

# CORPORATE GOVERNANCE REPORT



## COMMENTS BY THE CHAIRMAN OF THE BOARD OF ITAB

The Board is charged with managing the company's and the owners' interests in a reliable way. At the same time, we have to be sensitive to all the company's stakeholders in order to maintain the trust that the company enjoys.

Our Board constitutes a good combination of abilities, the skills we possess complement each other and several of the members have solid experience from relevant sectors. Decisions are made after discussions in which several perspectives are taken into account, and in this way we achieve a transparent discussion regarding various areas.

The task of the Board is, based on a long-term perspective, to make decisions that create the conditions for the Group to be able to work and develop in order to satisfy established goals. We have to be very knowledgeable about the sector and the market situation. We have to be able to lift our gaze and make decisions that have the correct strategic focus in the long term.

ITAB has worked for a long time to achieve a sustainable operation, and during the year the Board has decided that ITAB will report its sustainability work according to GRI's framework. The first presentation will relate to the 2015 financial year.

During the final quarter of the year, ITAB acquired seven operations, three of which were bankrupt estates. The acquisitions are in line with our strategy of strengthening our market position on existing markets. The Board's decision-making process was very effective on several occasions, which made several of the acquisitions possible. During the year, the Board, together with the Group management, has built up skills and knowledge regarding acquisitions that make it possible to act quickly. The effective decision-making process that the Board possesses and the Group's robust implementation are strengths within ITAB.

The Board is extremely confident of the market position ITAB possesses, and considers that the Group's offer will continue to have considerable potential in the future. Maintaining a long-term approach has always been an important part of ITAB's strategic focus and we believe it is resulting in stable growth. We are looking to the future with confidence.

*Tord Johansson  
Chairman of the Board*

## INTRODUCTION

Corporate governance in Swedish companies listed on the Stock Exchange is regulated by a combination of written rules and practice. The regulations are made up in the first instance of the Swedish Companies Act and the rules that apply on the regulated market on which the company's shares are listed for trading. In addition, all listed Swedish companies have been covered by the Swedish Code for Corporate Governance ("the Code") since 1 July 2008.

The Swedish Companies Act stipulates that there must be three decision-making bodies in the company: an annual general meeting, a board of directors and a CEO. There must also be a control body, an auditor, that is appointed by the annual general meeting. The Act specifies the duties of each body and the responsibility of the individuals included in the company's bodies. The Code supplements the Act by imposing more stringent demands in various areas, but at the same time makes it possible for companies to deviate from these if it is considered that this

would result in better corporate governance in the individual case in question.

## CORPORATE GOVERNANCE IN ITAB

ITAB Shop Concept AB (publ) is a Swedish registered limited liability company, whose overall ambition is to create long-term value for shareholders and other stakeholders. The ITAB share is listed on NASDAQ Stockholm in the Mid Cap segment.

The information requirements that ITAB consequently has to fulfil are set out in the "Regulations for issuers" issued by the Stock Exchange. The provisions of the Code apply to ITAB as of July 2008. This Corporate Governance Report describes ITAB's corporate governance, management and administration as well as internal controls regarding financial reporting.

This corporate governance report is not part of the Directors' Report. The report is examined by the company's auditor in accordance with the Annual Accounts Act, see separate statement attached to this Corporate Governance Report on page 81.

## SHAREHOLDERS

At the end of 2014, the number of shareholders in ITAB amounted to 2,608 (2,098). Institutional ownership made up 4.34 per cent of the votes and 13.32 per cent of the capital. The ten largest shareholders were responsible for 91.22 per cent of the votes and 73.89 per cent of the capital. At present there are two shareholders who each own and control more than 10 per cent of the votes for all the shares in the company. Tord Johansson controls 24.25 per cent of the capital and 53.10 per cent of the votes via his own via holdings and holdings of related parties. Pomonagruppen holds 29.63 per cent of the capital and 28.32 per cent of the votes.

## THE ANNUAL GENERAL MEETING

The Annual General Meeting is the forum where the shareholders exert their influence. The Annual General Meeting is the company's highest decision-making body and has a senior position in relation to the company's Board of Directors and CEO. According to the Articles of Association,

the notice of the Annual General Meeting must be published by means of an announcement in Post och Inrikes Tidningar and on the company's website. Information notifying that the announcement has been made in Post och Inrikes Tidningar and on the company's website must be advertised in Dagens Industri.

#### ANNUAL GENERAL MEETING

The Annual General Meeting convenes once a year in order to decide on whether to adopt the income statement and balance sheet, on the discharge from liability for members of the Board and the CEO, and on the appropriation of profits or losses. The meeting also elects the Board and, when required, the auditors.

All shareholders registered in the shareholders' register and who have given notice of attendance may participate in the Meeting and vote according to the number of shares owned. Shareholders who are unable to attend in person may exercise their rights by proxy.

#### ANNUAL GENERAL MEETING 2014

ITAB's 2014 Annual General Meeting was held Wednesday 7 May. Attending the Meeting were 56 shareholders representing 90.16 per cent of the votes and 71.06 per cent of the total number of shares. ITAB's Board of Directors, management, auditors and representatives from the Nomination Committee were present at the Meeting. The following decisions were taken:

- Dividends to the shareholders of SEK 1.50 per share, for a total of SEK 50.86 million.
- Anna Benjamin, Tord Johansson, Anders Moberg, Fredrik Rapp, Stig-Olof Simonsson and Lottie Svedenstedt were re-elected as members of the Board, and Sune Lantz was elected for the first time.
- Tord Johansson was elected Chairman of the Board.
- Anders Rudgård (Chairman), Fredrik Rapp and Johan Storm were elected to the Nomination Committee ahead of the 2015 Annual General Meeting.
- The registered auditing company Ernst & Young AB was selected as auditor, with authorised public accountant Håkan Sundberg as auditor with overall responsibility.
- Fees to the Board of Directors and auditors, as well as guidelines for remuneration to senior executives.
- Authorisation to the Board to decide on the purchase and transfer of the company's own shares.
- Authorisation to the Board to decide on a new share issue for a maximum one-tenth of the company's issued shares.
- Change to the Articles of Association and a split of the shares (share split 2:1).
- Issue of convertible bonds to employees.

#### ANNUAL GENERAL MEETING 2015

ITAB's 2015 Annual General Meeting will be held on Monday 4 May at 3 pm in ITAB's offices at Instrumentvägen 2 in Jönköping, Sweden. Further information can be found on page 87.

#### NOMINATION COMMITTEE

The Nomination Committee is the Meeting's body for proposing the AGM's decisions regarding appointment issues that provides conditions for well-informed decision-making in these issues.

Following a proposal from the largest shareholders as of 31.12.2013, Tord Johansson and Pomonagruppen AB, who jointly represent 81.42 per cent of the votes and 53.88 per cent of the capital in ITAB, the 2014 Annual General Meeting appointed Anders Rudgård (Chairman), Fredrik Rapp and Johan Storm as members of the Nomination Committee.

The Nomination Committee's task for the 2015 AGM is to propose candidates for Chairman of the Board and Board members, AGM meeting chairman and auditors, as well as fees and other remuneration for Board, committee and audit work. The Nomination Committee has evaluated relevant aspects of the work of the Board and, prior to the AGM, has held one minuted meeting with all members present, as well as several other contacts.

#### THE BOARD OF DIRECTORS

The tasks of the Board of Directors are to manage the company's affairs on behalf of the shareholders. According to ITAB's Articles of Association, the Board of Directors must comprise at least three and at most eight members with at most eight deputies. According to the Code, deputies will not be appointed to those members elected by the Annual General Meeting. ITAB's Board of Directors currently comprises seven ordinary members: Tord Johansson (Chairman), Anna Benjamin, Sune Lantz, Anders Moberg, Fredrik Rapp, Stig-Olof Simonsson and Lottie Svedenstedt. A more detailed presentation of the Board members can be found on page 82. The Board members elected by the AGM include individuals representing ITAB's major shareholders as well as independents (see table on page 81). The Articles of Association contain no special provisions regarding the appointment and dismissal of Board members or changes to the Articles of Association. In addition to current laws and recommendations, ITAB's Board work is governed by the Board's rules of procedure stipulated once a year. The rules of procedure include rules for the division of responsibilities between the Board and the CEO, financial reporting and investments.

The Board held ten Board meetings during 2014, seven of which were ordinary Board meetings. In addition to operational information, predetermined reports and resolution items are addressed at every regular meeting, such as a review of the previous meeting's minutes, a general review of Group companies including following up the most recent accounts and comparisons with forecasts, as well as financing and liquidity, in accordance with the Board's rules of procedure.

The Board also takes decisions on issues of a general nature, such as the Group's strategy, structural and organisational issues, policies and guidelines, as well as major investments. The company's auditors participate in at least one of the Board's meetings every year. At this time, the

auditor presents observations made when auditing the company's accounts, procedures and internal audits. The Board of Directors continually evaluates the work of the CEO.

In addition to fixed points as above, the programme for 2014 also covered the following:

1. **5 February.** Year-end report 2013, report from the Audit Committee in which the auditors' overall observations during the audit of the 2013 accounts were presented, evaluation of the Board's work in 2013.
2. **11 March.** Decision on proposal for convertible debenture scheme.
3. **7 May.** Interim report, three months, conditions ahead of Annual General Meeting.
4. **7 May.** Statutory Board meeting.
5. **9 July.** Half-yearly report.
6. **9-10 September.** Group strategy, year plan for 2015.
7. **16 October.** Resolution regarding acquisitions.
8. **29 October.** Resolution regarding acquisitions.
9. **4 November.** Interim report, nine months.
10. **9 December.** Forecast for 2015.

#### AUDIT COMMITTEE

The Audit Committee will prepare the Board of Directors' work of quality-assuring the company's financial reporting, continually meet the company's auditors to obtain information about the focus and scope of the audit, as well as discuss co-ordination between the external audit and the internal control and views of the company's risks, establish guidelines regarding which services other than audits the company may procure from the company's auditors, evaluate audit work and notify the company's Nomination Committee about the results of the evaluation, as well as assist the Nomination Committee in the drawing up of proposals for auditors and the payment of fees for the audit work.

Up until the statutory Board meeting on 7 May 2014, ITAB's Audit Committee comprised the Board members Anna Benjamin (Chair of the committee), Tord Johansson and Fredrik Rapp. After 7 May 2014, the Audit Committee comprises Anna Benjamin (Chair of the committee), Sune Lantz and Fredrik Rapp.

During 2014, the Audit Committee has held two minuted meetings in which all the members have participated, and has maintained ongoing contact with the company's auditors. The Audit Committee has also had a number of contacts with the Group management.

#### REMUNERATION COMMITTEE

The Remuneration Committee's primary tasks are preparing the Board's decisions on issues regarding remuneration principles, remunerations and other terms of employment for corporate management, monitoring and evaluating ongoing schemes and schemes concluded during the year regarding variable remuneration to corporate management, as well as monitoring and evaluating the application of the guidelines for remuneration to senior executives decided by the Annual General Meeting, as well as current

- remuneration structures and remuneration levels in the company. ITAB's Remuneration Committee has also been tasked with preparing issues regarding remuneration and other employment terms for CEOs in other companies in the Group.

Up until the statutory Board meeting on 7 May 2014, ITAB's Remuneration Committee comprised the Board members Lottie Svedenstedt (Chair of the committee), Tord Johansson and Stig-Olof Simonsson, with CEO Ulf Rostedt as an additional member. After 7 May 2014, the Remuneration Committee comprises Lottie Svedenstedt (Chair of the committee), Tord Johansson and Sune Lantz.

During 2014, the Remuneration Committee has held two minuted meetings in which all the members participated.

#### CEO

The Chief Executive Officer is appointed by the Board to be responsible for the company's day-to-day management in line with the Board's guidelines and instructions. The current CEO Ulf Rostedt took up his position in February 2008, after having been Deputy CEO since 2004.

#### GROUP MANAGEMENT

The Group management comprises CEO Ulf Rostedt, Deputy CEO Mikael Gustavsson and CFO Samuel Wingren.

#### GROUP STAFF

Reporting directly to the CEO is a staff that has responsibility within business development, finance, insurance, HR, purchasing, IT, information, law, communications, consolidated accounts and Group-wide administration. Projects that cover all or the majority of the Group's companies are controlled and co-ordinated from here. Within each area, handbooks and policies are drawn up that regulate the work in the subsidiaries.

#### AUDITOR

The auditors examine the company's annual accounts, consolidated accounts and accounting records as well as the administration of the Board of Directors and CEO.

To examine the company's annual accounts, consolidated accounts and accounting records as well as the administration of the Board of Directors and CEO, a registered auditing company or one or two auditors, of whom at least one must be authorised, with or without deputy auditors, shall, according to the Articles of Association, be appointed by the Annual General Meeting. The auditors report to the owners at the Annual General Meeting via their auditor's report. The auditors are appointed by the shareholders at the AGM.

The election of auditors within ITAB took place at the 2014 Annual General Meeting and related to the term up to and including the 2015 Annual General Meeting. The company's auditor is the registered auditing company Ernst & Young AB, with authorised public accountant Håkan Sundberg as auditor with overall responsibility. Alongside his duties for ITAB Shop Concept AB, Håkan Sundberg also has auditing assignments for e.g. EAB AB and Gislaved Gummi AB.

#### DEVIATIONS FROM THE CODE

There are no deviations to report for 2014.

#### PRINCIPLES FOR REMUNERATION TO SENIOR EXECUTIVES, INCENTIVE SCHEMES, ETC.

The Board proposes the AGM should decide on procedures for determining salary and other remuneration to the CEO and other members of the executive management. The guidelines decided at the 2014 AGM stipulate that the terms should be market rate. In addition to a basic salary, members of the executive management may receive variable remuneration that is limited to a maximum of three months of salary and result-based against stipulated targets.

Senior executives are to have market-rate, premium-based pension terms and conditions. All members of corporate management may terminate their employment with six months notice. In the event the CEO is given notice by the company, a severance payment corresponding to 18 months of salary will be paid. The Board has the right to deviate from the guidelines should mitigating circumstances so require.

At the 2012 and 2014 Annual General Meetings, it was decided to issue convertible debentures to employees, which also includes the Group management. There are no outstanding share or share price related incentive schemes.

#### INTERNAL CONTROLS FOR FINANCIAL REPORTING

According to the Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal controls aimed at protecting the company's assets and thereby the investments of its owners. The internal controls should provide reasonable assurance of an appropriate and effective operation, reliable financial reporting and compliance with laws and ordinances. ITAB's tool for internal controls is based on the COSO framework. The framework streamlines the work with the internal controls.

Over recent years, ITAB has decided to clarify the internal audit function and has released it from current operations. During the year, the internal audit programme has been revised based on the risk map, and there is more focus on business risks. The internal controls have also focused on formalities, procedures and processes linked to relevant rules of procedure and authorisation arrangements.

#### FINANCIAL REPORTING

All companies submit monthly reports concerning economic outcomes. The reporting is consolidated and constitutes the basis for quarterly reports and operative follow-up. Operative follow-up follows an established structure in which orders received, invoicing, liquidity, earnings, capital tied-up and other key ratios of importance for the Group are compiled and constitute the basis for analysis and measures from management and controllers at various levels. Other important, Group-wide parts of the internal control include business plans and the annual forecast process. For communication with external parties, the Group has an information policy intended to ensure that all information obligations are complied with, correctly and in full.

#### CONTROL ENVIRONMENT

The Audit Committee's primary task is to monitor the accounting and reporting processes and to ensure the quality of these reports and processes. The responsibility for maintaining an effective control environment, day-to-day risk management and internal controls in terms of financial reporting has been delegated to the CEO.

Executives at various levels of the company are in turn responsible within their respective areas. Responsibility and authorisation are defined in the instructions to the CEO, instructions for approval lists, handbooks and other policies and procedures.

The Board determines the Group's policies regarding information, credit and finance. The Group management determines other instructions, and the responsible Group functions issue guidelines and oversee the application of the regulatory framework. The Group's accounting and reporting rules are stipulated in an economy handbook that is available to all accounting staff. Together with laws and other external regulatory frameworks, the organisational structure and internal regulatory frameworks constitute the control environment.

#### RISK ASSESSMENT

ITAB works continually with risk analyses as a basis for revising the Group's risk map. Both financial and operational risks are charted. At each meeting, the Audit Committee goes through the relevant risk map and revisions are performed when necessary.

#### CONTROL ACTIVITIES

The purpose of control activities is to discover, prevent and correct errors and deviations. Policies and guidelines are particularly important for accurate accounting, reporting and information dissemination and also define which control activities should be conducted. Within ITAB, policies and guidelines are regularly updated, both in writing and at meetings. Control activities include approval routines, reconciliation of accounts, analytical follow-up and control of IT systems.

#### FOLLOW-UP

Corporate management and controllers regularly follow up economic and financial reporting, as well as key business events. At each Board meeting, economic performance is monitored against forecasts, and examinations are conducted looking at how well investments are following prepared plans. The Audit Committee regularly evaluates the internal control, the code of corporate governance and significant accounting issues.

#### OPINION CONCERNING INTERNAL AUDIT

Over recent years, ITAB has decided to clarify the internal audit function and has released it from current operations. The work with internal control takes place in an internal audit programme that covers all Group companies according to a pre-determined plan. Parts of the internal control are regularly examined by the auditors.

## THE COMPOSITION OF THE BOARD OF DIRECTORS AND COMMITTEES, 2014

Name	Commissions	Remunerations Committee	Audit Committee	Independent in relation to the company and corporate management	Independent in relation to major shareholders	Participation in Board meetings	Participation in Remuneration Committee	Participation in Audit Committee	Board fee including committee remuneration (SEK)
Tord Johansson	Chair	Board member	-	No <sup>1)</sup>	No <sup>2)</sup>	10 (10)	2 (2)	1 (1)	340,000
Anna Benjamin	Board member	-	Chair	Yes	Yes	9 (10)	-	2 (2)	190,000
Sune Lantz <sup>3)</sup>	Board member	Board member	Board member	Yes	Yes	7 (8)	1 (1)	1 (1)	140,000
Anders Moberg	Board member	-	-	Yes	Yes	10 (10)	-	-	150,000
Fredrik Rapp	Board member	-	Board member	Yes	No <sup>2)</sup>	10 (10)	-	2 (2)	180,000
Stig-Olof Simonsson	Board member	-	-	Yes	Yes	9 (10)	1 (1)	-	160,000
Lottie Svedenstedt	Board member	Chair	-	Yes	Yes	10 (10)	2 (2)	-	190,000
Ulf Rostedt	CEO	-	-	No	Yes	8 (10) <sup>4)</sup>	2 (2) <sup>4)</sup>	-	-
									<b>1,350,000</b>

<sup>1)</sup> Tord Johansson works for the company on a consultancy basis.

<sup>2)</sup> Tord Johansson and Fredrik Rapp each controlled, via their own holdings and holdings through companies, more than ten per cent of the shares and votes in ITAB, which according to the Code is not to be viewed as independent in relation to larger shareholders.

<sup>3)</sup> Sune Lantz was elected to the Board in conjunction with the 2014 Annual General Meeting.

<sup>4)</sup> Ulf Rostedt has participated as deputy at Board meetings and at the Remuneration Committee's meeting.

More information about the Board and corporate management is provided on pages 82-83.

Jönköping, 17 March 2015

Tord Johansson  
Chairman

Anna Benjamin  
Board member

Sune Lantz  
Board member

Anders Moberg  
Board member

Fredrik Rapp  
Board member

Stig-Olof Simonsson  
Board member

Lottie Svedenstedt  
Board member

Ulf Rostedt  
CEO

### AUDITOR'S STATEMENT CONCERNING THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of ITAB Shop Concept AB (publ), corporate reg. no. 556292-1089

The Board of Directors is responsible for the Corporate Governance Report for 2014 on pages 78-81 and for ensuring that it is prepared in accordance with the Annual Accounts Act. We have read the Corporate Governance Report and, based on this and our knowledge of the company and the Group, believe we have sufficient grounds for our opinion. This means that our statutory review of the Corporate Governance Report has a different focus and a significantly reduced scope compared with the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We consider that a Corporate Governance Report has been prepared, and that its statutory information is consistent with the annual accounts and the consolidated accounts.

Jönköping, 24 March 2015  
Ernst & Young AB

Håkan Sundberg  
Authorised Public Accountant