

## **Report on the work of AB Industrivärden's Nominating Committee ahead of the 2015 Annual General Meeting**

### **1. Nominating Committee's recommendations to the 2015 Annual General Meeting**

#### AGM chairman:

Attorney Sven Unger

#### Number of directors:

Seven directors and no deputy directors

#### Directors' fees:

Chairman of the Board: unchanged at SEK 2,000,000

Vice Chairman: SEK 1,200,000 (in the event such is appointed)

Each of the other non-executive directors: unchanged at SEK 600,000

No separate fee is to be paid for committee work.

#### Board of Directors:

Board members: re-election of Pär Boman, Christian Caspar, Nina Linander, Fredrik Lundberg and Annika Lundius

New election of Bengt Kjell and Lars Pettersson

It was noted that Sverker Martin-Löf, Boel Flodgren, Stuart Graham and Anders Nyrén have declined re-election.

Bengt Kjell (b. 1954), M.Sc. Econ., who has been proposed for new election, has been appointed as acting President and CEO of Industrivärden, effective May 6, 2015. He has been CEO of Handelsbanken's subsidiary AB Handel och Industri since 2010, an assignment he has just left. During the years 2002–2010 he served as Executive Vice President and Chief Investment Officer of Industrivärden. Bengt Kjell has many years of experience in finance matters and company development. He is currently Chairman of the Board of SSAB, Hemfosa Fastigheter and Skånska Byggvaror, Vice Chairman of Indutrade, and a board member of ICA Gruppen, Pandox, and others.

Lars Pettersson (b. 1954), M.Sc. Eng. and PhD h.c., who has been proposed for new election, has a career dating back many years in executive positions in the Sandvik Group and served as President and CEO of Sandvik during the years 2002–2011. He is Chairman of the Board of KP Komponenter A/S and a director on the boards of L E Lundbergföretagen, Indutrade, PMC Group, Husqvarna AB, Uppsala University, LKAB, and others.

The Nominating Committee has made the following determination regarding directors' independence:

Two of the nominated directors, Pär Boman and Lars Pettersson, are non-independent in relation to the Company and the executive management, and also non-independent in relation to major shareholders (see below). Bengt Kjell is employed by Industrivärden and is therefore non-independent in relation to the Company and its executive management. All of the other nominated directors are independent in relation to the Company and its executive management. Of these, Christian Caspar, Nina Linander and Annika Lundius are independent in relation to major shareholders.

With respect to Pär Boman and the matter of independence, it should be noted that he served as President and Group Chief Executive of Handelsbanken until Handelsbanken's 2015 Annual General Meeting. Since Pär Boman was President and Group Chief Executive of Handelsbanken, which is a closely related company to Industrivärden, until Handelsbanken's 2015 Annual General Meeting, he is not to be regarded as being independent in relation to Industrivärden and its executive management. Handelsbanken holds more than 10% of the votes in Industrivärden. Pär Boman is therefore not to be regarded as being independent in relation to the Company's major shareholders.

With respect to Lars Pettersson and the matter of independence, it should be noted that he served as President and CEO of Sandvik during the years 2002–2011. Since Lars Pettersson has served as President and CEO of Sandvik, which is a closely related company to Industrivärden, he is not to be regarded as being independent in relation to Industrivärden and its executive management. L E Lundbergföretagen holds more than 10% of the votes in Industrivärden. Lars Pettersson is therefore not to be regarded as being independent in relation to the Company's major shareholders.

In its determination of directors' independence, the Nominating Committee has applied the criteria stipulated in the Swedish Corporate Governance Code. The Nominating Committee's considerations have thus pertained to whether the nominated directors are to be regarded as independent according to these criteria. It is in this context that the Nominating Committee's considerations are to be understood.

In summary, the Nominating Committee is of the opinion that the rules in the Corporate Governance Code on directors' independence, as well as the stock exchange's rules on board members' experience with the stock market, have been complied with.

#### *Reasoned statement*

The Nominating Committee is of the opinion that the proposed board has a suitable composition in view of the Company's operations, phase of development and conditions in general, characterized by diversity and breadth with respect to the directors' qualifications, experience and backgrounds.

#### Chairman of the Board:

New election of Fredrik Lundberg

Auditor:

Re-election of PricewaterhouseCoopers AB for a term extending until the end of 2016 Annual General Meeting

Auditor's fees:

Fee to be paid according to approved invoice

Nominating Committee:

The 2011 Annual General Meeting passed a resolution on the Nominating Committee that applies until further notice. The Nominating Committee is of the opinion that there is no need to amend that resolution. Hence, the Nominating Committee has not submitted any proposal for the Nominating Committee.

Note on the nominating process

The Swedish Corporate Governance Code sets out the following with regard to directors' independence:

"2.3 The nomination committee is to have at least three members, one of whom is to be appointed committee chair.

The majority of the members of the nomination committee are to be independent of the company and its executive management. Neither the chief executive officer nor other members of the executive management are to be members of the nomination committee.

At least one member of the nomination committee is to be independent of the company's largest shareholder in terms of votes or any group of shareholders that act in concert in the governance of the company.

2.4 Members of the board of directors may be members of the nomination committee but may not constitute a majority thereof. The chair of the company or any other member of the board may not chair the nomination committee.

If more than one member of the board is on the nomination committee, no more than one of these may be dependent of a major shareholder in the company."

The Annual General Meeting's resolution on the Nominating Committee, which is based on established practice in the Company, does not deviate from the rules of the Code. If the committee is appointed in accordance with previous practice, its composition will be in line with the Code's rules.

## **2. Composition of the Nominating Committee**

It was noted that the 2011 Annual General Meeting made the following resolution regarding the Nominating Committee, and that this resolution shall apply until further notice: The Chairman of the Board shall be assigned the task of contacting four of the largest registered shareholders in terms of votes in Euroclear Sweden AB's printout of the shareholder register on the last business day in August, who each appoint one representative who is not a director on Industrivärden's board, to form together with the Chairman of the Board a nominating committee for the time until a new nominating committee has been

appointed, and that the following shall apply for the Nominating Committee. The Nominating Committee appoints a chair from among its members. The composition of the Nominating Committee shall be announced not later than six months before the next Annual General Meeting. No fee shall be paid to the committee members. If a member leaves the Nominating Committee before its work has been completed, and if the Nominating Committee is of the opinion that there is a need to replace this member, the Nominating Committee shall appoint a new member. Any change in the Nominating Committee's composition shall be publicly announced immediately.

Accordingly, the following persons have made up the Nominating Committee ahead of the 2015 Annual General Meeting: Sverker Martin-Löf (Chairman of the Board of Industrivärden), Bo Damberg (the Jan Wallander and Tom Hedelius Foundation and others), Mats Guldbrand (L E Lundbergföretagen), Mikael Schmidt (SCA Pension Foundation and others), and Håkan Sandberg (Handelsbanken Pension Foundation and Handelsbanken Pension Fund, and others). The Nominating Committee appointed Håkan Sandberg as committee chair.

The names of the members of the Nominating Committee were announced in November 2014 and have been posted on the Company's website.

### **3. Submission of proposals to the Nominating Committee**

The following notice was posted on the Company's website in November 2014:

“Shareholders who wish to submit proposals to the Nominating Committee can contact the Nominating Committee by e-mail at [valberedning@industrivarden.se](mailto:valberedning@industrivarden.se) or at Industrivärden's postal address. In order for the Nominating Committee to be able to consider submitted proposals in a constructive manner, these should be submitted by December 31, 2014, at the latest.”

Proposals have been submitted to the Nominating Committee by shareholders.

### **4. Evaluations**

The Nominating Committee has reviewed the evaluations that the Company's board has made of the Board's work.

The Nominating Committee has also reviewed the Company's evaluation of the auditor's work.

### **5. Meetings**

The Nominating Committee has held four meetings.

### **6. Fees**

No fees have been paid to the members of the Nominating Committee for their work on the committee.

**7. Reservation**

Industrivärden's chairman, Sverker Martin-Löf, has made reservation against the Nominating Committee's revised recommendation to the 2015 Annual General Meeting.

Stockholm, April 2015

Håkan Sandberg, Committee Chair

Bo Damberg

Mats Guldbrand

Mikael Schmidt