

# 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 President in accordance with the Swedish Companies Act, the Swedish Annual Accounts Act, the Nasdaq 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:

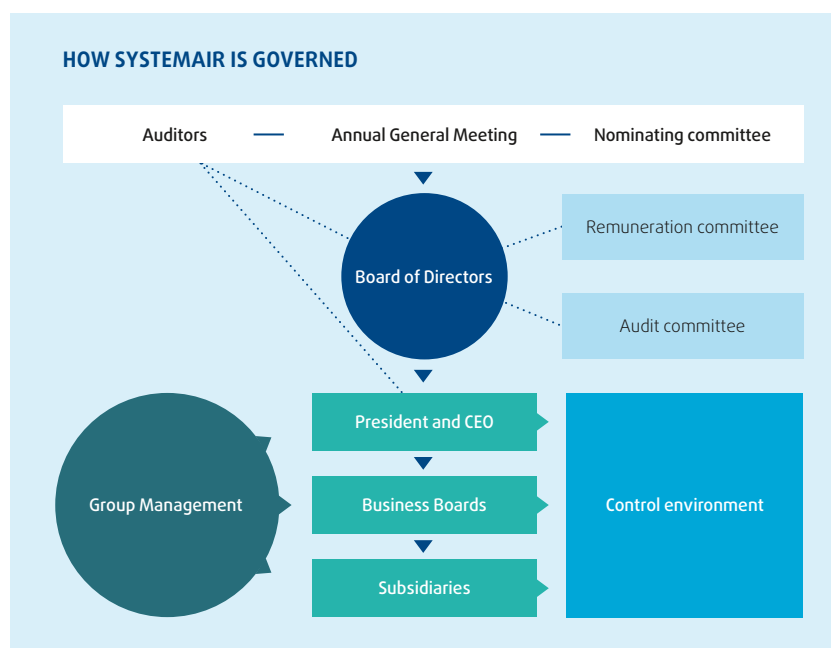
The AGM has appointed a nominating committee consisting of three of the largest shareholders. The chairman of the nominating committee is the Company's majority shareholder, Gerald Engström, who owns 42.6 percent of the share capital and votes in Systemair via his wholly owned company Färna Invest AB. Gerald Engström also serves as Chairman of the Board. The second largest shareholder, ebm-papst AB, owns 21.3 percent of the capital and votes and is represented in 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. In addition, 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 Stockholm since 12 October 2007. The Company's trading symbol is SYSR. At the end of the accounting period, Systemair AB had 4,224 shareholders. The largest individual shareholder is Färna Invest AB, which owns 42.6 percent of the capital and votes and is 100%-controlled by the Chairman of the Board Gerald Engström. Other major share-



holders are ebm-papst AB, Järfälla, Sweden, wholly owned subsidiary of ebm-papst GmbH, Mulfingen, Germany, with 21.3 percent of the capital and votes, and Swedbank Robur Fonder, with 7.5 percent. All shares have a quotient value of SEK 1.00. At the financial year-end, 30 April 2019, the total number of shares outstanding was 52,000,000, all of the same class. For more information, see section "The Systemair Share", page 38.

## ARTICLES OF ASSOCIATION

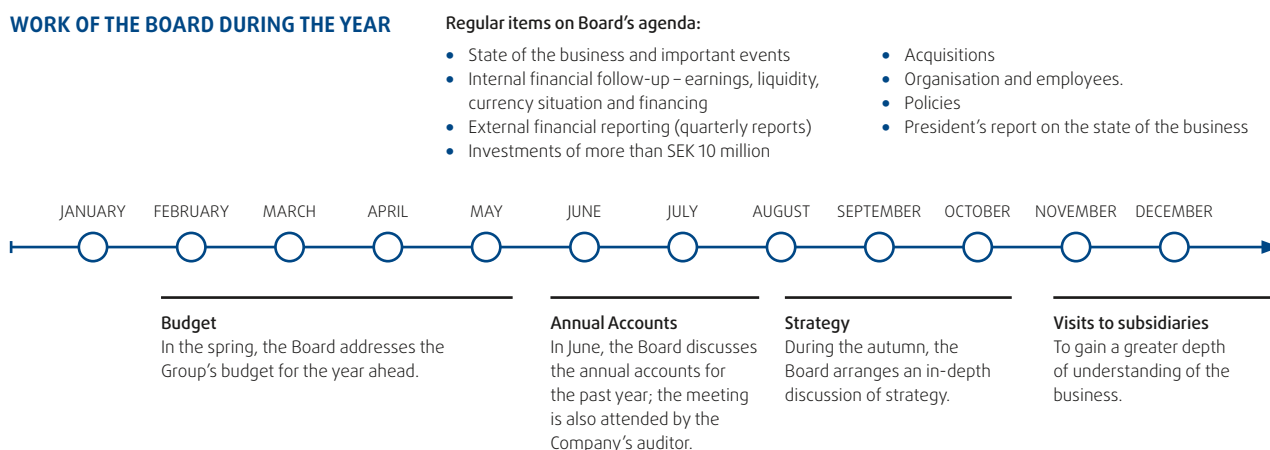
Systemair is a limited company whose business is to conduct the manufacture and sale of ventilation and heating products. The Board of Directors shall consist of no fewer than three and no more than eight members and no more than three deputy members. In addition, the trade unions are entitled by Swedish law to appoint two members and two deputies. The Board of Directors shall have its registered office in Skinnskatteberg Municipality, Västmanland County. The Company's

Annual Report and the management of the Company by the Board of Directors and the President 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: [group.systemair.com/se/Investerare](http://group.systemair.com/se/Investerare).

## THE NOMINATING COMMITTEE

The 2018 AGM resolved that the nominating committee shall be made up of representatives of three of the biggest shareholders. The record date for determining the largest shareholders was 31 January 2019. The nominating committee shall submit nominations for the Chairman of the AGM, the Board and Chairman of the Board, the choice of auditors in consultation with the audit committee, proposed fees to the Chairman of the Board and other Board members, remuneration for work on committees and proposed auditors' fees. These proposals shall be presented to the AGM.

## WORK OF THE BOARD DURING THE YEAR



The nominating committee held one meeting in 2018/19. No remuneration was paid for work on the nominating committee. The proposals of the nominating committee to 2019 AGM are shown in the Notice of AGM posted on the Systemair website at [group.systemair.com](http://group.systemair.com). Shareholders wishing to submit proposals for the nominating committee may do so by e-mail to any member of the nominating committee.

### BOARD OF DIRECTORS

#### *Diversity policy regarding the size and composition of Board*

Systemair's diversity policy regarding the size and composition of the Board states that Systemair AB's Board of Directors must be of a size and composition that ensures its ability to administer the Company's affairs with integrity and efficiency. The Board's composition must be characterised by diversity and breadth in terms of competence, experience and background. The Board must also strive to achieve gender balance. The majority of the Board members elected by the AGM must be independent of the Company and the Company's Management Board. No Board member shall be appointed for a longer period than to the end of the following AGM.

#### *Board's composition during the financial year*

In the period until the 2018 AGM, Systemair's Board of Directors comprised Gerald Engström (Chairman), Carina Andersson, Hans Peter Fuchs, Svein Nilsen and Patrik Nolåker, all elected by the AGM. At the 2018 AGM, all were re-elected. Gerald Engström was elected 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 pages 46–47 of this annual report. Anders Ulf, CFO, serves as Board Secretary. As the table shows, all members of the Board elected by the AGM, except for Gerald Engström and Hans Peter Fuchs, are independent of Systemair. Senior executives participate as needed in Board meetings in a reporting capacity.

#### *Work of the Board*

During the 2018/19 financial year, the Board held 11 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 that regulate the work of the Board and its internal allocation of tasks, including committees, the decision-making process within the Board and the Board's meeting procedures. The President also maintains regular contacts with the Chairman of the Board. During the year, the Board of Directors assessed its work. All directors participated in the assessment and commented. The Chairman of the Board is responsible for the assessment.

#### *Remuneration committee*

The Board appointed a remuneration committee consisting of Carina Andersson,

### COMPOSITION OF THE NOMINATING COMMITTEE FOR THE 2019 AGM

Member	Representative of	Contact (e-mail)
Gerald Engström, Chairman of the nominating committee	Färna Invest AB, and Board Chairman	<a href="mailto:gerald.engstrom@systemair.se">gerald.engstrom@systemair.se</a>
Gerhard Sturm	ebm-papst AB	<a href="mailto:gerhard.sturm@de.ebmpapst.com">gerhard.sturm@de.ebmpapst.com</a>
Lennart Francke	Swedbank Robur Fonder	<a href="mailto:lennart.francke@gmail.com">lennart.francke@gmail.com</a>

### DIRECTORS – ATTENDANCE AND DEPENDENCE/INDEPENDENCE

	Board of Directors	Remuneration committee	Audit committee	Year elected	Dependent/Independent	
					Company	Shareholder
Number of meetings	12	2	5			
Gerald Engström	12	2	–	1974	Dep.	Dep.
Carina Andersson	12	2	5	2015	Indep.	Indep.
Hans Peter Fuchs	12	–	–	2017	Dep.	Dep.
Svein Nilsen	12	–	–	2016	Indep.	Indep.
Patrik Nolåker	12	2	5	2016	Indep.	Indep.
Åke Henningsson <sup>1)</sup>	12	–	–	2015	–	–
Ricky Sten <sup>1)</sup>	12	–	–	2014	–	–

<sup>1)</sup> Employee Representative.

Gerald Engström and Patrik Nolåker (chairman). The committee's functions are:

- 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 to senior management, 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 remuneration. Over the financial year, the committee held two minuted meetings, at which all members were present.

**Audit committee**

The Board appointed an audit committee consisting of Board members Carina Andersson (chair) and Patrik Nolåker. The committee's tasks include:

- 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

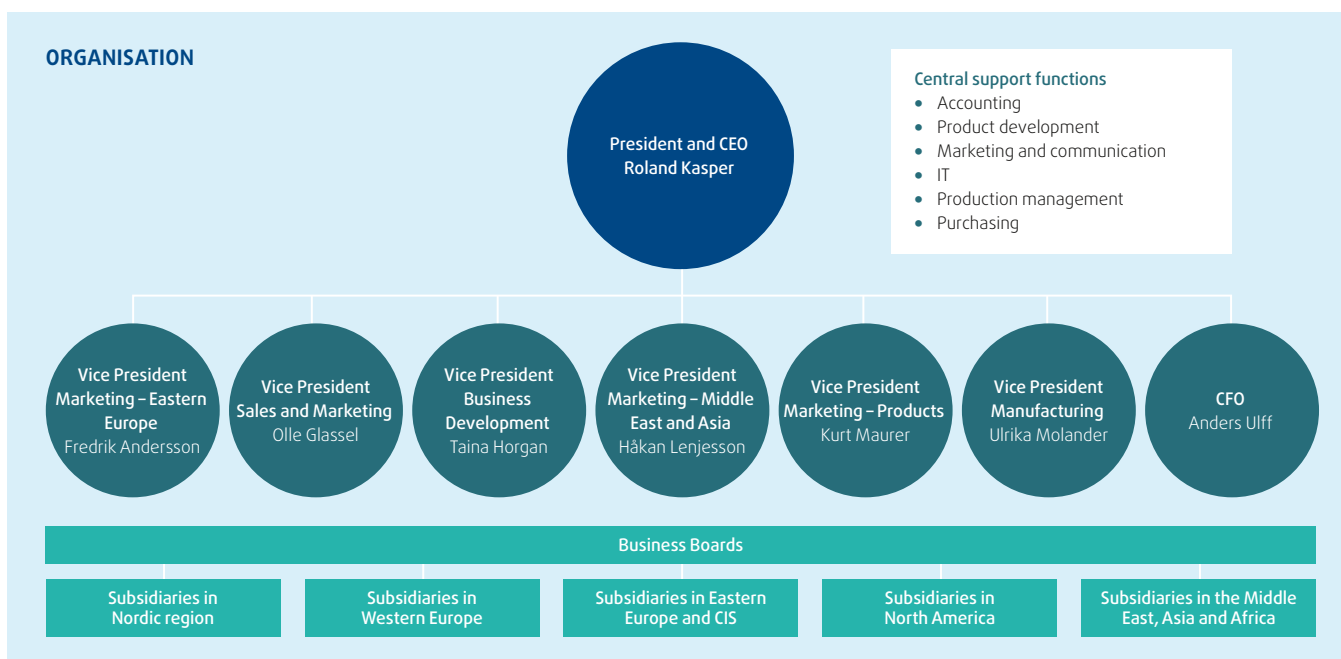
The committee held five minuted meetings, which were also attended by the Company's CFO, a Group controller and auditor. These meetings addressed issues such as the risk assessment of internal control and risk management concerning financial reporting, procurement of auditing services and IT security. Reports were submitted from internal audits performed. The findings of the meetings were minuted and presented at the next Board meeting.

**GROUP MANAGEMENT**

President Roland Kasper, who is also Chief Executive Officer of the Parent Company, is responsible for the day-to-day control of the Group. He receives reports from the Group's Executive Management Team,

comprising Vice President Marketing – Eastern Europe Fredrik Andersson, Vice President Sales and Marketing Olle Glassel, Vice President Marketing – the Middle East and Asia Håkan Lenjesson, Vice President Marketing – Products Kurt Maurer, Vice President Manufacturing Ulrika Molander and Chief Financial Officer Anders Ulff. In March, Taina Horgan was recruited to the role of Vice President Business Development. President and CEO Roland Kasper oversees the work of the Group's Executive Management Team.

Group Management holds regular meetings during the year to review the results of the Group and individual subsidiaries, as well as the market and business situation, and to make decisions on strategic and operational matters within frameworks established by the Board. One of these yearly meetings is wider-ranging, involving more detailed discussion and planning for operations and the setting 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 also key to the management culture. The Executive Management Team 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 85 companies, of which 75 are operational. The Parent Company is Systemair AB (co. reg. no. 556160-4108), which owns most of the subsidiaries directly. All subsidiaries are 100%-owned, apart from Systemair-HSK of Turkey, which is 90%-owned, Systemair Tradus of Brazil, which is 75%-owned and Tekadood of Austria, which is 50%-owned.

Operating activities in the subsidiaries are governed at an 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 another 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; it also 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 the country concerned.

#### **SENIOR EXECUTIVE REMUNERATION**

##### *Guidelines*

At the 2018 AGM, guidelines on senior executive remuneration were adopted. 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 maximum variable remuneration payable to the member of Group management concerned shall for the CEO be 40 percent of annual salary and for other senior executives 25 percent. As a rule, pensions shall

be paid through defined contribution plans. The size of the pension shall adhere to the same criteria as above and be based on a fixed salary. The Board is entitled to depart from these guidelines if justified in any particular case. Remuneration to the President and other senior executives is presented in Note 11.

##### *Notice of termination and severance payments*

The President'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 President 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. Pension costs for senior executives totalled SEK 3.4 million in 2018/19.

## **ANNUAL GENERAL MEETING 2018**

Systemair's Annual General Meeting, held in Skinnskatteberg on 30 August 2018, was attended by 83 shareholders, representing 88 percent of the shares and votes in the Company. Gerald Engström, Chairman of the Board, was appointed to chair the meeting. The Chairman, Gerald Engström, informed the AGM of the work of the Board and reported on the guidelines for remuneration to senior executives and the work of the Board's committees. Also, CEO Roland Kasper held a speech about Systemair's business during the financial year 2017/18. Åsa Lundvall, the auditor in charge, presented sections of the audit report.

Resolutions adopted at the AGM:

- To discharge the Board and CEO from liability in respect of the past financial year.
- To re-elect Gerald Engström, Carina Andersson, Hans Peter Fuchs, Svein Nilsen and Patrik Nolåker as members of the Board.
- 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 of the Board for work in connection with acquisitions. In addition, fees shall be paid to the audit committee in a total amount of SEK 75,000, with SEK 50,000 being paid to the committee chairman and SEK 25,000 to the other member. To pay a fee of SEK 27,500 to each employee representative.
- That a dividend of SEK 2.00 per share is paid.
- That the nominating committee shall be made up of representatives of the three biggest shareholders, based on the ownership details on 31 January 2019.
- To authorise the Board, during the period until the 2019 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 2018 AGM are available on Systemair's website at: [group.systemair.com/Investerare](http://group.systemair.com/Investerare)

## INTERNAL CONTROL OF FINANCIAL REPORTING

### REPORT OF THE BOARD OF DIRECTORS ON INTERNAL CONTROL FOR FINANCIAL YEAR 2018/19

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. 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 key documents to create and maintain a smoothly functioning control environment that is material to financial reporting. These include the Board of Directors' rules of procedure, 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. An audit committee has been established within the Board of Directors. Its task is to ensure that policies adopted on financial reporting and internal control are complied with and developed. The committee also maintains day-to-day relationships with the Company's auditor. The audit committee and the Board include accounting and auditing issues as a recurring item on the agenda at the four Board meetings at which the quarterly reports are discussed.

### RISK ASSESSMENT

Systemair's Board of Directors is responsible for identifying and managing significant financial risks and risks of errors in financial reporting. Regarding financial reporting, the primary risk is deemed to be material errors arising in the disclosures of the Company's results and position. The Board, audit committee and

management continuously assess reporting from a risk viewpoint, in which comparisons of income statement and balance sheet items with previous disclosures and budgets form an essential element. 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 Group'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 so that any deviations or errors can be captured quickly and corrected, for example.

At the end of the accounting period, the Group comprised around, 80 subsidiaries that mostly are owned directly by the Parent Company, Systemair AB. The subsidiaries are legal entities with their comprehensive income statements and balance sheets. Each subsidiary reports to the Parent Company every month, where consolidation is performed.

Central controllers are directly responsible for following up several companies that they continuously monitor and analyse. 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 has a common, 100%-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, clearly-defined decision-making 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 President 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 financial accounts for each important 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 outcomes for preceding years.

The Board's rules of procedure regulate 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. To ensure that external information is accurate and comprehensive, the Board of Directors has therefore adopted a Communication Policy.

#### **FOLLOW-UP**

Systemair is characterised by the simplicity of its legal and operational structure, and by smoothly functioning and well-established systems for management and control. The Board, remuneration committee and 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 the plan with the CEO of the subsidiary concerned.

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

During the year, the controller organisation performed several internal audits of subsidiaries. This work adheres to a standardised model, in which various material issues associated with internal guidelines and policies are followed up.

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 excellent facilities for internal control. Compliance with the systems of governance and internal control developed by the Company is regularly followed up by the Group's controllers. In addition, ongoing follow-up is performed by the business boards and Group management. Further control and follow-up are exercised by the Board of Directors.

Day-to-day dialogue between the Company and its external auditors and the checks carried out by the above bodies are considered at present to be adequate to ensure that internal control remains 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 assessed continuously, and a review will take place in 2019/20.

# BOARD OF DIRECTORS



## ÅKE HENNINGSSON

Employee Representative  
Current position: Service &  
After Sales Manager  
Holding: 400 shares  
Born: 1957  
Year elected: 2015

## RICKY STEN

Employee Representative  
Current position: Materials Handler  
Holding: –  
Born: 1968  
Year elected: 2014

## HANS PETER FUCHS

Director  
Finance Manager, ebm-papst  
Muldingen GmbH & Co. KG.  
Education: Degree in Macroeconomics  
from Johannes Gutenberg University,  
Mainz.  
Formerly: Senior financial position  
in the Atmel Group.  
Holding: –  
Born: 1961  
Year elected: 2017  
Independent: No

## CARINA ANDERSSON

Director  
Director, Beijer Alma AB, SinterCast AB  
and Gränges AB.  
Education: M.Sc in Metallurgy and  
Material Science, Royal Institute  
of Technology Stockholm (KTH).  
Formerly: Senior position at  
Sandvik AB. CEO, Ramnäs Bruk AB  
and Scana Ramnäs AB.  
Holding: 1,000 shares  
Born: 1964  
Year elected: 2015  
Independent: Yes



#### GERALD ENGSTRÖM

Chairman of the Board  
 Chairman, Bluefish Pharmaceuticals AB.  
 Director, Hanza Holding.  
 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: 22,164,162 shares (shares owned by Färna Invest AB)  
 Born: 1948  
 Year elected: 1974  
 Independent: No

#### SVEIN NILSEN

Director  
 Education: Engineering degree in HVAC from the Norwegian University of Science and Technology, Trondheim.  
 Formerly: Vice President Marketing, Systemair AB, other senior positions.  
 Holding: 49,261 shares  
 Born: 1947  
 Year elected: 2016  
 Independent: Yes

#### PATRIK NOLÅKER

Director  
 Chairman, AQ Group AB, Velcora Holding AB, Saferoad Group AS and Fibo Group AS.  
 Director, Outotec Oyj.  
 Education: Upper secondary qualification in Engineering, BSc in Business Administration and MBA from the Maastricht School of Management.  
 Formerly: CEO of Dywidag Systems International S.a.r.l., Alimak Hek Group and senior positions at Atlas Copco, ABB etc.  
 Holding: 4,000 shares  
 Born: 1963  
 Year elected: 2016  
 Independent: Yes



# EXECUTIVE MANAGEMENT TEAM



## ◀ ROLAND KASPER

President and CEO  
 Education: Energy and Heating Technology Engineering Diploma, University of Applied Sciences Giessen-Friedberg, Germany.  
 Formerly: Product Manager, FläktWoods Group and ABB Ventilation Products GmbH.  
 Holding: 21,500 shares  
 Born: 1969  
 Employed since: 2007



## ▲ FREDRIK ANDERSSON

Vice President Marketing – Eastern Europe and CIS  
 Education: M.Sc. Business Administration – International Business Program (Russian/German), Uppsala University.  
 Formerly: Export Manager Russia at Systemair AB. Managing Director, Fläkt Woods, Russia.  
 Holding: 24,000 shares  
 Born: 1966  
 Employed since: 2014, 1997–2012



## ▲ 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: 10,000 shares  
 Born: 1956  
 Employed since: 2012



## ◀ KURT MAURER

Vice President Marketing – Products and MD Systemair GmbH, Germany  
 Education: Mechanical Engineering Diploma (Dipl. Ing) Heilbronn University, Germany.  
 Formerly: Technical Director, Lti Lüftungstechnik. Product Dvpt, Rosenberg. Product Dvpt, ebm-papst.  
 Holding: 77,308 shares  
 Born: 1959  
 Employed since: 1994



#### ◀ ANDERS ULFF

CFO  
 Education: M.Sc. Business Administration,  
 Uppsala University.  
 Formerly: Auditor and consultant, Ernst &  
 Young. Financial Director, Systemair.  
 Holding: 42,150 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: 13,200 shares  
 Born: 1966  
 Employed since: 2002



#### ◀ TAINA HORGAN

Vice President Business Development  
 Education: Dipl. in Business Economics,  
 IHM Business School.  
 Formerly: Sales and Marketing Director,  
 FläktGroup.  
 Holding: –  
 Born: 1965  
 Employed since: 2019



#### ◀ ULRIKA MOLANDER

Vice President Manufacturing  
 Education: Graduate engineer, Borås University.  
 Formerly: President, BDX Företagen AB.  
 Operations Director, Sapa Profiler AB.  
 Holding: 672 shares  
 Born: 1966  
 Employed since: 2016