

Corporate Governance Report

VBG Group AB (publ) is a Swedish limited liability company whose Series B shares have been listed on the Stockholm Stock Exchange since 1987, where they are traded on the Nasdaq Stockholm Mid Cap list. VBG Group AB has applied the Swedish Corporate Governance Code (the Code) since 1 January 2009.

The Code is a part of corporate Sweden's self-regulation and is based on the "comply or explain" principle. This means that companies that apply the Code can choose not to comply with certain rules but must explain the reason for each non-compliance.

Division of responsibility

Responsibility for management and control of the Group is divided between the shareholders at the Annual General Meeting, the Board of Directors, its elected committees and the Managing Director under the provisions of the Swedish Companies Act, other laws and ordinances, rules governing stock market companies, the Articles of Association and the Board's internal governance documents.

Shareholders

The share capital in VBG Group AB amounted to SEK 65,490,060 on 31 December 2017, distributed among 2,440,000 Series A shares and 23,756,024 Series B shares, where each series A share carries ten votes and each series B share carries one vote, except for the 1,191,976 Series B shares bought back by VBG Group AB in 2002. This amounts to a total of 25,004,048 outstanding shares with a total of 46,964,048 votes.

At the end of 2017, VBG Group AB had a total of 4,670 shareholders. At year-end, the ten largest shareholders controlled 79.9 per cent of the outstanding share capital, 76.3 per cent of the total number of issued shares and 89.3 per cent of the votes. The stake held by the largest shareholder, the Herman Krefting Foundation for Allergy and Asthma Research, amounted to 22.6 per cent of the outstanding share capital and 28.3 per cent of the votes. Other shareholders with more than 10 per cent of the votes were the SLK Employees' Foundation and the VBG-SLK Foundation, whose holdings of Series A shares represented 24.2 per cent and 10.4 per cent of the votes, respectively.

More detailed information on the share, the ownership structure, etc. is provided on pages 50–51.

Articles of Association

The Articles of Association state that VBG Group AB is a public company whose object is to "engage – on its own or through wholly and partly owned companies – in industrial activities, preferably in the area of automotive components and truck equipment, and other activities consistent therewith".

General Meeting of Shareholders

The highest decision-making body in VBG Group AB is the General Meeting of Shareholders. The Annual General Meeting (AGM), which is held within six months of the end of the financial year, adopts the financial statements, resolves on a dividend, elects the Board of Directors and the auditors and establishes

their fees, appoints the Nominating Committee, considers other statutory matters and votes on proposals from the Board of Directors and the shareholders.

Notice convening the Annual General Meeting is given not earlier than six and not later than four weeks prior to the meeting. The notice contains information on notification of intention to attend and right to participate in and vote at the meeting, an itemised agenda with the matters to be discussed, and information on the proposed dividend and the main content of other proposals. Shareholders or proxies can vote for the full number of shares held or represented.

Notice convening an Extraordinary General Meeting where the Articles of Association will be addressed shall be given not earlier than six weeks and not later than four weeks prior to the meeting. Notice convening other Extraordinary General Meetings shall be given not earlier than six weeks and not later than two weeks prior to the meeting.

Proposals to the meeting should be addressed to the Board of Directors and submitted in good time before notice convening the meeting is given. Information on shareholders' rights to have matters addressed at the meeting is provided on the Group's website, vbgroup.com.

Annual General Meeting 2017

VBG Group AB's Annual General Meeting was held on 27 April 2017 and all the presentations were made in Swedish. Notice of the meeting, the agenda, and the minutes with the Managing Director's illustrations from his address are available on the website. The entire Board of Directors, the chairman of the Nominating Committee, the Group Management in the person of the Managing Director and the CFO, and the company's auditor were present at the meeting. Shareholders were given an opportunity to ask questions during the meeting. It was not possible to follow or participate in the meeting from another location with the aid of communication technology. No change is planned in this respect for the 2018 AGM.

The AGM decided to adopt the Board's proposal for a raised dividend of SEK 1.75 per share for 2017 (3.25, or recalculated 1.63 based on the double number of outstanding shares in 2017), with a record date of 2 May 2017. The AGM decided to re-elect Board members Peter Hansson, Anders Birgersson, Johnny Alvarsson, Peter Augustsson, Louise Nicolin and Jessica Malmsten. Norges Bank with its holding of 222,913 shares (0.6 per cent of the votes at the meeting) made a reservation against the resolution. Norges Bank's representative Johan Örneblad did not provide any explanation.

Peter Hansson was re-elected Chairman and Johnny Alvarsson was re-elected Deputy Chairman.

The fee paid to the Board of Directors was raised to SEK 1,505,000 (formerly SEK 1,270,000), of which SEK 475,000 (400,000) to the Chairman of the Board, SEK 300,000 (250,000) to the Deputy Chairman and SEK 210,000 (180,000) each to the other Board members.

Of the total fee, SEK 100,000 was paid to the Audit and Compensation Committees, to be distributed by the Board of Directors.

No fee was paid to the Managing Director.

Furthermore, Öhrlings PricewaterhouseCoopers was re-elected as auditor, with Fredrik Göransson as auditor in charge, for a period of one year.

The AGM also authorised the Board to resolve on one or more occasions up until the 2018 AGM that repurchased shares can be transferred, notwithstanding the shareholders' pre-emption rights, and that non-cash payment can be made for such transferred shares. This authorisation enables the Board to use the Company's own shares as payment for acquired companies.

Furthermore, the AGM resolved to appoint a Nominating Committee consisting of Reidar Öster (private), Peter Hansson (Chairman of VBG Group), Peter Trygg (SEB Asset Management SA) and Johan Lannebo (Lannebo Fonder), with Reidar Öster as Chairman.

On 27 April 2017, it was announced that the 2018 AGM would take place in Vänersborg on 25 April 2018 at 5:00 p.m.

Nominating Committee

The Nominating Committee is appointed by the AGM and, for the 2018 AGM, consists of the following members:

- Reidar Öster, private, Chairman of the Nominating Committee
- Peter Hansson, Chairman of VBG Group AB
- Per Trygg, SEB Asset Management SA
- Johan Lannebo, Lannebo Fonder

The task of the Nominating Committee is to present proposals to the AGM on behalf of the shareholders for election of a Chairman and other members of the Board of Directors as well as proposals for fees and other remuneration for Board work and auditors' fees. The Nominating Committee shall also submit nominations for election of an auditor based on discussions in the VBG Group's Audit Committee and the Board of Directors.

When the Nominating Committee nominates a Chairman and other members of the Board of Directors, it shall issue a state-

ment to the effect that the nominated individuals are to be regarded as independent in relation to the company and the executive management as well as major shareholders in the company. The Nominating Committee's proposals shall be given to the VBG Group in good enough time so that the proposal can be presented in the notice convening the AGM and at the same time on the VBG Group's website.

The Nominating Committee strives for an even gender balance and diversity in terms of breadth of qualifications, experience and background among Board members, which is also reflected in the current composition. The Nominating Committee applies rule 4.1 of the Swedish Corporate Governance Code as its policy for diversity on the Board.

The majority of the members of the Nominating Committee are independent in relation to the company, the executive management and the shareholder with the most votes, the Herman Krefting Foundation for Allergy and Asthma Research.

Ahead of the 2018 AGM, the Nominating Committee proposes that the number of Board members be increased by one to seven members with no deputies. The Nominating Committee proposes that Peter Hansson be re-elected to the Board as Chairman, Johnny Alvarsson as Deputy Chairman and Peter Augustsson, Louise Nicolin, Jessica Malmsten and Anders Birgersson (MD) as ordinary members, and that Mats R Karlsson be elected as a new Board member. Mats R Karlsson has an MSc Industrial Engineering and Management from Linköping University of Technology and is currently Senior Advisor in his own company. Mats has previously worked as the CEO of Axel Johnson International AB and prior to that served as CEO of AxFlow, a subsidiary of the Axel Johnson Group. He has previously worked as the President of Humicool Europe for Munters and Business Area Manager at Primus Sievert.

It is proposed that the fee paid to the Board of Directors and committees be raised to SEK 1,795,000 (currently SEK 1,505,000), of which SEK 500,000 (475,000) to the Chairman of the Board, SEK 315,000 (300,000) to the Deputy Chairman and SEK 220,000 (210,000) each to the other Board members.

Board members as of the 2017 AGM

Board members	Function	Elected	Committee work	Independent in relation to the company	Independent in relation to major shareholders
Peter Hansson	Chairman	2001	Compensation Committee/ Audit Committee	Yes	No
Johnny Alvarsson	Deputy Chairman	2004	Compensation Committee/ Audit Committee	Yes	Yes
Peter Augustsson	Board member	2011	Audit Committee	Yes	Yes
Louise Nicolin	Board member	2014	Audit Committee	Yes	Yes
Jessica Malmsten	Board member	2016	Audit Committee	Yes	Yes
Anders Birgersson	Board member, CEO and Managing Director	2001	Audit Committee	No	No
				Total	5/6
					4/6
Employee representatives	Function	Elected			
Jouni Isoaho, IF Metall	Board member	2016			
Cecilia Pettersson, Unionen/Swedish Association of Graduate Engineers/Ledarna	Board member	2011			
Michael Freiholtz, IF Metall	Deputy	2009			
Karin Pantzar, Unionen/Swedish Association of Graduate Engineers/Ledarna	Deputy	2010			

Information on the members of the Board is provided on pages 108–109.

Of the total fee, SEK 100,000 shall be paid to the Audit and Compensation Committees, to be distributed by the Board of Directors.

No fee is paid to the Managing Director.

Furthermore, the Nominating Committee proposes to the 2018 AGM the re-election of Öhrlings PricewaterhouseCoopers as auditor, with Fredrik Göransson as auditor in charge, for a period of one year.

Fees to auditors are proposed to be paid as billed, upon approval, for work performed.

Shareholders representing more than 75 per cent of the total number of votes in VBG Group AB propose that the 2018 AGM appoint the following persons to the Nominating Committee:

- Reidar Öster, private, Chairman of the Nominating Committee
- Peter Hansson, Chairman of VBG Group AB
- Per Trygg, SEB Asset Management SA
- Johan Lannebo, Lannebo Fonder

Composition of the Board of Directors

The members of the Board of Directors are elected annually by the AGM for the period up until the next AGM. VBG Group AB has not established a specific age limit for the Board members nor a time limit for how long someone may sit on the Board.

The 2017 AGM elected Board members Peter Hansson, Johnny Alvarsson, Anders Birgersson (MD), Peter Augustsson, Louise Nicolin and Jessica Malmsten. Peter Hansson was elected Chairman of the Board and Johnny Alvarsson was elected Deputy Chairman. There is a presentation of the Board members and their assignments on pages 108–109.

In addition to the six members elected by the AGM, the trade unions Unionen/Swedish Association of Graduate Engineers/Ledarna and IF Metall each appointed one member and one deputy member.

The number of AGM-elected members who are independent in relation to the company, according to the requirements for listing on the stock exchange, is judged to be five. Furthermore, four are also judged to be independent of the company's major shareholders and all six members meet the requirements relating

to experience. The Managing Director is the only Board member who works actively in the company.

The work of the Board of Directors

The work of the Board follows an annual plan designed to satisfy the need of the Board for information. In all other respects, the work of the Board is subject to the special rules of procedure the Board has adopted governing the division of responsibilities between the Board, its committees and the Managing Director. According to the adopted rules of procedure, the Board of Directors holds six ordinary meetings per year, including the statutory meeting following the AGM, plus Extraordinary Meetings whenever the situation warrants. Company officers take part in Board meetings as rapporteurs, and the company's CFO serves as secretary.

The company's auditor reports his observations every year based on his review and gives his assessment of the company's internal control.

Role of the Chairman

The Chairman organises and leads the work of the Board of Directors so that it complies with the Swedish Companies Act, other laws and ordinances, rules governing stock market companies (including the Code) and the Board's internal governance documents.

The Chairman monitors the company's operations via continuous contacts with the Managing Director and is responsible for ensuring that other Board members receive relevant information and documents. The Chairman also ensures that an annual evaluation is conducted of the work of the Board and the Managing Director, and that the results of this evaluation are communicated to the Nominating Committee.

According to the by-laws of the shareholder in the VBG Group AB with the most votes, the Herman Krefting Foundation for Allergy and Asthma Research, the company's Chairman shall be a member of the board of the Foundation.

Board committees

The Board of Directors appointed both an Audit Committee and a Compensation Committee for the period up until the 2018 AGM.

Compensation Committee

At the statutory Board meeting in April 2017, the Board of Directors appointed a Compensation Committee consisting of Peter Hansson, Chairman, and Johnny Alvarsson. The Committee had two meetings during 2017 where it discussed remuneration and other terms of employment for the Managing Director and senior officers in the Group. The Managing Director was co-opted, but did not participate in the discussion when remuneration to the Managing Director was addressed.

The principle applied within the Group is that the manager's manager should approve decisions in compensation matters. A presentation was made at the AGM of the Board's proposal for guidelines for remuneration to the Managing Director and other senior officers. The AGM adopted the guidelines in accordance with the Board's proposal. Information on the Board's proposal to the 2018 AGM for guidelines for remuneration to the Managing Director and senior officers is provided in the Report of the Directors on page 62.

Information on remuneration in 2017 is provided in Notes 6 and 7 on pages 83–85.

Attendance at Board meetings in 2017

Board members	Board of Directors	Audit Committee	Compensation Committee
Peter Hansson	12 (12)	2 (2)	2 (2)
Johnny Alvarsson	12 (12)	2 (2)	2 (2)
Peter Augustsson	12 (12)	2 (2)	
Louise Nicolin	12 (12)	2 (2)	
Jessica Malmsten	12 (12)	2 (2)	
Anders Birgersson	12 (12)	2 (2)	
Employee representatives			
Jouni Isoaho, IF Metall	12 (12)	2 (2)	
Cecilia Pettersson, Unionen/Swedish Association of Graduate Engineers/Ledarna	11 (12)	2 (2)	

Audit Committee

At the statutory Board meeting in April 2017, the Board of Directors appointed an Audit Committee consisting of the entire Board with Johnny Alvarsson as Chairman. In 2017, the Audit Committee held two meetings of record, one before and one after the statutory Board meeting.

The Audit Committee has a supervisory role with regard to the company's system for internal control and risk management of the financial reporting. The Committee's Chairman maintains ongoing contact with the company's auditors in order to ensure that the company's internal and external accounting meets the requirements made on a listed company and to discuss the scope and content of the audit work.

The committee had consultations with and received reports from the company's external auditors on two occasions during 2017. The auditors' reports have not occasioned any special measure on the part of the Audit Committee.

The work of the Board during 2017

Prior to each Board meeting, an agenda is sent out to the Board members along with in-depth information on the business at hand. Twelve meetings were held during the 2017 financial year (fifteen in the preceding year), of which four (February, April, August and October) were held in connection with the publication of the company's quarterly reports. One meeting in March was held to adopt the 2016 Annual Report and the statutory Board meeting was held immediately after the AGM. The business plan for 2018 was adopted at the December meeting. Four of the five remaining meetings in January and February were related to the preferential share issue and one meeting in October addressed strategic issues for the Group.

Operational activities

The Managing Director is responsible for the VBG Group AB's day-to-day administration, and rules established by the Board of Directors govern the Managing Director's power of decision regarding investments and financing matters.

Managing Director and CEO

Managing Director Anders Birgersson, MSc. Eng., has been employed by the VBG Group AB since 2001 and has been active in the engineering industry since 1984 with a focus on logistics, production, product development and senior management at ABB, SKF and ESAB.

As VBG Group AB's Managing Director, Anders Birgersson is also a member of the boards of the Herman Krefting Foundation for Allergy and Asthma Research, the SLK Employees' Foundation and the VBG-SLK Foundation, in keeping with the by-laws of the owner foundations.

The Managing Director holds 1,017 shares.

Group and Division Management

Group Management comprises four individuals from the Parent Company: Managing Director and CEO Anders Birgersson, the Group's CFO Claes Wedin, Senior Vice President of Business Development Bo Hedberg and Senior Vice President of HR and Corporate Responsibility Christina Holgerson, as well as the division managers for the Group's two largest divisions: Clas Gunneberg, Mobile Climate Control and Anders Erkén, VBG Truck Equipment Anders Erkén has also been given overall responsibility for the Group's two other divisions, Ringfeder Power Transmission and Edscha Trailer Systems.

Group Management holds regular monthly meetings and deals with such matters as earnings performance and reports prior to and after Board meetings, strategy and business planning, discussions of goals, investments, internal control, policies and review of the market situation, the economic trend and other external factors that affect the business. Furthermore, Group and division-related major projects are discussed and decided on.

Information on the Parent Company management and the division managers is provided on pages 110–111.

Internal governance processes

Governance of the VBG Group is based on the vision, business concept and strategies of the Group and its divisions. Under the Board of Directors, the CEO and the Group Management, responsibility for operational activities has been decentralised to the four divisions. Responsibility for the coordination of certain functions such as accounting and finance, HR, IT, legal affairs, intellectual property, and acquisition-related matters rests with the Parent Company.

The Group works with annual, rolling, multi-year activity plans that can also be measured and evaluated. These activity plans are important for the long-term strategic management of the Group. The Group also uses annual objectives, forecasts and action plans for the day-to-day management of the business.

Different business processes such as marketing, sales, purchasing and production are used to manage the operational activities in each division in order to achieve the activity goals that have been established.

Earnings are followed up through regular financial reports, and the results of adopted measures are followed up through supplementary follow-up reports.

Auditors

The auditing firm of Öhrlings PricewaterhouseCoopers AB (PwC) was elected by the 2017 AGM as auditor for a period of one year, with authorised public accountant Fredrik Göransson as auditor in charge.

The annual audit includes a statutory audit of VBG Group AB's annual accounts, a statutory audit of the Parent Company and all significant subsidiaries (where required), an audit of internal report packages, an audit of the year-end closing and a general review of one interim report.

In the autumn, a meeting and dialogue is held with executive management and, where necessary, the Chairman of the Audit Committee for analysis of the organisation, operations, business processes and balance sheet items for the purpose of identifying areas involving an elevated risk of errors in the financial reporting. A general review of the year-end closing is performed for the period January–September. An early warning review is performed of the third quarter accounts in October–November, followed by an early warning meeting with the executive management and the Audit Committee where important questions for the annual closing are raised. Review and audit of the annual closing and annual accounts is performed in January–February.

During 2017, in addition to the audit assignment, the VBG Group consulted PwC on taxes, transfer price matters, accounting matters and due diligence in conjunction with acquisitions. The amount of remuneration paid to PwC in 2017 is shown in Note 7 on page 85.

PwC is obliged to assess its independence prior to providing independent advice to the VBG Group in addition to its auditing assignments.

Report on internal control

This section contains the Board's annual report on how internal control is organised in so far as it pertains to financial reporting. The point of departure for the description has been the Code's rules and the guidance provided by working groups within the Confederation of Swedish Enterprise and FAR.

The Board's responsibility for internal control is described in the Swedish Companies Act, and the internal control regarding financial reporting is covered by the Board's reporting instruction to the Managing Director. The VBG Group's financial reporting complies with the laws and rules that apply to companies listed on the Stockholm Stock Exchange and the local rules that apply in each country where business is conducted.

Besides external rules and recommendations there are internal instructions, directions and systems, as well as an internal division of roles and responsibilities aimed at good internal control in the financial reporting.

Control environment

The control environment is the foundation for internal control. VBG Group AB's control environment consists of organisational structure, instructions, policies, guidelines, reporting and defined areas of responsibility. The Board has overall responsibility for the internal control of the financial reporting. The Board of Directors has adopted written rules of procedure that clarify the Board's responsibility and define the division of labour between the Board and its committees. In its role as Audit Committee, the Board of Directors has the principal task of ensuring that established principles for financial reporting and internal control are complied with and that good relations are maintained with the company's auditors. The Board of Directors has prepared an instruction for the Managing Director and agreed on the economic reporting to the Board of Directors of VBG Group AB.

The Group's CFO reports the results of his internal control work to the Chairman of the Audit Committee, who subsequently brings relevant issues and observations to the attention of the Audit Committee for possible decision on proposed measures.

VBG Group AB's essential governing documents in the form of policies, guidelines and manuals are, to the extent they pertain to the financial reporting, kept continuously updated and communicated via relevant channels to the companies in the Group.

Systems and procedures have been created to provide the management with the necessary reports concerning business results in relation to established objectives. The necessary information systems are in place to ensure that reliable and up-to-date information is available for the management to be able to perform its duties in a correct and efficient manner.

Risk assessment

The VBG Group's risk assessment regarding the financial reporting is aimed at identifying and evaluating the most significant risks that affect the internal control of the financial reporting in the Group's companies, divisions and processes. The most significant risks identified in the Group's internal control of the financial reporting are managed by control structures based on reporting of non-compliances with adopted standards, for example, valuation of inventories and other significant assets.

Internal control of the financial reporting

Financial reports are prepared monthly and quarterly in the Group, its divisions and subsidiaries. In conjunction with this reporting, analyses are conducted with comments and updated forecasts aimed at ensuring that the financial reporting is accurate. Accounting functions and business controllers with func-

tional responsibility for accounting, reporting and analysis of financial developments are found in the Parent Company and at division and major unit levels.

The VBG Group's internal control work is aimed at ensuring that the Group fulfils its financial reporting goals. The financial reporting shall:

- be accurate and complete and comply with relevant laws, rules and recommendations.
- provide a fair and true description of the company's business.
- support a rational and informed valuation of the business. In addition to fulfilling these three goals, internal financial reporting shall provide support for correct business decisions at all levels in the Group.

Information and communications

Internal information and communications have to do with creating an awareness among the Group's employees concerning external and internal governance instruments, including powers and responsibilities. Information and communications regarding internal governance instruments for financial reporting are available for all concerned employees. Important tools for this are the VBG Group's manuals and courses.

Control activities

The Group's companies are organised in four divisions. Each division management has a CFO/business controller who has a central role for analysis and follow-up of the division's financial reporting and earnings. The Parent Company has a Head of Consolidated Accounts for continuous analysis and follow-up of the Group's, the divisions' and the subsidiaries' financial reporting. A new Group consolidation system was acquired and implemented in connection with the closing of the 2016 accounts to further strengthen security and controls.

Follow-up

The Board of Directors is informed on a monthly basis about the Group's development in terms of sales, earnings and other key events and activities via a written report from the Managing Director. On a quarterly basis, in connection with the interim report, the Board of Directors receives comprehensive information regarding the Group's and divisions' performance, earnings, financial position and cash flow via a report package comprising outcomes, forecasts and comments.

MISCELLANEOUS

Internal audit

VBG Group AB has a relatively simple operational structure with four divisions, each consisting of small or medium-sized legal entities with varying platforms for internal control. Governance and internal control systems established by the company are monitored regularly with regard to compliance by the CFO/controllers at the division and Parent Company level. Continuous analyses of the companies' reporting and economic outcomes are also performed for the purpose of determining trends.

In view of the above, the Board of Directors has chosen not to have a special internal audit.

Investor relations

The VBG Group's information to shareholders and other stakeholders is provided via the annual report, year-end report and interim reports as well as press releases. Financial information covering the past few years is provided at vbgroup.com, along with information on corporate governance. Some ten or so meetings with investors and analysts were held in Sweden during 2017.

Board of Directors



MEMBERS	PETER HANSSON	ANDERS BIRGERSSON	JOHNNY ALVARSSON	LOUISE NICOLIN
Position on the Board	Chairman	Board member	Deputy Chairman	Board member
Current position	Owner of PKH-konsult AB since 2014 Professional board member.	Managing Director and CEO of VBG Group AB since 2001.	Chairman of Manava konsult AB since 2017.	Managing Director and owner of Nicolin Consulting AB since 2011.
Education	MSc. (Political Science) and BSc., University of Gothenburg. Management training, Centre d'Etudes Industrielles, Geneva.	MSc. Eng., Mechanical Engineering, Chalmers University of Technology. Business Administration, University of Skövde.	MSc. Eng., Industrial Economics, Institute of Technology at Linköping University.	MSc. Eng., Molecular Biotechnology, Uppsala University. Executive MBA, Stockholm School of Business. International Directors Programme (IDP-C), Insead, Fontainebleau.
Elected	2001 (Board member) 2008 (Chairman of the Board)	2001	2004	2014
Born	1947	1958	1950	1973
Other Board assignments	Chairman of the boards of Borås Bil Förvaltning AB and several of its subsidiaries. Member of the boards of the Herman Krefting Foundation for Allergy and Asthma Research, the World Childhood Foundation and Bra Bil Sverige AB.	Board member of Elos Medtech AB, Christian Berner Tech Trade AB, Sparbanken Lidköping AB, the Herman Krefting Foundation for Allergy and Asthma Research, the VBG-SLK Foundation and the SLK Employees' Foundation.	Chairman of FM Mattsson Mora Group AB, Manava Konsult AB and Dacke Industri AB. Board member of Beijer Alma AB, Instalco Intressenter AB and Sdiptech AB.	Chairman of AB Better Business World Wide, Sweden. Board member of Volati AB, Dellner Couplers AB, Enzymatica AB and UppdragsHuset Sverige AB.
Work experience	CEO of the Gothenburg Opera 2006–2014. President of Volvo Cars Sweden 1995–2006. Previously held senior management positions at Volvo Lastvagnar Norden AB since 1972.	Has worked in the engineering industry since 1984 in logistics, production, product development and senior management. Production Manager, Managing Director and Business Area Manager in the ESAB Group 1997–2001. Production Manager and Technical Manager in the SKF Group 1989–1997. Production and logistics in the ABB Group 1979–1988.	Managing Director and CEO of Indutrade AB 2004–2017. Managing Director of the listed companies Elektronikgruppen BK AB 2000–2004 and Zeteco AB 1988–2000. Chief Engineer at Ericsson Telecom 1975–1987.	Consulting assignments for such companies as AstraZeneca, Maquet Critical Care, Octapharma, Recipharm, GE Healthcare, Pfizer and Pharmadule 1998–. Marketing Manager and Business Area Head at Plantvision 2007–2011. Engineering Consultant at Semcon 1998–2000.
Remuneration¹, SEK	500,000	—	375,000	210,000
Attendance at Board meetings	12 (12)	12 (12)	12 (12)	12 (12)
Own shareholding and shareholding of related parties	200	1,017	1,000	—
Independent of the company	Yes	No	Yes	Yes
Independent of major shareholders	No	No	Yes	Yes

¹ Remuneration approved at the 2017 AGM.

**PETER AUGUSTSSON****JESSICA MALMSTEN****CECILIA PETTERSSON****JOUNI ISOAHO**

Board member

Board member

Board member and employee representative white-collar employees

Board member and employee representative blue-collar employees

Chairman of Peter Augustsson Development AB since 2005.

Senior Manager Customer Relationship Management Volvo Bil AB since 2017.

Employee in the purchasing and logistics division of VBG Truck Equipment. Employed since 1998.

International Welding Specialist (IWS) at VBG Truck Equipment. Employed since 1996.

MSc. Eng., Mechanical Engineering, Chalmers University of Technology.

MSc. Eng., Electronical Engineering, Chalmers University of Technology.

Three-year economics programme.

Upper secondary welding education, Artur Lundqvistskolan.

2011

2016

2011

2016

1955

1964

1968

1959

Chairman of Smoltek Nanotech Holding AB, AXsensor AB, Mechanum Sverige AB, QLT Marine AB, Johanneberg Science Park AB, Fortaco Group Oy and Walki Group Oy. Board member of Walleniusrederierna Aktiebolag, Malte Månson Holding AB, Ljunghäll Group AB and Mechanum Stockholm AB.

Board member of Bra Bil Sweden AB until third quarter of 2017.

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Has worked in the automotive and component industry since 1978. Saab Automobile AB 1998–2005. SKF AB 1994–1998. Volvo Personvagnar AB 1978–1994.

Has held various senior positions in business and operations development. GöteborgsOperan AB, 2007–2017. Volvo Personbilar Sverige AB and Volvo Personvagnar Norden AB, 2001–2007. Volvo Personvagnar AB 1987–2001.

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210,000

210,000

—

—

12 (12)

12 (12)

11 (12)

12 (12)

1,100

100

—

—

Yes

Yes

—

—

Yes

Yes

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DEPUTY MEMBERS OF THE BOARD**Karin Pantzar**Vänernborg, born 1977
Deputy Board member since 2010.
Employee representative white-collar employees. Employed since 1998.**Michael Freiholtz**Trollhättan, born 1975
Deputy Board member since 2009.
Employee representative blue-collar employees. Employed since 2007.**AUDITOR****Öhrlings PricewaterhouseCoopers AB
Fredrik Göransson**Auditor in charge, Born 1973
Authorised Public Accountant
Auditor of the company since 2012.

Management



MANAGEMENT	ANDERS BIRGERSSON	CLAES WEDIN	BO HEDBERG
Current position	Managing Director and CEO	CFO	Senior Vice President of Business Development
Born	1958	1956	1957
Education	MSc. Eng., Mechanical Engineering, Chalmers University of Technology. Business Administration, University of Skövde.	MSc. Econ., School of Business, Economics and Law at Gothenburg University.	MSc. Eng., Mechanical Engineering, Luleå University of Technology.
Employed	2001	1997	1996
Work experience	Has worked in the engineering industry since 1984 in logistics, production, product development and senior management. Production Manager, Managing Director and Business Area Manager in the ESAB Group 1997–2001. Production Manager and Technical Manager in the SKF Group 1989–1997. Production and logistics in the ABB Group 1979–1988.	Director of Finances at the Älvsborg County Council 1992–1997. CFO and Deputy Managing Director at Miller-Nohab 1986–1992. Controller and Business Analyst at Volvo Flygmotor 1982–1986. Economist at Union Carbide 1979–1982.	Various positions within the VBG Group, including Director of R&D and Marketing. Marketing Director at Mark IV Automotive 1994–1996. Various positions within Saab Automobile 1981–1994, including Platform Manager in the purchasing division.
Board assignments	Board member of VBG Group since 2001. Board member of Elos Medtech AB, Christian Berner Tech Trade AB, Sparbanken Lidköping AB, the Herman Krefting Foundation for Allergy and Asthma Research, the VBG-SLK Foundation and the SLK Employees' Foundation.	Secretary of VBG Group AB (publ) since 1997.	—
Own shareholding and shareholding of related parties	1,017	2,000	2,012


CHRISTINA HOLGERSON

Senior Vice President of HR and Corporate Responsibility

1965

Engineering, specialising in mechanical engineering, Nils Ericson Upper-Secondary School. Qualified Human Resources Specialist, FEI.

1986–1996 and from 2000

Various positions within the VBG Group, including Design Engineer, Quality Manager Purchasing and Quality and Environmental Manager. Many years of experience from the automotive industry, including in the Brink Group as Quality and Environmental Manager 1996–2000.

Board member of the Scandinavian Automotive Supplier Association (FKG) since 2012.

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ANDERS ERKÉN

Executive Vice President, VBG Group and Division Manager, VBG Truck Equipment, with overall responsibility for Edscha Trailer Systems and Ringfeder Power Transmission

1964

MSc. Eng., Mechanical Engineering, Luleå University of Technology.

2007

Branch Manager, Imaje AB 2004–2007. Production and logistics in ESAB AB 1990–2003.

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CLAS GUNNEBERG

Executive Vice President, VBG Group and Division Manager, Mobile Climate Control

1964

MSc. Eng., Mechanical Engineering, Chalmers University of Technology. Executive MBA, School of Business, Economics and Law at Gothenburg University.

2016

President & CEO of Mobile Climate Control, 2007–. Management consultant, StratFit Consulting, 2006–2007. President of Finnveden Metal Structures AB, 2002–2006. Managing Director of Dayco Automotive AB, 1999–2002. Plant Manager, Dayco Automotive AB, 1996–1999. Various positions at AB SKF, 1989–1996.

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Vänersborg, 21 March 2018

Peter Hansson
Chairman of the Board

Johnny Alvarsson
Board Deputy Chairman

Anders Birgersson
Managing Director and CEO

Peter Augustsson
Board member

Louise Nicolin
Board member

Jessica Malmsten
Board member

Jouni Isoaho
Employee representative

Cecilia Pettersson
Employee representative

**Auditor's Report on the Corporate Governance Report
To the general meeting of the shareholders in VBG Group AB
(publ), corporate identity number org.nr 556069-0751**

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance report for the year 2017 on pages 103–112 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination

of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance report has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg, 27 March 2018
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
Authorised Public Accountant

WELCOME TO THE ANNUAL GENERAL MEETING 2018

The Annual General Meeting of VBG Group AB (publ) will be held at 5:00 p.m. on Wednesday, 25 April 2018 in the company's offices at Herman Kreftings Gata 4 in Vänersborg, Sweden.

Notification

Shareholders wishing to attend the meeting must:

- be listed in the share register kept by Euroclear Sweden AB by not later than 19 April 2018.
- notify the company by not later than 4:00 p.m. on 19 April 2018.

Notification may be given in writing to VBG Group AB (publ), Kungsgatan 57, SE-461 34 Trollhättan, Sweden; by telephone to +46 521 27 77 00; or by e-mail to anmalan2018@vbggroup.com. The notification of attendance must include a name and personal or corporate identity number.

Shareholders who are represented by a proxy should send a power of attorney with the notification of attendance. Anyone representing a legal entity must produce a power of attorney, a copy of the registration certificate or equivalent documents showing the person(s) authorised to sign on behalf of the legal entity.

Shareholders whose shares are registered to a nominee must have the shares re-registered in their own name by the nominee in good time before 19 April 2018 (voting rights registration).

Dividend

The Board of Directors and Managing Director propose that a dividend of SEK 3.25 per share (1.75) be approved, with a record date of 27 April 2018. If the AGM approves this proposal, the dividend is expected to be distributed by Euroclear Sweden AB starting 3 May 2018.

Report dates

25 April	Interim report January–March
21 August	Interim report January–June
22 October	Interim report January–September
February 2019	Year-end report 2018

The VBG Group welcomes enquiries about the Group and its development. Contact persons are: Anders Birgersson, Managing Director and CEO, telephone: +46 521 27 77 67, and Claes Wedin, CFO, telephone: +46 521 27 77 06. More information is available at vbggroup.com.