

# CORPORATE GOVERNANCE

Nobia AB is a Swedish public limited liability company domiciled in Stockholm, Sweden. The company is the Parent Company of the Nobia Group. The basis for the control of the Group includes the Swedish Corporate Governance Code, the Articles of Association, the Swedish Companies Act and the regulations issued by Nasdaq Stockholm.

Nobia has applied the Swedish Corporate Governance Code (the Code) since 1 July 2005 and in 2014, the company had no deviations to report. Nobia also applies the Swedish Annual Accounts Act concerning the company's corporate governance reporting. Nobia monitors developments in the area of corporate governance and continuously adapts its corporate-governance principles to create value for its owners and other stakeholders. No violations of applicable stock exchange regulations were reported.

## 2014 Annual General Meeting

The right of shareholders to make decisions concerning the affairs of Nobia is exercised at the Annual General Meeting. A notice convening the Annual General Meeting is issued pursuant to the Swedish Companies Act and the company's Articles of Association. The 2014 Annual General Meeting was held on 9 April at Lundqvist & Lindqvist Klara Strand Konferens, Klarabergsviadukten 90 in Stockholm. Some 155 shareholders participated in the 2014 Annual General Meeting, representing 63 per cent of the capital and votes in Nobia. The Board of Directors, members of Group management and auditors were present at the Meeting. Board Chairman, Johan Molin, was elected Chairman of the Meeting. In accordance with the Board of Directors' recommendation, the Annual General Meeting resolved on a dividend of SEK 1.00 per share to shareholders. The Meeting also resolved that the number of Board members should be eight without any deputy members until the conclusion of the next Annual General Meeting, as well as fees to the Board and Board Chairman and elected Board members and auditors. Stefan Jacobsson and Ricard Wennerklint were elected new Board members. All other Board

members were re-elected and Johan Molin was re-elected Board Chairman. The Annual General Meeting re-elected KPMG as the company's auditor, with George Pettersson as the new Auditor-in-Charge. Nobia's previous Auditor-in-Charge, Helene Willberg, left her assignment due to the rotation rules of the Swedish Companies Act. An assignment as an auditor-in-charge for a limited liability company may be a maximum of seven consecutive years. In accordance with the Board of Directors' recommendation, the Annual General Meeting also resolved on guidelines and other employment conditions for the senior executives, a performance share plan and to authorise the Board of Directors to make decisions regarding acquisitions and sales of treasury shares.

The complete minutes from the Annual General Meeting are available on Nobia's website.

Individual shareholders wishing to have a specific matter addressed by the Annual General Meeting can do so by submitting a request to the Board in good time prior to the Meeting, to the address published on the Group's website.

## Articles of Association

Nobia's Articles of Association regulate such matters as the focus of the operations, information about share capital and how notification of the Annual General Meeting is to take place. The full text of the Articles of Association is available on Nobia's website.

On 31 December 2014, the share capital in Nobia AB amounted to SEK 58,430,237 divided between 175,293,458 shares. All of the shares are of the same class. The share's quotient value is SEK 0.33. All shares, except for bought-back treasury shares, entitle owners to a share of the company's assets and profit.

The Nobia share and ownership structure are described in more detail on pages 86–87.

## Nomination Committee

In accordance with the principles for the composition of the Nomination Committee adopted at the 2008 Annual General Meeting, the Chairman of the Board is responsible for convening the company's four largest shareholders not later than the end of the third quarter, each of whom are offered an opportunity to appoint one member of the Nomination Committee. Should any of the four largest shareholders refrain from appointing a member, the next largest owner shall be presented with the opportunity to appoint a member. Should more than one shareholder refrain from its right to appoint a member of the Nomination Committee, only the next eight largest owners shall be asked to appoint a member, unless more than these eight largest shareholders are to be asked in order for the Nomination Committee to comprise at least three members. In addition, the Chairman of the Board may be appointed as a member of the Nomination Committee. In accordance with the Code, the Nomination Committee should be chaired by an owner representative. The tasks of the Nomination Committee are to submit proposals to the Annual General Meeting on the election of the Board of Directors, the Chairman and auditors, on fees for the Board of Directors, the Chairman and auditors and on the Chairman of the Annual General Meeting. In its proposals, the Nomination Committee is to pay particular attention to the requirement of diversity and breadth on the Board and the requirement of an even gender distribution. In addition, the Nomination Committee is to submit proposals to the Annual General Meeting, where appropriate, on decisions

for the principles of the composition of the Nomination Committee.

Prior to the 2015 Annual General Meeting, the Nomination Committee comprised the following members: Tomas Billing (Nomination Committee Chairman), Nordstjernan; Fredrik Palmstierna, Latour; Evert Carlsson, Swedbank Robur funds and Torbjörn Magnusson, If Skadeförsäkring and, following a decision by the other members of the Nomination Committee, the Chairman of the Board Johan Molin. The members of the Nomination Committee represented approximately 53 per cent of the shares and votes in the company. No remuneration is paid to the Committee members.

The Nomination Committee held four minutes meetings prior to the 2015 Annual General Meeting. Based on the company's strategy and priorities, the Nomination Committee's work included an evaluation of the results of the Board of Directors' own evaluation, its size and composition and the election of an auditor.

The Nomination Committee's proposals prior to the 2015 Annual General Meeting are incorporated in the notice of the Annual General Meeting, which was published on Nobia's website on 13 March. Proposed new principles for the composition of the Nomination Committee and the Nomination Committee's explanatory statement for proposing the election of the Board of Directors and so forth are also included.

Shareholders are welcome to contact the Nomination Committee and submit proposals via post to Nobia AB, Valberedningen, Box 70376, SE-107 24 Stockholm, Sweden.

### Work of the Board of Directors

In accordance with Nobia's Articles of Association, the Board is, to the extent appointed by the General Meeting, to comprise not fewer than three and not more than nine members, with not more than three deputy members. The 2014 Annual General Meeting resolved that the Board was to comprise eight members with no deputy members. The Board also includes two members, with two deputy members, who are appointed by employees' organisation in accordance with the Swedish Board Representation (Private Sector Employees) Act. The Code also contains certain requirements regarding the composition of the Board of Directors. The Board is to have an appropriate composition with respect to the company's operations, stage of development, strategy and other circumstances, and be characterised by diversity and breadth in terms of the competencies, experience and background of the Board members elected by the Annual General Meeting. Efforts are to be made to achieve an even gender distribution. Furthermore, a majority of the Board members elected by the Annual General Meeting are to be independent in relation to the company and company management. At least two of these Board members are also to be independent in relation to the company's largest shareholders. Nobia's Board of Directors fulfils these requirements. The President is proposed as a member of the Board that is proposed to the 2015 Annual General Meeting. This has been the case in earlier years, except for 2010 when the then President decided to retire. Other executives in the company participate at Board meetings

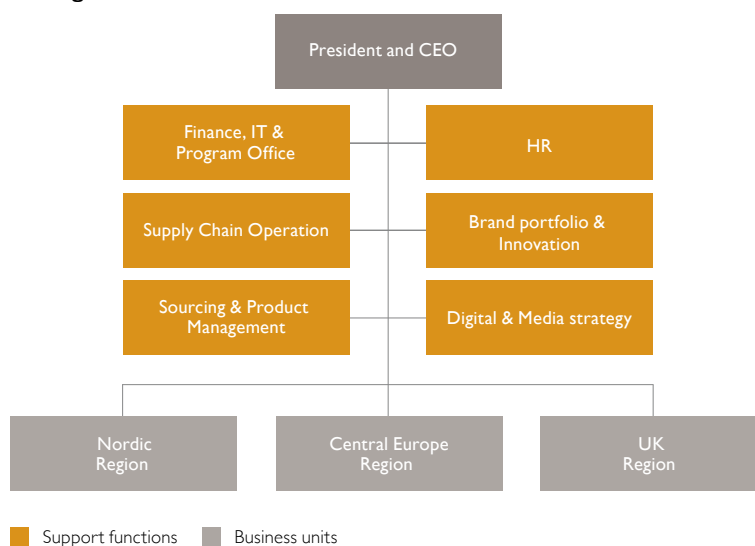
to make presentations and to serve as secretary. The Board held nine scheduled meetings during the 2014 fiscal year.

The work of the Board of Directors follows a fixed agenda for each Board meeting, including such matters as business status, investments, budget, interim reports and annual accounts. The Chairman leads and delegates the work of the Board and ensures that matters not included in the fixed agenda are addressed. The Board's work is regulated by the rules of procedure adopted annually by the Board and by the instruction regarding the distribution of duties between the Board and the President. In 2014, the strategy of achieving the Group's operating margin target of 10 per cent continued to receive a great deal of focus in the Board of Directors' work. Issues relating to brands, innovation, range and supply chain were key components of these efforts. The focus remained targeted to efficiency and growth. In parallel with offensive investments, potential acquisitions for generating profitable growth were evaluated during the year. The Board also worked on the divestment of Hygena, which was completed during the first quarter of 2015. In the summer of 2014, the Board visited Nobia in Norway. The Board members are presented on pages 40–41. Attendance at Board meetings is shown in the table on page 38.

The work of the Board in 2014 was evaluated by all Board members completing a number of questions specifically related to the Board's work. The members' responses were compiled and subsequently presented and discussed by the Board. The Board decided that the same evaluation method would be employed for the forthcoming year. The Board also evaluates the President on an ongoing basis throughout the year.

The Board does not have a separate Audit Committee. Instead, control issues to be discussed by such a Committee are managed by the Board in its entirety, except for the President who does not participate in these issues. Accordingly, the Board can monitor significant issues regarding the company's financial reporting and its internal control, and risk management of financial issues. The same applies to significant issues related to the audit of the annual report and consolidated financial statements and the impartiality and independence of the auditors. To ensure that the Board's information requirements are met in this respect, the company's auditors report to the Board at least three times a year. Part of the auditors' presentation of information to the Board takes place in the absence of the company's executives. The form in which these reports are to be prepared is

### Nobia's organisation



documented in the Board's rules of procedure. Furthermore, the Board assists in the preparation of the Nomination Committee's proposals for the Annual General Meeting's decision regarding the election of auditors.

One occasion is primarily devoted to the planning of the year's audit. In the hard-close audit at the end of September, the company's processes for internal control are also addressed. Finally, reporting is received in conjunction with the adoption of the annual accounts. In addition, the auditors also present an annual account of the consulting assignments that have been performed by the audit firm.

In April 2014, the auditors presented and discussed the focus and scope of the audit, which also took particular consideration of the risk perspective regarding internal control. At the meeting in October, the auditors reported on the results of the audit of internal control, which analysed the results of the self-assessment of the internal control that the Group's business units perform every year, and reported on the IT audit performed. Also at this meeting, the auditors presented their observations from the hard-close audit. The examination of the annual accounts for 2014 was presented at the Board meeting in February 2015.

In 2014, the Group's CFO served as the Board of Directors' secretary.

### Remuneration Committee

The Board appoints a Remuneration Committee from within its ranks, which for the period from the 2014 Annual General Meeting until the 2015 Annual General Meeting comprised Johan Molin (Chairman), Fredrik Palmstierna and Nora Førisdal Larssen. The Committee's task is to prepare proposals to the Board relating to the remuneration and

employment terms for the President. The Committee also has the task of making decisions on the President's proposals regarding remuneration and other employment terms for the managers who report to the President. Furthermore, the Committee submits proposals to the Annual General Meeting regarding principles for remuneration and other employment terms for senior executives and monitors and evaluates the ongoing schemes for variable remuneration to senior executives, and the schemes concluded during the year, and the implementation of the Annual General Meeting's decision on guidelines for remuneration to senior executives. The Committee held three meetings during the year.

### Remuneration to senior executives

The members of Group management receive both fixed and variable remuneration. The fundamental principle is that the variable salary portion may amount to a maximum of 30 per cent of fixed annual salary. The exception to this principle is the President whose variable salary portion may amount to a maximum of 50 per cent of fixed annual salary. Exceptions may also be made for other senior executives following a decision by the Board. The variable salary portion is normally divided between several targets, for example, the Group's earnings, earnings in the business unit for which the manager is responsible and individual/quantitative targets. The variable salary portion is based on a period of service of one year. The targets for the President are determined by the Board. The targets for the other senior executives are established by the President following recommendations by the Board's Remuneration Committee.

In the period 2005–2011, Nobia implemented annual employee share option schemes for

senior managers. These schemes encompassed about 100–200 managers and employees every year. The Remuneration Committee's follow-ups and monitoring of the Group's former employee share option schemes indicated a need for certain structural changes. The 2012 Annual General Meeting resolved to introduce a new share-based scheme based on matching and performance shares ("Performance Share Plan 2012"). Unlike the former scheme, this Plan also required that participants acquire shares in Nobia. A resolution was made at the 2013 and 2014 Annual General Meetings to introduce new long-term share-based remuneration schemes ("Performance Share Plan 2013 and Performance Share Plan 2014") based on the same principles of the Performance Share Plan 2012. The remuneration schemes are described in more detail in the Financial overview of the Board of Directors' Report on pages 28–32. The remuneration and benefits of senior executives are described in Note 4 on pages 64–68.

### Group management

The President and Group management, see pages 42–43, hold regular Group management meetings. In addition, the President and the CFO meet the management team of each commercial business unit three times per year at local management team meetings.

### Auditors

KPMG AB was elected as the company's auditor at the 2014 Annual General Meeting for a mandate period of one year until the conclusion of the 2015 Annual General Meeting. Nobia's Auditor-in-Charge, Helene Willberg, left her assignment at the Meeting due to the rotation rules of the Swedish Companies Act. George Pettersson was elected

## Board of Directors in 2014

		Board meetings, 9 meetings in total	Remuneration Committee, 3 meetings in total	Born	Board member since	Nationality	Independence
Johan Molin	Chairman	9	3	1959	2010	Swedish	Not independent <sup>1)</sup>
Morten Falkenberg	President and CEO	9		1958	2011	Danish	Not independent <sup>2)</sup>
Lillian Fossum Biner	Board member	9		1962	2012	Swedish	Independent
Nora Førisdal Larssen	Board member	9	3	1965	2011	Norwegian	Not independent <sup>1)</sup>
Stefan Jacobsson <sup>3)</sup>	Board member	8		1952	2014	Swedish	Independent
Thore Olsson	Board member	9		1943	2007	Swedish	Independent
Fredrik Palmstierna	Board member	9	3	1946	2006	Swedish	Not independent <sup>1)</sup>
Ricard Wennerklint <sup>3)</sup>	Board member	8		1969	2014	Swedish	Not independent <sup>1)</sup>
Per Bergström	Employee representative	9		1960	2000	Swedish	
Marie Ströberg	Employee representative	5		1973	2007	Swedish	
Patrik Falck <sup>4)</sup>	Employee representative	8		1965	2011	Swedish	
Terese Asthede <sup>4)</sup>	Employee representative	7		1971	2013	Swedish	

1) In relation to major shareholders 2) President 3) New Board member from 9 April 2014 4) Deputy

new Auditor-in-Charge. The Nomination Committee's proposals for auditing firm and Auditor-in-Charge prior to the 2015 Annual General Meeting were presented in the notice of the Annual General Meeting, which was published on Nobia's website on 13 March. The interaction of the auditors with the Board is described above. Nobia's purchases of services from this firm in, in addition to audit assignments, are described in Note 6 on page 69.

### The Board's description of internal control and risk management systems regarding the financial reporting for the 2014 fiscal year

The Board of Directors is responsible for the internal control of the company in accordance with the Swedish Companies Act and the Code. This description has been prepared in accordance with Chapter 6, Section 6, second paragraph, second point of the Swedish Annual Accounts Act, and is thereby limited to the internal control and risk management of the financial reporting. The description of the Group's internal control and risk management systems also includes the description of the company's systems.

### Control environments and governing documents

The structure of Nobia is organised so that the first stage of the value chain, sourcing/purchasing, production and logistics have Group-wide management functions. The main task of these operating units is to capitalise on opportunities for economies of scale within each area. The commercial units are responsible for developing Nobia's sales channels and brands in line with Nobia's strategy.

The basis for the internal control of finan-

cial reporting is the control environment that comprises the company's organisation, decision-making procedures, authority and responsibility, as documented and communicated in governing documents such as internal policies, guidelines, manuals and codes. Examples include the division of responsibility between the Board on one hand and the President and other bodies established by the Board on the other; instructions for authorisation, and instructions for accounting and reporting.

Documentation concerning the principles and forms for reporting, internal governance, control and monitoring is compiled in Nobia's Financial & Accounting Manual, which is available to all relevant employees on Nobia's intranet.

Each unit manager is responsible for ensuring effective internal control, and the financial manager of each unit is responsible for monitoring and ensuring compliance with Nobia's accounting procedures and principles. These are documented in the aforementioned manual. All financial managers from the various units meet once a year to discuss various topics relevant to financial reporting.

### Risk management

The Group has methods for risk assessment and risk management to ensure that the risks to which the Group is exposed are managed within the established frameworks. The risks identified concerning financial reporting are managed in the Group's control structure and are continuously monitored and assessed. One of the tools for this purpose is self-assessments, which are conducted annually by local management teams and evaluated according to established procedures. Risk assessments are described in more detail on pages 33–35.

### Financial information

The Group has established information and communication channels in order to support the completeness and accuracy of the financial reporting, for example, through governing documents in the form of internal policies, guidelines, manuals and codes regarding the financial reporting applied by relevant personnel.

The Group monitors compliance with these governing documents and measures the efficiency of control structures.

In addition, the Group's information and communication channels are monitored to ensure that these channels are appropriate for the financial reporting. Furthermore, the Group has developed checklists to ensure compliance with the disclosure requirements in the financial statements.

### Monitoring by the Board

The outcome of the Group's risk assessment and risk management processes is addressed each year by the Board, which ensures that these processes include all material areas and provide balanced guidelines for the various executives.

The Board receives periodic financial reports and each Board meeting addresses the company's and Group's financial position.

The Group's internal control function, which is an integrated part of the central finance function, monitored viewpoints that emerged during the year from the internal control self-assessment at some of the larger units.

Nobia does not currently have an internal audit function. The Board has discussed this matter and found the existing monitoring and assessment structure of the Group to be satisfactory. External services may also be engaged in the context of certain special examinations. This decision is reviewed annually.

### Key external regulatory frameworks:

- Swedish Companies Act
- IFRS and Swedish Annual Accounts Act
- Nasdaq Stockholm's Rule book for Issuers
- Swedish Corporate Governance Code, [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)

### Key internal regulatory frameworks:

- Articles of Association
- The Board's rules of procedure and instructions on the distribution of duties between the Board and President, internal policies, guidelines, manuals, codes and checklists
- Nobia's Financial & Accounting Manual
- Risk Management Process

### Overview of governance at Nobia

