

# CORPORATE GOVERNANCE REPORT

## 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 of Corporate Governance ("the Code") since 1 July 2008.

The Swedish Companies Act states that there should be three decision-making organs in the company: the general meeting, the board and the managing director. 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.

Good corporate governance involves insuring that companies are managed sustainably, responsibly and as efficiently as possible for the shareholders. Trust among legislators and in society that the companies are acting responsibly is decisive for the companies' freedom to realise their strategies in order to create value. Trust among existing and potential investors that this is taking place is decisive for their interest in investing in the companies. In this way, the business sector's freedom to develop and its supply of venture capital and expertise are safeguarded. The purpose of the Swedish Code of Corporate Governance ("the Code") is to strengthen trust in Swedish listed companies by promoting positive development of corporate governance in these companies. The Code supplements legislation and other regulations by specifying a standard for good corporate governance with a high level of ambition, but also makes it possible for companies to deviate in individual cases if it is considered that this would result in better corporate governance.

## 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 OMX Nordic in the Mid Cap segment.

The information requirements that ITAB consequently has to fulfil are set out in the "issuer regulations" issued by the Stock Exchange. 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 95.

## SHAREHOLDERS

At the end of 2017, the number of shareholders in ITAB amounted to 4,293 (4,925). Institutional ownership made up 6.20 per cent of the votes and 18.29 per cent of the capital. The ten largest shareholders accounted for 91.66% of the votes and 75.45% 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. Petter Fägersten controls 17.24 per cent of the capital and 52.61 per cent of the votes. Pomona-gruppen holds 29.49 per cent of the capital and 29.32 per cent of the votes.

## 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.

## THE ANNUAL GENERAL MEETING

The Annual General Meeting convenes once a year in order to decide on whether to adopt the annual accounts and consolidated accounts, on the discharge from liability for members of the Board and the CEO, and on the appropriation of profits or losses for the past year. 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 2017

ITAB's 2017 Annual General Meeting was held on Tuesday 9 May. Attending the Meeting were 97 shareholders representing 88.83 per cent of the votes and 67.07 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 1.75 per share, for a total of SEK 179.2 million.
- Re-election of board members Anna Benjamin, Petter Fägersten, Sune Lantz, Anders Moberg, Fredrik Rapp and Lottie Svedenstedt, and election of Per Borgklint.
- Fredrik Rapp was elected Chairman of the Board.
- Anders Rudgård (Chairman), Fredrik Rapp and Johan Storm were elected to the Nomination Committee.
- The registered auditing company Ernst & Young AB was selected as auditor, with authorised public accountant Stefan Engdahl 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.

## ANNUAL GENERAL MEETING 2018

ITAB's 2018 Annual General Meeting will be held on Monday 7 May at 4 pm in ITAB's premises at Instrumentvägen 2 in Jönköping. Further information can be found on page 101.

## NOMINATION COMMITTEE

The company shall have a 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.

At the 2017 AGM, shareholders who jointly represent more than 80 per cent of the votes in ITAB

appointed a Nomination Committee comprising Anders Rudgård as Chairman and Fredrik Rapp and Johan Storm as members.

The Nomination Committee's task ahead of the 2018 AGM is to propose a Chairman of the Board and other Board members, as well as fees and other remuneration for Board assignments for each of the Board members. In the assessment of the Board's evaluation and in its proposals, the Nomination Committee will pay particular attention to the demand for diversity and breadth in the Board, as well as endeavour to achieve an even gender distribution. The Nomination Committee will also submit proposals regarding the choice of auditor and fees for the auditor.

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. 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. Fredrik Rapp (Chairman), Anna Benjamin, Per Borgklint, Petter Fägersten, Sune Lantz, Anders Moberg and Lottie Svedenstedt. A more detailed presentation of the Board members can be found on page 96.

The Board members elected by the AGM include individuals representing ITAB's major shareholders as well as independents (see table on page 95). 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 seven Board meetings during 2017, all 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, internal control, policies and guidelines, as well as major investments.

The Board conducts an annual evaluation, where a questionnaire is sent out to all members. The results are compiled by the Chairman of the Nomination Committee, who then provides feedback to each member. 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 2017 also covered the following:

1. **7 February.** Year-end report 2016, report from the Audit Committee in which the auditors' overall observations during the

audit of the 2016 accounts were presented, evaluation of the Board's work in 2016. The Audit Committee's account for the internal audit.

2. **9 May.** Interim report, three months, conditions ahead of Annual General Meeting.
3. **9 May.** Statutory Board meeting.
4. **12 July.** Half-yearly report.
5. **13-14 September.** Group strategy.
6. **1 November.** Interim report, nine months. The Audit Committee's account for the internal audit.
7. **7 December.** Budget 2018.

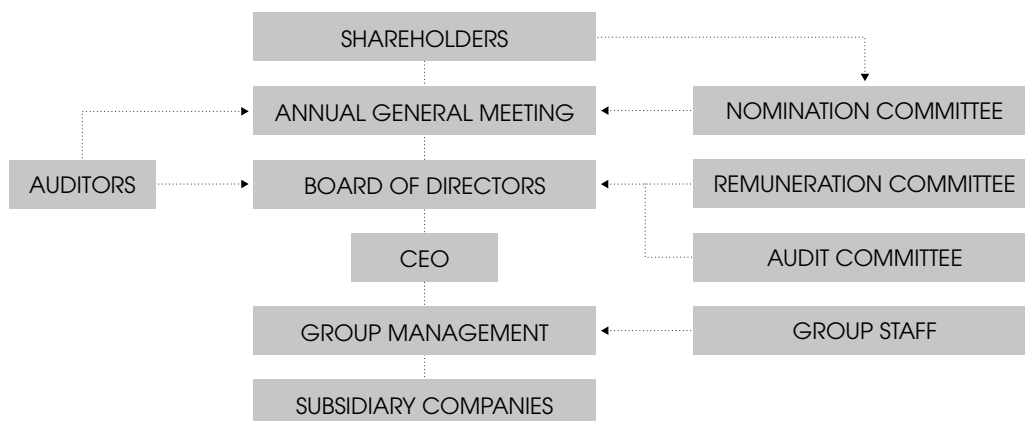
#### AUDIT COMMITTEE

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.

ITAB's Audit Committee comprises Anna Benjamin (Chair of the Committee), Per Borgklint and Sune Lantz.

During 2017, the Audit Committee has held two minuted meetings in which the majority of 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. ▶

## CORPORATE GOVERNANCE



## ► 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.

ITAB's Remuneration Committee comprises the Board members Fredrik Rapp (Chairman of the Committee), Anders Moberg and Lottie Svedenstedt.

The Remuneration Committee has held one minuted meeting with all members present regarding remunerations in 2017.

## CEO

The CEO 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 2017 Annual General Meeting and related to the term up to and including the 2018 Annual General Meeting. The company's auditor is the registered auditing company Ernst & Young AB,

with authorised public accountant Stefan Engdahl as auditor with overall responsibility. Alongside his duties for ITAB Shop Concept AB, Stefan Engdahl also has auditing assignments for e.g. Doro AB, AGES Industri AB and Nolato AB.

## DEVIATIONS FROM THE CODE

There are no deviations to report for 2017.

## PRINCIPLES FOR THE REMUNERATION OF MANAGERIAL EMPLOYEES, INCENTIVE PROGRAMMES

The Board proposes that 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 2017 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 six 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 the 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.

At the 2014 and 2016 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. COSO is a framework for evaluating a company's internal control over financial reporting. The framework streamlines the work with the internal controls.

The risk map has been updated during the year, which forms the basis for a revised internal audit programme. In addition to the business risks, the internal controls have focused on formalities, procedures and processes linked to the updated risk map.

## FINANCIAL REPORTING

All subsidiaries submit monthly reports concerning economic outcomes, in accordance with the Group's internal finance manual. The reporting is consolidated and constitutes the basis for quarterly reports and operative follow-up. This operational follow-up is carried out in accordance with an established structure where incoming orders, invoicing, liquidity, profit, capital binding and other key figures of importance for the Group are collated and form the basis for analysis and measures by the 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.

Responsibilities and authorisation are defined in CEO instructions, instructions concerning attestation rights, manuals 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 identify, 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

The work with internal control takes place in an internal audit programme that covers all subsidiary 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 AT THE END OF 2017

Name	Com- missions	Remunera- tions Committee	Audit Committee	Independent in relation to the company and corporate management	Independent in relation to major shareholders	Participation in Board meetings <sup>3)</sup>	Participation in Remuneration Committee <sup>3)</sup>	Participa- tion in Audit Committee	Board fee incl. committee remuneration (SEK)
Fredrik Rapp	Chair	Chair	-	Yes	No <sup>1)</sup>	7 (7)	1 (1)	-	340,000
Anna Benjamin	Board member	-	Chair	Yes	No <sup>1)</sup>	7 (7)	-	2 (2)	190,000
Per Borgklint	Board member	-	Board member	Yes	Yes	4 (5)	-	1 (1)	180,000
Petter Fägersten	Board member	-	-	No <sup>4)</sup>	No <sup>1)</sup>	7 (7)	-	-	150,000
Sune Lantz	Board member	-	Board member	Yes	No <sup>2)</sup>	7 (7)	-	2 (2)	180,000
Anders Moberg	Board member	Board member	-	Yes	Yes	6 (7)	1 (1)	-	180,000
Lottie Svedenstedt	Board member	Board member	-	Yes	Yes	7 (7)	1 (1)	-	180,000
									<b>1,400,000</b>

<sup>1)</sup> Fredrik Rapp, Petter Fägersten and Anna Benjamin, via their own holdings and holdings through companies, controlled more than ten per cent of the shares or votes in ITAB, which is why they are not to be considered as independent in relation to major shareholders.

<sup>2)</sup> As a result of previous employment in companies closely related to the main owner, Sune Lantz is considered to be dependent in relation to major shareholders.

<sup>3)</sup> CEO Ulf Rostedt has participated as deputy at 7 Board meetings and at 1 Remuneration Committee meeting.

<sup>4)</sup> By virtue of his former employment in subsidiaries in the ITAB Group, Petter Fägersten is judged to be dependent in relation to the company and the company management.

More information about the Board and corporate management is provided on pages 96-97.

Jönköping, 26 March 2018

Fredrik Rapp  
Chairman

Anna Benjamin  
Board member

Per Borgklint  
Board member

Petter Fägersten  
Board member

Sune Lantz  
Board member

Anders Moberg  
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

#### Assignments and division of responsibility

The Board of Directors is responsible for the Corporate Governance Report for 2017 on pages 92-95 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

#### Focus and scope of the examination

Our examination has been conducted in accordance with FAR's statement RevU 16 Auditor's examination of the Corporate Governance Report. This means that our examination 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 believe that this examination provides a sufficient basis for our opinion.

#### Opinion

A Corporate Governance Report has been prepared. Information pursuant to Chapter 6, Section 6, subsection 2, points 2-6 in the Annual Accounts Act, as well as Chapter 7, Section 31, subsection 2 of the same Act, is compatible with the annual accounts and the consolidated accounts.

Jönköping, 27 March 2018  
Ernst & Young AB

Stefan Engdahl  
Authorised Public Accountant