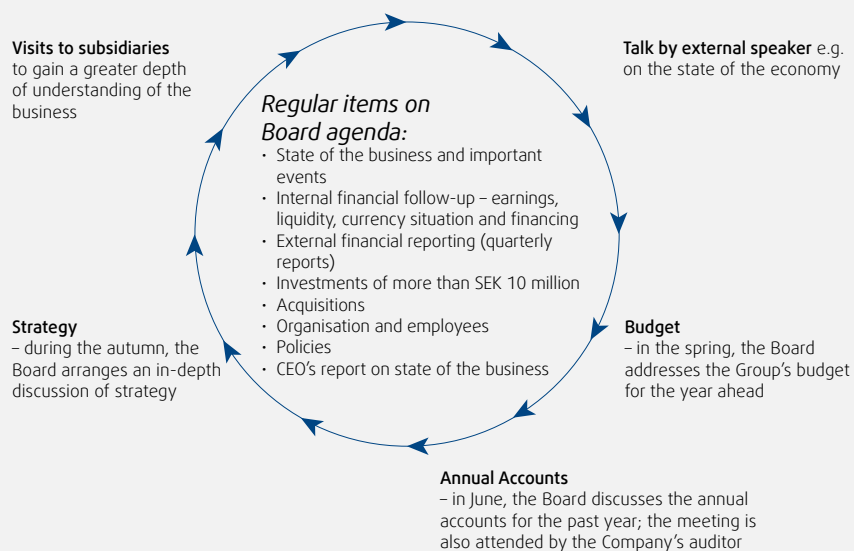
Attendance at Board meetings and fees

As the table shows, all members attended all meetings. Fees to the Board of Directors are shown in Note 9.

Remuneration committee

The Board has appointed a remuneration committee consisting of Gerald Engström (committee chairman), Elisabeth Westberg and Hannu Paitula. The committee's functions are:

Work of the Board during the year



- to prepare proposals on behalf of the Board regarding remuneration in the form of fixed and variable salaries, pensions, severance payments and any other types of remuneration to senior executives
- to monitor and assess programmes for variable remuneration to senior executives in progress and concluded during the year
- to monitor and assess the application of guidelines for remuneration for senior executives as well as current remuneration structures and levels.

The members of the committee are appointed annually by the Board at the first ordinary Board meeting. The committee shall consist of three members. No member may participate in issues related to his or her own remuneration. The Chairman of the Board shall chair the committee. Over the financial year, the committee held one minuted meeting, at which all members were present.

Audit committee

The Board as a whole fulfils the functions that normally fall within the ambit of the audit committee. One agenda item at Board meetings held in conjunction with quarterly reporting shall be discussion of accounting and auditing matters. Elisabeth Westberg serves in a reporting capacity. At the meeting, the following items are to be addressed:

- supervising the Company's internal controls, risk management and internal audits
- staying informed about the external audit
- reviewing and monitoring the impartiality

- and independence of the auditor
- assisting in the preparation of the proposal for the selection of auditors.
- supervising the financial reporting
- valuation issues, such as testing of needs for impairment.

During the year, the Company's CFO and auditor took part in meetings when a report was presented on the issue. These meetings addressed issues such as the risk assessment of internal control and risk management with respect to financial reporting, business board work and IT security. Reports were submitted from internal audits performed.

The Company's auditor attended proceedings dealing with the year-end report, presented his audit report, whereupon the Board had the opportunity to ask questions.

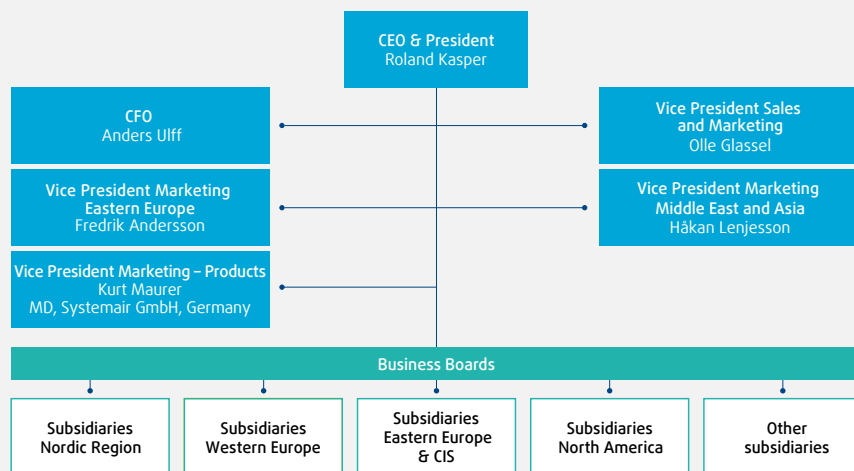
Chief Executive Officer and President

Until 27 August 2015 Gerald Engström served as President and Board member. Roland Kasper took over as new Chief Executive Officer at the Annual General Meeting, held on 27 August 2015. Gerald Engström was elected as new Chairman of the Board. As Chief Executive Officer, Roland Kasper deals with day-to-day administration and control of the Group's businesses and the Group's senior management report to him.

Group Management

The Group's senior management comprises: Vice President Marketing – Eastern Europe Fredrik Andersson, Chief Financial Officer An-

Organisation



ders Ulff, Vice President Sales and Marketing Olle Glassel, Vice President Marketing – Middle East and Asia Håkan Lenjesson and Vice President Marketing – Products/Managing Director of Systemair GmbH, Germany, Kurt Maurer. Systemair's Chief Executive Officer Roland Kasper supervises the work of the Group's senior management.

Group Management holds regular meetings during the year to review earnings for the Group and for individual subsidiaries, as well as the market and business situation, and to take decisions on strategic and operational matters within the framework established by the Board. One of these yearly meetings is more comprehensive, involving more detailed discussion and planning for operations and the formulation of targets at Group and subsidiary levels. Systemair's organisation is characterised by a simple, straightforward style of communication, so ongoing informal contact among Company executives is key to the management culture. Group Management is supported by functions at Group level for Group financing, treasury, business development, product development, production, purchasing, communication and IT.

Business boards and governance of subsidiaries

The Systemair Group consists in total of 72 companies, of which 65 are operational. The Parent Company is Systemair AB (org. reg. no. 556160-4108), which owns the majority of the subsidiaries directly. All subsidiaries are 100 percent owned, apart from Systemair-HSK of Turkey, which is 90 percent owned, Systemair-Traydus in Brazil, which is 75 percent owned and Tekadoor of Austria, which is 50 percent owned.

Operating activities in the subsidiaries are governed at overall level via business boards, which may best be described as executive steering committees for the subsidiaries. Each of these consists of one or two members of Group Management and/or some other key person from the Parent Company, plus the subsidiary's MD. Each business board sets targets and monitors financial outcomes, takes decisions on major market and product issues and serves as the link between Parent Company and the particular subsidiary regarding various organisational matters. Business boards meet two to four times each year. Each subsidiary also has a formal board of directors, if required by law in that country.

Senior executive remuneration Guidelines

The 2015 AGM adopted guidelines for senior executive remuneration. Remuneration to senior executives shall - based on the conditions in the market in which the Company operates and the environment in which the particular executive works - be competitive, enable the recruitment of new executives and motivate senior executives to remain with the Company. The system of remuneration shall consist of a fixed salary and pension, but may also include variable salary and benefits such as, for example, a company car. In addition to the above, special incentive programmes approved by the AGM may apply. Fixed salary and benefits shall be determined individually, based on the aforementioned criteria and the specific competence of the particular executive. Variable salary will be paid subject to the attainment of clearly established targets. The variable salary will be paid as a proportion of the fixed salary and may normally amount to no more than two months' salary. As a rule, pensions shall

be paid via defined contribution plans. The size of the pension shall be based on the same criteria as above, and on fixed salary. The Board is entitled to depart from these guidelines if justified in any particular case. Remuneration to the Chief Executive Officer and other senior executives is described in Note 9.

Notice of termination and severance payments

The Chief Executive Officer's employment may be terminated on 12 months' notice by the Company or six months' notice by the CEO. For other senior executives, the period of notice is as stated in the applicable collective bargaining agreement or is no more than 12 months from the Company or six months from the employee. No other agreements entitle the Chief Executive Officer or other senior executives to severance pay.

Pensions

The Chairman and the directors do not receive any pension benefits in connection with their Board duties. The pensionable age for all senior executives is 65 years. In 2015/16, pension costs for senior executives totalled SEK 2.2 million.

Auditor and auditing

The 2015 AGM resolved to appoint EY as auditors, with Åsa Lundvall as auditor in charge, until the next AGM is held in 2016.

The external audit is performed in accordance with generally accepted accounting practice in Sweden. Annual report documents for legal entities domiciled outside Sweden are audited in accordance with the legal requirements and other applicable rules of the countries in question.

The work of auditing the Group's accounts adheres to an audit plan that is adapted to the size of companies and that provides guidelines for the auditors' work at each subsidiary. In addition to audit engagements, the audit firm has performed certain consulting assignments during the year, primarily involving advice on tax and accounting issues. The auditors have submitted oral and written reports to the Board on both the audit engagement as well as on the audit of the Company's internal control.

Systemair's mid-year report for the 2015/16 financial year was audited by the Company's auditor.

Fees to the auditors are shown in Note 5.

Internal control related to financial reporting

Report of the Board of Directors on internal control for financial year 2015/16

Under the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal control. This

report has been drawn up in accordance with the Swedish Annual Accounts Act. It describes how the internal control of financial reporting is performed. Systemair's Board of Directors has decided not to have a separate audit committee. Instead, the Board as a whole is to perform the functions that would otherwise fall to the audit committee.

The Board thus has an important role to play in quality assuring financial reporting, which includes issues of internal control and compliance, verification of reported values and estimates and other issues that could influence the quality of the financial disclosures. Internal control is based on the structure in the framework for internal control referred to as the COSO model, from the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Control environment

Effective work by the Board of Directors is the basis of effective internal control. The control environment in Systemair is characterised by short paths between Group management and the operational units. The Board of Directors has adopted several basic documents to create and maintain a smoothly functioning control environment relevant to the financial reporting. These include the Board of Directors' set of procedures, instructions for the CEO, a financial policy and accounting manuals. Instructions and guidelines for financial reporting are prepared and updated continuously by the Parent Company's controller organisation.

The Board includes accounting and auditing issues as a regular item on the agenda at the four Board meetings at which the quarterly reports are discussed. The objective is to ensure compliance with and development of policies adopted for financial reporting and internal control. The Board also maintains continuous contact with the Company's auditor.

Risk assessment

Systemair's Board of Directors are responsible for identifying and managing significant financial risks and risks of errors in financial reporting. With respect to financial reporting, the primary risk is deemed to be material errors arising in the disclosures of the Company's results and position. The Board and management continuously assess reporting from a risk viewpoint, in which comparisons of income statement and balance sheet items with previous reporting and budgets are an important aid. In addition, regular risk assessments are conducted in connection with strategic planning, budgeting, forecasting and acquisition activities.

Control activities

Important instructions and guidelines for financial reporting are prepared and updated continuously by the Parent Company's central controller organisation and are readily accessible on the Group's intranet.

All companies in the Group report five working days after the end of the month in a common group consolidation and reporting system. This enables any deviations or errors to be recognised quickly and corrected.

At the end of the accounting period, the Group comprised around 70 subsidiaries owned directly by the Parent Company Systemair AB. The subsidiaries are legal entities with their own complete income statements and balance sheets. Each individual subsidiary reports to the Parent Company monthly, where consolidation is performed.

Central controllers are directly responsible for following up several companies that they monitor and analyse on an ongoing basis. Outcomes are reviewed regularly against plans and targets in consultation with representatives of the subsidiaries, business boards and Group management.

For the majority of its subsidiaries, the Group operates a common, wholly-integrated ERP system that provides a highly efficient tool for management, control and follow-up. For major decisions such as those in connection with acquisitions, investments and significant contracts, explicit decisionmaking methods and processes are in place.

In addition, every unit is also visited regularly by representatives of business boards and Group Management for ongoing evaluation of internal control and financial reporting.

Information and communication

The Chief Executive Officer and the CFO are jointly responsible for the accuracy and good quality of all information published externally, including quarterly reports, press releases and company presentations in conjunction with analysts' meetings. The tasks of the Company's auditor include reviewing accounting issues that are material to financial reporting, and reporting his or her observations to the Board.

Each month, the Board receives a reporting package that includes the complete final accounts for each subsidiary, as well as the consolidated accounts for the Group. Several key ratios and benchmarks are also included; these enable the results for the period to be compared with budget and the results for preceding years.

The Board's set of procedures regulates which reports and information of a financial nature will be presented continuously and for each Board meeting.

In order to promote awareness of policies and manuals among the Group's employees, information is available to all concerned on the Group's intranet. Therefore, to ensure that external information is accurate and comprehensive, the Board of Directors has adopted a Communication Policy.

Follow-up

Systemair is characterised by simplicity in its legal and operational structures and by smoothly functioning and established management and control systems. The Board and the audit committee, together with Group Management, monitor compliance with policies and guidelines adopted. At every Board meeting, the Company's financial situation is discussed, and prior to the publication of quarterly reports and annual reports, the Board reviews the financial information. Each month, Group Management and business board members review the results for each subsidiary and discuss deviations from plan with that subsidiary's CEO.

The tasks of the external auditors include supervising internal control in the Group companies annually. The auditors maintain contact with and report directly to the Board of Directors.

During the year, the controller organisation carried out a number of internal audits of subsidiaries with the aid of the Company's auditors. This work adheres to a standardised model, in which various significant issues associated with internal guidelines and policies are reviewed.

Ways of working with internal audits are being developed continuously, and an annual plan for audit activities has been adopted and is addressed by the Board.

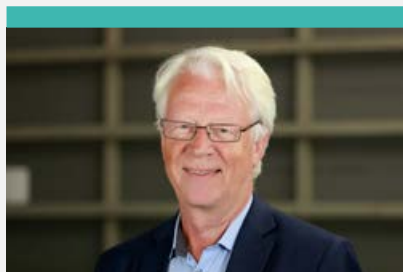
Internal audit

Systemair has a simple operating structure with effective facilities for internal control. Compliance with the Company's well-developed governance and internal control system is monitored regularly by the Group's controllers. In addition, ongoing follow-up is performed by business boards and Group Management. Further supervision is exercised in the form of the control and follow-up by the Board and the external auditors.

Day-to-day dialogue between the Company and its external auditors, as well as the checks carried out by the above-mentioned parties, are considered at present to be adequate in ensuring that internal control is effective. Every year, the Board evaluates the need for internal auditing. To date, it has concluded that a separate internal auditing function would not deliver any material benefit.

This judgement is subject to continual review, and a re-assessment will take place in 2016/17.

Board of Directors



GERALD ENGSTROM

Chairman of the Board

Chairman, Bluefish Pharmaceuticals AB

Education: Upper secondary school qualification in Engineering, Business Studies at Stockholm University

Formerly: Chief Executive Officer and President of Systemair AB and CEO of Ziehl-ebm AB etc.

Holding: 21,997,752 shares (shares owned by Färna Invest)

Born: 1948

Year elected: 1974

Independent: No



ELISABETH WESTBERG

Director

Director, Jämtkraft AB, Scandem AB, AB Fr Ramström

Education: Bachelor's degree

Formerly: Vice President Handelsbanken Capital Markets, etc.

Holding: 20,000 shares

Born: 1948

Year elected: 2006

Independent: Yes



HANNU PAITULA

Director

Director, Oras Ltd, Finland and Kähns Holding AB, Sweden.

Education: Engineer

Formerly: Senior positions, international level at Lindab, Fläkt Woods and ABB etc.

Holding: 1,000 shares

Born: 1948

Year elected: 2011

Independent: Yes



CARINA ANDERSSON

Director

Director, Beijer Alma, SinterCast AB and Gränges AB

Education: M.Sc. in Engineering, Material Science from the Royal Institute of Technology Stockholm (KTH)

Formerly: CEO, Ramnäs Bruk AB and Scana Ramnäs AB

Holding: 1,000 shares

Born: 1964

Year elected: 2015

Independent: Yes



PER-ERIK SANDLUND

Director

Chairman of Ciir (Center for Inter-organisational Innovation Research) at Luleå University of Technology

Education: Degree in Business Administration and Business Law from the University of Umeå.

Formerly: Director-General, Invest Sweden, and at the Ministry of Foreign Affairs,

Stockholm, CEO, SwedenBio

Holding: 1,500 shares

Born: 1952

Year elected: 2015

Independent: Yes



RICKY STEN

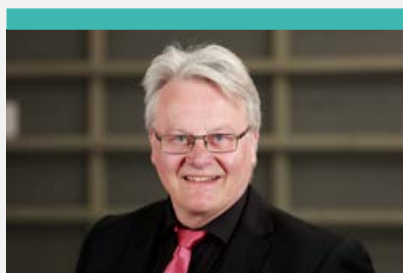
Employee Representative

Current position: Materials Handler

Holding: –

Born: 1968

Year elected: 2014



ÅKE HENNINGSSON

Employee Representative

Current position: Technology Consultant

Holding: 400 shares

Born: 1957

Year elected: 2015

Group Management



ROLAND KASPER
CEO and President

Education: Energy and Heating Technology Engineering Diploma, University of Applied Sciences Giessen-Friedberg, Germany
Formerly: Product Manager, Fläkt Woods Group and ABB Ventilation Products GmbH
Holding: 1,500 shares
Born: 1969
Employed since: 2007



ANDERS ULFF
CFO

Education: M.Sc. Business Administration, Uppsala University
Formerly: Auditor and consultant, Ernst & Young; Financial Director Systemair
Holding: 40,600 shares
Born: 1967
Employed since: 1999



OLLE GLASSEL
Vice President Sales and Marketing

Education: Qualified Ventilation Engineer, Diploma in Business Administration
Formerly: MD, Systemair Ltd, United Kingdom, Sales Director, Systemair, Sweden
Holding: 700 shares
Born: 1966
Employed since: 2002



FREDRIK ANDERSSON
Vice President Marketing Eastern Europe

Education: M.Sc. Business Administration - International Business Program (Russian/German), Uppsala University
Formerly: Export Manager and Managing Director Systemair Russia, Managing Director Fläkt Woods Russia
Holding: 6,000 shares
Born: 1967
Employed since: 2014



HÅKAN LENJESSON
Vice President Marketing Middle East and Asia

Education: Upper secondary school qualification in engineering and business studies
Formerly: MD, Munters Pty, Australia, MD, Munters Thailand Co. Ltd., MD, Hawa-Munters, Saudi Arabia
Holding: -
Born: 1956
Employed since: 2012



KURT MAURER
Vice President Marketing - Products, MD Systemair GmbH, Germany

Education: Heilbronn University
Formerly: Technical Director, Lti Lüftungstechnik; Product Dvpt, Rosenberg; Product Dvpt, ebm-papst
Holding: 67,308 shares
Born: 1959
Employed since: 1994