

Corporate governance

Bergs Timber AB (publ)

The structure and principles of Bergs Timber's corporate governance must ensure that the Group is managed as efficiently as possible, in a way that creates value for its shareholders. Corporate governance is a tool for maintaining order and a systematic approach for the Board of Directors and executive management. A clear structure, and clear rules and processes, facilitates decision-making and other governance of operations while providing the conditions for ensuring and supervising Bergs Timber's compliance with internal and external regulations.



Bergs Timber AB (publ) is a Swedish public listed company, corporate registration number 556052-2798, whose series B shares are listed on the Nasdaq OMX Stockholm Small Cap. The company is domiciled in Hultsfred Municipality, Kalmar County, Sweden.

Policy documents

The company's corporate governance is based on external policy instruments including the Swedish Companies Act, the Swedish Annual Accounts Act, Nasdaq Stockholm's Rulebook for Issuers and the Swedish Corporate Governance Code. Internal policy instruments include the Articles of Association, the rules of procedure for the Board and the CEO, instructions, policies and guidelines.

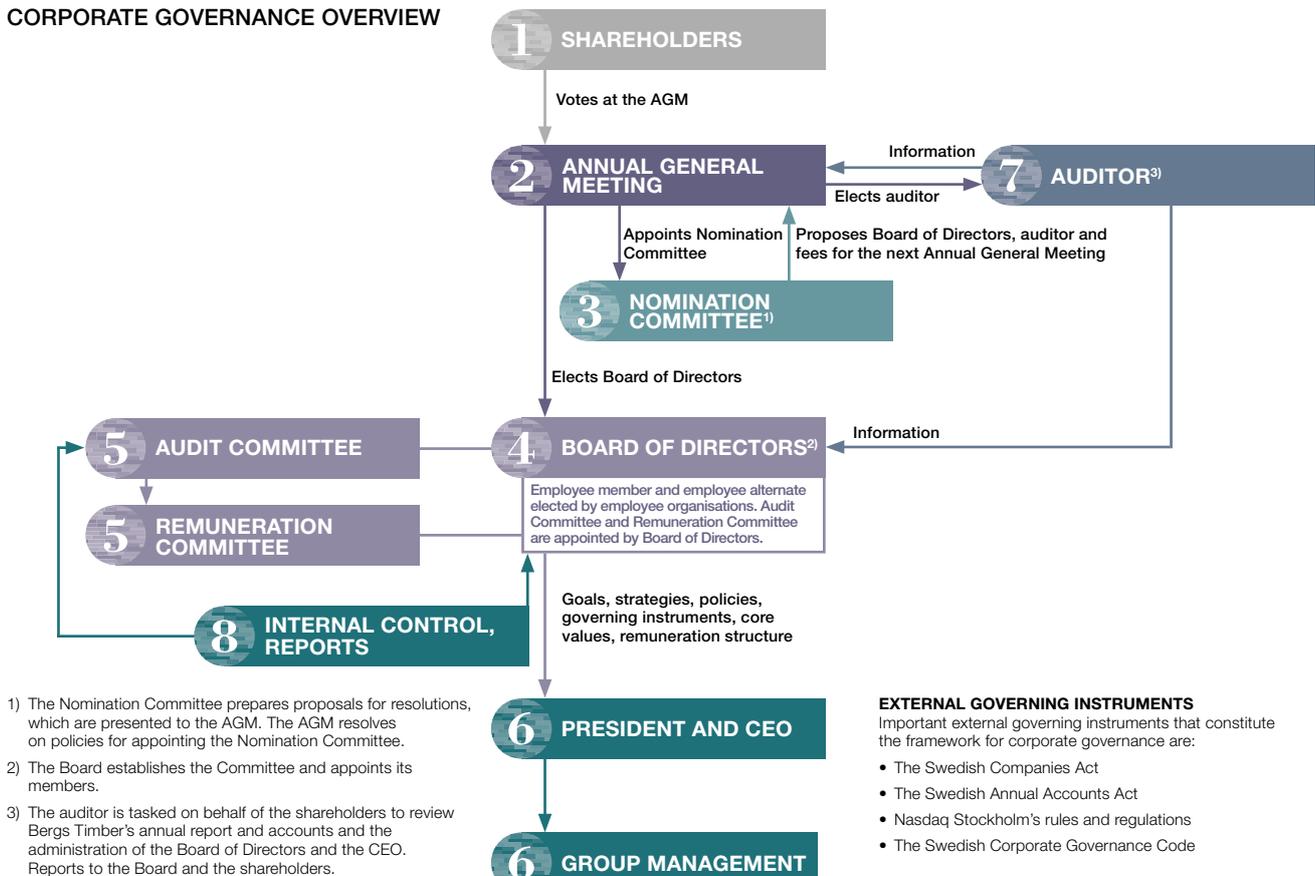
Articles of Association

The Articles of Association include directives on the company's operations: processing and sales of sawn timber and solid fuels, forest management, real estate management and securities management. Complete information on the Articles of Association can be found at www.bergstimmer.se/bolagsstyrning.

I SHAREHOLDERS

Bergs Timber was listed on the stock exchange in 1984. Under the Articles of Association, the company can issue series A shares and series B shares. Series A shares grant the right to ten votes per share, and series B shares to one vote per share. The company has no series A shares outstanding. Each shareholder has the right to vote for all the shares the holder owns in the company. Norvik has submitted a commitment not to vote for its full holding of shares. This commitment means that Norvik may not vote for own shares in Bergs Timber that represent more than 90 per cent of the number of shares held by other shareholders. Series B shares are admitted to trading on Nasdaq OMX Stockholm. The number of shares at 31 December 2018 totalled 340,787,689. The number of shareholders was 4,951. At 31 December 2018, Norvik Hf was Berg's Timber's largest owner, with 64.68 per cent of the shares and the votes. Additional information about the share can be found in the section "The share and shareholders," pages 36–37.

CORPORATE GOVERNANCE OVERVIEW



2 ANNUAL GENERAL MEETING

The shareholders have the opportunity to exercise their influence through the Annual General Meeting (AGM), which is Bergs Timber's highest decision-making body. The rules that govern the AGM can be found in such documents as the Swedish Companies Act and the Articles of Association. The regularly scheduled general meeting – the AGM – elects the members of the Board of Directors, the Chairman of the Board and the company's auditor, and determines their fees. In addition, the AGM resolves on adopting the income statement and balance sheet, the appropriation of the company's earnings, discharging the Board of Directors and CEO from liability and the composition of the Nomination Committee as well as the policies for terms of remuneration and employment for the CEO and other members of Group Management.

The financial year for Bergs Timber runs from 1 January through 31 December (the financial year from 1 September 2017 to 31 December 2018 was extended). The AGM is to be held within six months of the end of the financial year, and takes place in Hultsfred Municipality in accordance with the Articles of Association. Extraordinary General Meetings can be called in addition to the General Meeting. The time and place of the AGM are to be publicised at the latest in conjunction with the third quarterly report. Notice to attend

the AGM is issued at the earliest six weeks, and at the latest four weeks, prior to the meeting through advertisement in Post- och Inrikes Tidningar and through advertisement via www.bergstimber.se.

Shareholders have the right to have a matter considered at the AGM, and must submit a written request in that regard to the Board of Directors. The request must be received by the Board not later than seven weeks before the General Meeting.

2018 Annual General Meeting

The AGM was held on 25 January in Hultsfred. 46 members, representing 64.9 per cent of the votes, were in attendance. In accordance with the proposals from the Board of Directors and the Nomination Committee, the AGM passed resolutions on:

- Adopting the balance sheet and income statement
- Appropriating the company's profits through a dividend of SEK 0.05 per share
- Discharging the Board members and CEO from liability
- Re-election of regular Board members Sampsa Auvinen, Åke Bergh, Michael Bertorp, Jon Helgi Gudmundsson, Lars Gustafsson and Magnus Wennerholm

- Changing the company's financial year to the calendar year
- Authorisation of the Board of Directors, under certain circumstances, to take decisions on the new issue of 17,000,000 Class B shares
- Re-election of authorised public accountants Christian Johansson and Magnus Andersson, Deloitte

An Extraordinary General Meeting was held on 14 May 2018 in Hultsfred. The General Meeting passed resolutions on:

- Increasing the company's share capital by SEK 170,000,000 through issuing 170,000,000 new series B shares. The right to subscribe for new shares only fell to Norvik hf, with the right and obligation to pay for the new shares through transfer to Bergs Timber of Norvik's operations in the Baltics and the UK.
- The number of Board members to remain at six, without alternates, elected by the Meeting. Gudmundur H. Jónsson and Ingrida Bluma were elected as new Board members, replacing Board members Sampsa Auvinen and Magnus Wennerholm, who resigned their positions
- Election of Michael Bertorp as new Chairman of the Board
- Raising the fee for the Chairman of the Board to 10 times the base price amount and increasing the fee for the other members elected by the General Meeting to 3.5 times the base price amount, and keeping the fees to the committees unchanged

At the following statutory Board meeting, Michael Bertorp was elected chair of the Audit Committee; Åke Bergh was re-elected and Lars Gustafsson was elected as the other members of the Committee. At that same meeting, Michael Bertorp was elected chair of the Board's Remuneration Committee; Åke Bergh was re-elected and Jon Helgi Gudmundsson was elected as the other members of the Committee.

2019 Annual General Meeting

The 2019 AGM will take place on Wednesday, 8 May 2019 in Hultsfred. Notice to attend the meeting, in which the Board's proposals appeared, was publicised on 9 April 2019. For further information, please visit www.bergstimmer.se.

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NOMINATION COMMITTEE

Activities of the Nomination Committee

The Nomination Committee is responsible for preparing and presenting proposals for Chairman of the Board, for Board members, for Board fees (divided among the Chairman, the members and the committees), for the Chairman of the meeting and for the election and remuneration of the auditors, as well as for the rules for the Nomination Committee. The Chairman of the Board submits an annual evaluation of Board activities over the year to the Nomination Committee, which along with the requirements in the Swedish Corporate Governance Code and the company-specific requirements in Bergs Timber forms the basis for the Committee's activities. The proposals of the Nomination Committee are submitted in conjunction with the notice to the coming AGM and through www.bergstimmer.se.

Composition and remuneration of the Nomination Committee

In accordance with the Annual General Meeting of 25 January 2018, the Bergs Timber Nomination Committee for the 2019 AGM will consist of Bertil Lönnäs (chairman), Lisa Almgren and Peter Thormalm. A resolution was also passed that if any member of the Nomination Committee resigns early, the Committee will appoint a replacement. Fees for the chairman of the Nomination Committee were set at 0.5 times the base price amount, and the fees for the other members at SEK 2,500 per meeting.

Independence of the Nomination Committee

The majority of the Nomination Committee's members must be independent in relation to the company and company management, and at least one of them must also be independent in relation to the largest shareholder in the company in terms of votes. All three of the elected members are independent in relation to the company and company management, as well as to the largest shareholder in terms of votes.

Shareholders' proposals

All shareholders have the right to address the Nomination Committee with proposals for Board members. The proposals must be submitted to the chairman of the Nomination Committee, by e-mail to valberedningen@bergstimmer.se.

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BOARD OF DIRECTORS

Board activities

The main task of the Board is to look after the interests of the company and its shareholders. It appoints the CEO, assumes responsibility for the company's administration and organisation – which means being responsible for setting goals and strategies, establishes procedures and systems for evaluating the goals set, routinely evaluates the company's earnings and financial position as well as its operational management. The Board is also responsible for there being suitable systems for monitoring and control of the company's operations and existing risks. Moreover, the Board is responsible for the company complying with applicable laws, the Articles of Association and the Swedish Corporate Governance Code. At least once a year, the Board of Directors is to meet the company's auditor without Group Management being present.

The Board of Directors meets in accordance with an annually established schedule. Further meetings, which can also be held by telephone or per capsulam, may be called in addition to these meetings. The meetings are prepared by the Chairman of the Board and the CEO, who jointly propose an agenda for each meeting. The CEO provides the members with written reports and documentation prior to the respective meetings. The company's Group Management will participate in the Board meetings. Other officers will take part as needed, as rapporteurs for particular matters.

Composition of the Board of Directors

The Board of Directors is elected by the Annual General Meeting for the period until the next Annual General Meeting. The Board is to consist of at least five and at most eight

members, with at most four alternates. At the May 2018 Extraordinary Meeting, Michael Bertorp (chairman), Åke Bergh, Ingrida Bluma, Lars Gustafsson, Jon Helgi Gudmundsson and Gudmundur H Jónsson were elected members of the Board until the time of the next AGM on 8 May 2019. The trade union organisations elected two employee members, Lars Pettersson and Reino Thapper, and alternate Patrik Ivarsson. One of the six members elected by the AGM is a woman. There is a presentation of all the members on pages 36–37 and at www.bergstimmer.se.

Independence of the Board of Directors

In accordance with the Swedish Corporate Governance Code, the majority of the Board members elected by the AGM must be independent in relation to the company and company management, and at least two of them must also be independent in relation to the company's major shareholders. All of the six Board members are independent in relation to the company and company management, and four are independent in relation to the major shareholders.

Instructions and policy for the Board of Directors

Board activities are regulated by documents including the Swedish Companies Act, the Articles of Association and the Swedish Corporate Governance Code.

At the statutory meeting, the Board decides on the rules of procedure that will apply through the next AGM. The rules of procedure regulate aspects including the overall duties of the Board, the rules for Board meetings, the allocation of work between the Board and the CEO, and the forms for routine financial reporting. The statutory meeting also establishes instructions for the CEO, including financial reporting. At the meeting, the Board also appoints the members of the committees and takes decisions on authorised signatories.

Evaluation of Board activities

The Board's activities are evaluated annually for the purpose of developing the Board's procedures and efficiency, as well as to provide the Nomination Committee with documentation prior to its nomination activities. The Chairman of the Board is responsible for the evaluation, which covers procedures, competence and the year's activities. The evaluation took place during the financial year through a survey followed by analysis and discussion by the Board. The results of the evaluation have been reported to the Nomination Committee.

THE BOARD OF DIRECTORS REVIEWS AND ANNUALLY ESTABLISHES THE FOLLOWING INSTRUCTIONS AND POLICIES:

- Rules of procedure for the Board
- Instructions for the CEO
- Communication and IR policy
- Financial policy
- Anti-bribery and anti-corruption policy
- Investment policy
- Authorisation policy
- Policy regarding competition legislation

Scheduled Board meetings

The agenda contains standing points concerning areas such as finance, markets, the raw materials situation, personnel, production, safety and ongoing investments. Together with these points and other matters, for example concerning investments, the agenda for the respective meetings is designed as follows.

January – February

Approval of the year-end report and the dividend to be proposed to the Annual General Meeting. A report with the results of the auditor's review will also be presented by the Audit Committee at this meeting.

March – April

Approval of the Annual Report, the notice to attend the AGM and matters requiring approval by the AGM, including the allocation of profits proposed by the Board of Directors. The auditors will present their Auditor's Report at this meeting. In addition, meetings will be held with the auditors which Group Management will not attend.

April – May, in conjunction with the AGM

Approval of the first quarter report, adoption of and amendments to the Group's policies and the annual evaluation of whether an internal audit function is required. In addition, updated financial forecasts for the full year.

June

Competency development as well as work on long-term planning and other strategic issues.

July

Approval of the half-year report and forecasts for the second half of the year.

October – November

Approval of the third quarter report, Group Management's risk analysis, evaluation of Board activities as well as the quality of the CEO's financial reporting to the Board of Directors. The year's final forecast for full-year earnings is also presented at this meeting.

December

Approval of the investment budget framework for the coming year, and review of other budget material. Annual evaluation of the CEO, and decision on the annual adjustment of Group Management's remuneration based on proposals from the Remuneration Committee.

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BOARD COMMITTEES

Audit Committee

The Board of Directors' Audit Committee for the second half of the financial year consisted of Michael Bertorp (chairman), Åke Bergh and Lars Gustafsson. In accordance with the Swedish Corporate Governance Code, the majority of the Committee's members must be independent in relation to the company and company management, and at least one of them must also be independent in relation to the company's major shareholders. All three of the Audit Committee's members are independent in relation to the company, company management and the company's major shareholders. Audit Committee activities are regulated by special instructions adopted by the Board as part of its rules of procedure.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general:

- Monitor the company's financial reporting
- Monitor the efficiency of the company's internal control and risk management
- Participate in taking a position on the scope of the audit, materiality levels and so on
- Keep itself informed regarding the audit of the annual report and the consolidated financial statements
- Review and monitor the impartiality and independence of the auditor, and in that connection pay particular attention to whether the auditor provides the company with services other than audit services, as well as assist in drawing up proposals for the AGM's election of auditor.

The company's auditors will normally participate in the meetings of the Audit Committee. At least once per year, the auditors will additionally meet with the members of the Committee with no one from company management present. The Audit Committee must inform the Board of what is being discussed in the Committee.

Remuneration Committee

The Board of Directors' Audit Committee for the second half of the financial year consisted of Michael Bertorp (chairman), Åke Bergh and Jon Helgi Gudmundsson. In accordance with the Swedish Corporate Governance Code, the majority of the Committee's members must be independent in relation to the company and company management. All three members of the Committee are independent in relation to the company and company management.

Remuneration Committee activities are regulated by special instructions adopted by the Board as part of its rules of procedure.

The tasks of the Remuneration Committee include:

- Preparing Board decisions on issues of remuneration policies, remunerations and other terms of employment for Group Management
- Monitoring and assessing programmes, both ongoing and concluded during the year, for variable remuneration to Group Management, as well as evaluating application of the remuneration policy and the guidelines for remuneration to senior executives that the Annual General Meeting must under law pass resolutions on.

Chairman of the Board

The Chairman of the Board is elected by the Annual General Meeting; Michael Bertorp was elected Chairman at the AGM on 14 May 2018. The Chairman of the Board is to manage Board activities and monitor the Board's completion of its tasks; the Chairman also has a particular responsibility for keeping these activities properly organised and running them efficiently as well as monitoring the development of operations.

The Chairman of the Board checks that the decisions of the Board are implemented efficiently, and is responsible for annually evaluating Board activities and informing the Nomination Committee of the results of the evaluation.

6 PRESIDENT AND CEO

The CEO is subordinate to the Board of Directors and is responsible for routine management of the company. The division of work between the Board and the CEO is indicated in the rules of procedure for the Board and the instructions for the CEO. The CEO is responsible for preparing reports and compiling information from management prior to the Board meetings, and is the rapporteur for the material at the Board meetings.

In accordance with the instructions for financial reporting, the CEO is responsible for financial reporting in the company, and consequently is to ensure that the Board, primarily through the CFO, receives sufficient information for them to routinely evaluate the company's financial position.

The CEO must keep the Board continually informed of developments in the company's operations, sales trends, the company's earnings and financial position, the liquidity and credit situation, important business events and any other circumstance that could be assumed to be of material significance for the company.

Peter Nilsson has been President and CEO since he joined the company in 2013.

After the acquisition of Norvik operations in the Baltics and the UK, Group Management at Bergs Timber consists of three persons: CEO Peter Nilsson, CFO Anders Marklund and COO Jan Liljegren. Before the acquisition of Norvik's operations in the Baltics and the UK, Group Management consisted of nine persons. Authorisations and responsibilities for the CEO, Group Management and the managers are defined in policies, guidelines, job specifications and authorisation instructions.

Group Management meetings focus on the Group's strategic and operational development, as well as monitoring earnings.

7 AUDITOR

The auditor is elected by the Annual General Meeting to review the company's annual report and accounts, as well as management by the Board of Directors and the CEO. After every financial year, the auditor is to submit an auditor's report and a consolidated auditor's report to the AGM.

In accordance with its Articles of Association, Bergs Timber must elect two auditors with two alternates.

The company's auditors since 2017 have been Christian Johansson and Magnus Andersson, with Per Svensson and Erik Olin as alternates; all are authorised public accountants from Deloitte AB. All were re-elected at the AGM on January 25, 2018 for the period until the end of the 2019 AGM. All the auditors are members of FAR, the professional association for authorised public accountants.

8 INTERNAL CONTROL, REPORTS

Under the Companies Act and the Swedish Corporate Governance Code, the Board of Directors is responsible for internal control, the general purpose of which is to protect the company's assets and thereby the shareholders' investment. The Annual Accounts Act requires that the company,

each year, describes the company and Group systems for internal control and risk management with respect to financial reporting.

A relevant and efficient control environment is the foundation of internal control. Bergs Timber's control environment consists of its organisational structure, job specifications, decision-making paths, authorisations and responsibilities that are defined and communicated through policy documents such as internal policies and guidelines:

- The rules of procedure for the Board of Directors and its committees, and instructions for the CEO
- Policies for financing, currency hedging and the environment
- Authorisation instructions and decision-making procedures for investments

Group management routinely monitors economic and financial statements, as well as important business events. Financial statements and compilations are prepared by the Group's accounting department. Operational monitoring

takes place under an established structure where order intake, invoicing, liquidity, earnings, capital tied up and other important key indicators for the company are compiled and make up the basis for analysis and action from management. Another important Group-wide part of internal control is the quarterly forecast process. Monitoring by the Board takes place through meetings in connection with every quarterly statement in which the company's financial position and earnings are discussed in accordance with the Board's rules of procedure. The Board's Audit Committee is tasked with evaluating how the company's system for internal control of financial reporting is functioning, and keeping itself well informed regarding significant evaluations and assessments that form the basis for the financial statements. The Group's accounting department is responsible for routine monitoring of internal control.

The Board is of the opinion that, owing to the Group's size and modest financial complexity, with few operating companies, there is no need for a separate internal audit function for financial reporting. This need is assessed on a yearly basis.

Mörlunda, 11 April 2019

Michael Bertorp
Chairman of the Board

Åke Bergh
Board member

Lars Gustafsson
Board member

Ingrida Bluma
Board member

Jon Helgi Gudmunsson
Board member

Gudmundur H Jónsson
Board member

Lars Pettersson
Board member
Appointed by employees

Reino Thapper
Board member
Appointed by employees

Peter Nilsson
CEO

AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of Bergs Timber AB (publ), corp. reg. no. 556052-2798

Assignment and allocation of responsibilities

The Board of Directors is responsible for the Corporate Governance Report for financial year 1 September 2017 – 31 December 2018 and that it has been prepared in accordance with the Swedish Annual Accounts Act.

The scope of the examination

Our examination was conducted in accordance with FAR's recommendation RevR 16, Auditor's review of the corporate governance report. This means our examination of the Corporate Governance Report had another

focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and generally accepted auditing practices in Sweden. We consider this examination provides us with a sufficient basis for our opinion.

Opinions

A corporate governance statement has been prepared. Information in accordance with Chapter 6, Section 6, second paragraph, Points 2–6 of the Annual Accounts Act and Chapter 7, Section 31 of the same law is consistent with the Annual Report and

consolidated financial statements, and is in conformity with the Annual Accounts Act.

Kalmar, 15 April 2019

Christian Johansson
Authorised Public Accountant

Magnus Andersson
Authorised Public Accountant