Consilium's shares are listed on Nasdaq Stockholm. Consilium adopted the Swedish Corporate Governance Code (the Code) on 1 July 2008 in accordance with the stock exchange rules. This corporate governance report constitutes part of the formal annual report and has been reviewed by the Company's auditor. The Board's internal control report can be found at the end of this corporate governance report.

The main purpose of the corporate governance report is to describe the bodies, control & management resources and principles Consilium applies in order to achieve the Group's overall goal of creating value for shareholders. Consilium derogated from the code in the area of gender equality policy in 2017. See more under the heading Board.

General Meeting of Shareholders
Shareholders’ influence in the Company is exercised at the shareholders’ meeting, which is Consilium’s highest decision-making body. Shareholders wishing to participate in a shareholders’ meeting and vote their shares must be listed in the register of shareholders no later than 5 working days before the meeting, and must notify the Company of their intention to participate in the meeting, indicating any advisors attending, as instructed in the notice of the meeting. Shareholders unable to attend may exercise their rights through a proxy, in accordance with the Swedish Companies Act.

Annual General Meeting
The annual general meeting of shareholders is held within six months of the end of the financial year. The annual general meeting deals with the election and remuneration of Board members and auditors, the appointment and replacement of members of the nomination committee and the adoption of guidelines for remuneration of senior executives. The meeting also deals with the adoption of the income statements and balance sheets, allocation of profit and discharging of Board members and the CEO from liability for the financial year. If there is reason to convene a shareholders’ meeting before the next annual general meeting, the shareholders are called to an extraordinary general meeting. Consilium did not hold any extraordinary general meetings in 2017.

2017 AGM
The annual general meeting of the shareholders of Consilium for the 2016 financial year was held in Nacka on 19 May 2017. In addition to the business described above, the meeting adopted resolutions as follows: payment of a dividend of SEK 2.00 per share to shareholders and a Board mandate to issue new shares or convertible bonds (with a derogation from preferential rights for shareholders) for financing of possible acquisitions.

CORPORATE GOVERNANCE MODEL

External regulations
- Swedish Companies Act
- Swedish Accounting Act
- Swedish Annual Accounts Act
- Rules for Issuers
- Swedish Corporate Governance Code

Internal Controls
- Articles of Association
- Board’s Work Plan
- CEO’s Instructions
- Group policies and instructions
- Business plan, goals and strategies
All sitting Board members were re-elected. Carl Rosenblad was re-elected as Chairman. Shareholders present at the meeting represented 87 percent of the votes and 79 percent of the capital.

Nomination Committee
The task of the nomination committee is to propose candidates for election to the Board prior to the annual general meeting. In 2017, the nomination committee consisted of Lennart Norling (Chairman, independent of the Company and major shareholders), Chairman of the Board Carl Rosenblad and Rasmus Palmqvist (independent of the Company and major shareholders). The nomination committee held one (1) meeting in 2017.

The nomination committee is also responsible for the composition and working procedures of the Board. A presentation of the nomination committee’s work was given at the 2017 AGM. The committee’s independent members have received compensation of SEK 12,000 per person, and reimbursement for expenses, in accordance with the decision of the annual general meeting.

Board
Consilium’s Board has ultimate responsibility for managing the Company’s affairs between the annual general meetings. The Board appoints the President and CEO, and makes decisions on issues concerning the strategic direction of the business and the Company’s overall organisation.

Since the annual general meeting in May 2017, Consilium’s Board has consisted of seven members. The Board is composed of persons representing the Company’s major shareholders and persons who are independent of the major shareholders. The CEO does not serve on the Board, but is always present at Board meetings. The CFO also normally attends the meetings and acts as the Board’s Secretary. Other employees in the Group may also attend Board meetings in a reporting capacity.

The Board has decided against adopting an established diversity policy. It is the Board’s opinion that the objective of its own composition is to achieve effective management of the business in relation to its stage of development, and that this in itself produces a better effect. The fact that two of the three most recent Board members are women and the Board’s average age has gone down shows that diversity can be achieved with such an objective.

In 2017, the Board held five meetings at which minutes were taken. Matters dealt with at the meetings included final accounts, financial reports, the market situation and outlook, business plans, goals and strategies, risk management, budgets, long-term financing, strategic cooperation and acquisitions, and other investments. Other discussions included new laws and regulations that could affect Consilium’s work and reporting. The attendance and independence of the Board and co-opted members is shown in the table below.

Chairman of the Board
The Chairman is responsible for ensuring the work of the Board is conducted efficiently and that the Board performs its tasks. The Chairman organises and leads the work with the aim of creating the best possible conditions for the Board’s members. The Chairman also remains in regular contact with the Company’s CEO in order to ensure the Board has access to sufficient information to allow it to follow the Company’s performance and financial position, and to plan accordingly. Carl Rosenblad is Chairman of the Board.

Work of the Board
The Board of Directors has adopted a formal work plan which defines the division of work between the Board and CEO. The formal work plan also regulates the Board’s areas of responsibility, duties and decision-making powers. The main duties involve making decisions on strategic issues, assuming responsibility for the Company’s capitalisation and capital structure, ensuring the Company is efficiently managed and making decisions on other matters of importance such as large investments and acquisitions. The Board’s formal work plan also contains rules on information management and on evaluation of the work of the Board and the CEO. A written set of instructions for the CEO defines the division of work between the Board and CEO, and regulates the powers of the CEO. The Board conducts an annual evaluation of its work and the results are reported to the nomination committee.

An important task is to ensure correct and timely reporting in the Company, and to the Board and share market. Accordingly, the Board receives regular reports detailing significant events, order intake trends, invoicing, results, cash flow, financial position and the number of employees in the Group and its companies. During the year, the Board has at least one meeting with the chief auditor who also maintains regular contact with the Chairman of the Board.

Committees
The Board of Consilium has decided that the size of the Company does not warrant the appointment of an audit committee. Audit matters are dealt with by the full Board. On at least one occasion during the year, Consilium’s auditors report in person to the Board on their observations from the audit and their evaluation of the Group’s internal control. Matters concerning exchange rate movements, investments, acquisitions and strategic direction are also dealt with. For the reason mentioned above, Consilium has decided the full Board will also deal with remuneration matters rather than establishing a special remuneration committee. The main work involves defining the CEO’s employee benefits, and preparing share-based payment programmes, such as option schemes, for adoption by the annual general meeting.

BOARD MEMBERS – ATTENDANCE, RELATIONSHIP AND FEES:

<table>
<thead>
<tr>
<th>Name</th>
<th>Elected</th>
<th>Attendance 2017</th>
<th>Relationship Consilium</th>
<th>Relation major shareholder</th>
<th>Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carl Rosenblad, Chairman</td>
<td>1994</td>
<td>5(5)</td>
<td>Non-independent</td>
<td>Non-independent</td>
<td>175,000</td>
</tr>
<tr>
<td>Carl Adam Rosenblad</td>
<td>1996</td>
<td>5(5)</td>
<td>Non-independent</td>
<td>Non-independent</td>
<td>175,000</td>
</tr>
<tr>
<td>Fredrik Nygren</td>
<td>2007</td>
<td>4(5)</td>
<td>Independent</td>
<td>Independent</td>
<td>125,000</td>
</tr>
<tr>
<td>Peter Carlberg</td>
<td>2008</td>
<td>4(5)</td>
<td>Independent</td>
<td>Independent</td>
<td>125,000</td>
</tr>
<tr>
<td>Ann-Marie Åström</td>
<td>2009</td>
<td>4(5)</td>
<td>Independent</td>
<td>Independent</td>
<td>125,000</td>
</tr>
<tr>
<td>Erik Lindborg</td>
<td>2012</td>
<td>5(5)</td>
<td>Independent</td>
<td>Non-independent</td>
<td>125,000</td>
</tr>
<tr>
<td>Thomasine Rosenblad</td>
<td>2014</td>
<td>5(5)</td>
<td>Independent</td>
<td>Non-independent</td>
<td>125,000</td>
</tr>
<tr>
<td>Ove Hansson, CEO</td>
<td>–</td>
<td>5(5)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Anna Holmgren, Secretary</td>
<td>–</td>
<td>3(3)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Roger Orreteg, Secretary</td>
<td>–</td>
<td>2(2)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

* Roger Orreteg succeeded Anna Holmgren as the Board’s Secretary during the year.
Specific provisions in the articles of association
Consilium's articles of association do not contain any specific provisions on the appointment and dismissal of Board members, or on amendments to the articles of association.

President and Group management
The President and Chief Executive Officer of Consilium is Ove Hansson. The division of work between the CEO and Board and the CEO's powers are regulated in the instructions to the CEO, which are defined and revised on an annual basis. At the end of the year, Group management consisted of the President and CEO, the CFO and the managers of Consilium's business areas. More information about Group management can be found on page 75.

Share capital and shareholders
Share capital at the end of 2017 amounted to SEK 58.5 million, divided into 11,702,203 shares (par value SEK 5.0). Each class A share corresponds to 10 votes and each B share to one vote. All shares carry equal entitlement to the Company’s assets and earnings. The total number of shareholders at the end of the year corresponded to about 25 percent of the share capital. More information about the share and shareholders can be found on pages 22-23.

Operational control
Consilium's operations are organised into a number of divisions in the two business areas Marine & Safety and Safety Engineering, which are responsible for Consilium's offering and global market organisations. The operations are organised into a clear functional structure, allowing leveraging of synergies and economies of scale in development, production, purchasing, marketing and sales, and are led by the two business area managers.

The Group's business organisation is structured according to the principle of decentralised responsibility and authority. Each business area has its own subsidiary board of which the Group President is chairman. Like the Parent Company, the subsidiaries have a formal work plan for their board and written instructions for their managing director. The subsidiaries also have a number of policies and instructions governing operations, including the business areas' divisions. These areas include IT, environment, quality, equality, authorisation procedures, financing and currency hedging.

The Group President has overall responsibility for day-to-day operations and their control, and the managers of the subsidiaries report on weekly order intake, invoicing and order backlog for each profit centre. Monthly financial statements are also prepared for each profit centre. These are analysed at different levels, including business area level, and consolidated at Group level.

Reporting
Internal reporting takes place within the same system used for preparation of the consolidated financial statements and their quarterly presentation to the market. In addition to the income statements and balance sheets, the closing financial reports contain key financial ratios and other relevant information. Analyses are made of inventory levels and movements, trade receivables and customer credit periods.

The fundamental principle of the Group’s reporting and follow-up systems is that they are characterised by transparency and decentralisation. The management of each subsidiary is strongly committed to developing and rationalising these processes. A key to success is having access to relevant and correct information, which is measured and followed up. Much effort has been devoted to the implementation and development of business systems for measuring the profitability of individual transactions, customers, sectors and geographical markets. Individual costs are monitored and measured at critical stages in production, administration and sales. These are then compared with previous results and targets.

Remuneration of the Board and key management personnel
The 2017 annual general meeting adopted Board fees of SEK 800,000, distributed as follows: Chairman of the Board SEK 175,000, external Board members SEK 125,000 each. The meeting also adopted guidelines relating to the compensation of key management personnel, which are essentially in line with market salaries and other terms of employment. Key management personnel’s remuneration consists of the basic salary, annual variable compensation, any long-term share-based incentive schemes, retirement benefits, other benefits and conditions for termination and severance pay. The annual variable compensation is always capped at a maximum of 3 monthly salaries.
None of the key management personnel has a period of notice exceeding 12 months. Annual variable compensation and long-term share-based incentive schemes must primarily be linked to the earnings and value development of the Company/Group. Retirement benefits are always contribution-based.

**Auditor**

The auditor’s task is to examine Consilium’s financial statements and accounting records and the administration of the Board and CEO. The chief auditor also submits an audit report to the annual general meeting. Shareholders have the opportunity to put questions to the auditor at the meeting.

Consilium’s auditor is elected by the annual general meeting. The 2014 annual general meeting elected Ohrlings Pricewaterhouse-Coopers AB as auditor for a period of four years. At the 2017 annual general meeting, Camilla Samuelsson was presented as new chief auditor when Sten Håkansson’s term of office expired. At the 2017 annual general meeting, it was decided that auditors would be paid against invoice in accordance with approved purchasing principles. Fees to the PwC network in 2017 amounted to SEK 4.0 million (auditing services SEK 3.3 million, other services SEK 0.7 million).

**Consilium’s stakeholders**

Consilium is dependent on a large number of external parties. Cooperation and contacts with these parties may take the form of contractual and informal relationships or partnerships. The Company’s stakeholders are parties who affect or can be affected by Consilium’s actions. The simplified stakeholder model below does not show fragmented stakeholders such as competitors with whom the Company does not have any clear relationship. Added to the model are phrases expressing values which are inherent in the relationships or which Consilium seeks to establish.

**Responsibility**

It is Consilium’s ambition to conduct responsible operations based on sustainable development. Consilium sees sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (UN 1987). It is Consilium’s goal that all product companies compromising the ability of future generations to meet their own needs” (UN 1987). It is Consilium’s goal that all product companies compromising the ability of future generations to meet their own needs” (UN 1987). It is Consilium’s goal that all product companies compromising the ability of future generations to meet their own needs” (UN 1987). It is Consilium’s goal that all product companies compromising the ability of future generations to meet their own needs” (UN 1987). It is Consilium’s goal that all product companies compromising the ability of future generations to meet their own needs” (UN 1987).

**INTEREST MODEL**

![Interest Model Diagram]

- Best customer value on the market
- Strengthening our organisation
- Creating and delivering value
- Attracting and motivating staff
- Responsibility, consideration and respect
- Global supplier base

**THE BOARD’S INTERNAL CONTROL REPORT FOR THE 2017 FINANCIAL YEAR**

Consilium’s Board is responsible for ensuring internal control is conducted in accordance with the Swedish Companies Act and the Swedish Corporate Governance Code. Consilium’s financial reporting follows the legislation and regulations for companies listed on Nasdaq Stockholm and the local regulations in the Company’s countries of operation. Consilium’s financial reporting will:

- be correct and complete, and prepared in accordance with current laws, standards and recommendations;
- provide a true and fair description of the Company’s operations;
- support a rational and well-informed valuation of the Company’s operations.

In addition to these goals, internal financial reporting must support correct business decisions at all levels in the Group. The Board’s description of internal control is based on the structure of COSO’s (Committee of Sponsoring Organisations of the Treadway Commission) framework for internal control.

**Control environment**

In order to create and maintain a functioning control environment, the Board has adopted a number of fundamental documents of key importance to financial reporting. These include the Board’s formal work plan and the instructions for the CEO. The CEO is primarily responsible for ensuring the control environment adopted by the Board is upheld in the day-to-day operations and reports regularly to the Board in accordance with defined procedures. Reports are also submitted by the Company’s auditor. The internal control structure is also based on a management system which reflects the company’s organisation and method of operating, with clearly defined roles, areas of responsibility and delegation of authority.

The Group’s control documents, such as policies, guidelines and code of business ethics, also play an important role in the control structure. Control documents dealing with financial reporting are the most important components of the financial reporting control environment. These documents are regularly updated to reflect amendments to reporting standards, legislation and listing regulations.

**Risk assessment**

The Group carries out regular risk assessment in order to identify significant risks associated with financial reporting. The main risk associated with financial reporting relates to material misstatements and insufficient disclosure in the financial statements, which can occur during recognition and measurement of assets, liabilities, income and expense. Other risks include fraud, loss or embezzlement of assets. Risk management is incorporated into each process, and different methods are used to assess and limit risks and to ensure the risks to which Consilium is exposed are managed in accordance with adopted policies, instructions and established monitoring procedures, and that these minimise potential risks and support correct accounting, reporting and disclosure.

**Control activities**

Control activities are designed to manage what the Board and management consider to be significant risks, and in doing so to...
prevent, identify and correct any errors in financial reporting. These
control activities may be clear decision-making procedures and
processes for important decisions such as acquisitions, other major
investments, disposals, agreements and analytical monitoring. An
important task for Consilium’s staff functions is to implement, develop
and maintain the Group’s control routines and carry out internal
controls focusing on business-critical areas. Process managers at
different levels are responsible for carrying out the necessary
controls relating to financial reporting.

Accounting and reporting processes have controls relating to
measurement, accounting policies and accounting estimates. All
entities in the Group have their own controllers/financial managers
who participate in the evaluation of their own reporting. Continuous
analysis of financial reporting at both entity and Group level represents
an important way of ensuring financial reports do not contain material
misstatements. The Group’s control organisation plays a key part in
the internal control process and is responsible for ensuring each entity
submits correct, complete and timely financial reports.

Information and communication
Consilium has internal information and communication paths which
support complete and correct financial reporting. These include
control documents such as internal directives, guidelines and policies
on financial reporting. Regular updates and briefings about changes
in accounting policies and reporting and disclosure requirements
are communicated and made available to all employees concerned.
The Group’s intranet gives the organisation access to policies and
guidelines. The Board receives regular financial reports. External
information and communication is governed by the Company’s
information policy which describes Consilium’s general principles for
information-sharing.

Monitoring
The Group’s compliance with adopted policies and guidelines is
monitored by the Board and Company management. The Company’s
financial situation is dealt with at each Board meeting. Consilium’s
management monitors the financial results on a monthly basis by
analysing deviations from the budget, forecast and previous year. All
monthly accounts are discussed with the management of each business
area. Financial reporting is reviewed by the Board prior to publication
of quarterly and annual reports.

Internal control
Consilium’s central corporate functions conduct internal risk
assessment, which is reported directly to the President & CEO.
Where control measures include visits to subsidiaries or their
divisions, the activity is carried out in accordance with a specially
created control process. This process has been developed in order
to optimise working methods and delivery of value-creating reports.
Internal control has also developed a uniform risk management
process for areas such as customer credit policy and insurance
solutions, which will further strengthen corporate governance in the
Group. Consilium does not have a special internal audit function as it
is the Board’s opinion that there are no special circumstances in the
Company or its operations which warrant the establishment of such
a function.

Stockholm, 27 april 2018

Carl Rosenblad
Chairman of the Board

Peter Carlberg
Board Member

Erik Lindborg
Board Member

Fredrik Nygren
Board Member

Carl Adam Rosenblad
Board Member

Ann-Marie Åström
Board Member

Thomasine Rosenblad
Board Member

Ove Hansson
Chief Executive Officer

AUDITOR’S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in Consilium AB (publ),
corporate identity number 556480-3327

Engagement and responsibility
It is the Board of Directors who is responsible for the corporate
governance statement for the year 2017 on pages 63-67 and on pages
74-75 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 statement 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 statement 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.

Stockholm, 27th April 2018
Ohrlings PricewaterhouseCoopers AB
Camilla Samuelsson
Authorized Public Accountant