

# Corporate Governance Report

2017



Strategy made personal

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BTS Group AB is a public limited liability company based in Stockholm, Sweden, and listed on Nasdaq Stockholm AB. Consequently the BTS Group's corporate governance is based on Swedish legislation and regulations such as the Companies Act, the set of rules for issuers on Nasdaq Stockholm, the Swedish Code of Corporate Governance (the Code) and the Company's own articles of association.

Since 2008, BTS Group follows the Code in all essential parts, although some adjustments to the Company's smaller size has been assessed appropriately.

## Corporate governance structure

The corporate bodies of BTS Group AB comprise the following:

Annual General Meeting (AGM)	– highest decision-making body
Board of Directors	– has ultimate responsibility for the Company's organization and management
Chief Executive Officer (CEO)	– has responsibility for day-to-day management
Auditors	– audit the Board of Directors' and CEO's management at the request of the shareholders/Annual General Meeting.

## Shareholders

The total number of shares outstanding is 18,887,051, consisting of 853,800 Class A and 18,033,251 Class B shares. Each Class A share entitles the holder to ten votes per share, each Class B one vote per share.

At December 31, 2017, BTS Group AB had 1,412 shareholders. The ten largest shareholders had total shareholdings corresponding to 82.0% of shares and 87.2% of votes. A list of the largest shareholders is found on page 55 in the Annual Report.

## Annual General Meeting

BTS's highest decision-making body is the Annual General Meeting (AGM). Notice of the AGM shall be published no earlier than six weeks and no later than four weeks before the AGM and shall appear in Post- och Inrikestidningar and Svenska Dagbladet. All shareholders entered in the share register on the record date who have notified the Company in time of their intention to participate in the AGM may do so. Shareholders unable to attend can be represented by proxy.

The AGM elects the Company's Board and the Chairman of the Board. The business of the AGM includes

- adopting the income statement and balance sheet,
- determining the appropriation of the Company's earnings,
- determining whether to discharge the members of the Board and the CEO from liability to the Company,

- electing auditors,
- determining fees to be paid to the Board and auditors, and
- adopting guidelines for remuneration to senior executives.

## 2017 Annual General Meeting

The 2017 AGM was held on Tuesday, May 12, 2017, at the Company's offices in Stockholm. 28 shareholders attended, representing 78.2% of the number of shares outstanding and 84.5% of the votes. Decisions made included the following:

- The income statement and balance sheet and the consolidated income statement and balance sheet for the fiscal year 2016 were adopted.
- The proposed dividend of SEK 2.50 per share was approved.
- The Board of Directors and CEO were discharged from liability for management during the fiscal year as recommended by the auditors.
- A total of SEK 1,050,000 in fees was approved to be paid to members of the Board who receive no salary from the Company or any subsidiary, of which SEK 350,000 shall be paid to the Chairman and SEK 175,000 each to other members. For work on Board committees, fees totaling SEK 90,000 shall be paid.
- Auditors' fees were approved to be paid based on approved invoices.
- Mariana Burenstam Linder, Henrik Ekelund, Stefan Gardefjord, Reinhold Geijer and Dag Sehlin were re-elected, and Anna Söderblom was newly elected, to the Board for the period until the next AGM. Reinhold Geijer subsequently was appointed Chairman of the Board.
- For the period until the next Annual General Meeting the accounting firm Öhrlings PricewaterhouseCoopers AB was re-elected as auditor who appointed Magnus Thorling as chief auditor for the audit.
- Instructions for the nominating committee were assumed, such that the committee be made up of representatives from the three shareholders controlling the most votes, based on Euroclear Sweden AB's data at September 30 respective year, and the Chairman of the Board, and is valid until the AGM decides otherwise.
- Guidelines for remuneration and other terms of employment for senior executives were determined.
- The Board of Directors was authorized to decide, during the period until the next AGM, whether to issue shares or convertible instruments that would result in a maximum of 1,200,000 Class B shares being issued for capital contributed in kind or as offsets. This authorization refers to corporate acquisitions.

## Nominating committee

The nominating committee has the task of preparing and submitting proposals to the AGM concerning the following, when relevant.

- Election of a president for the AGM
- Election of the Chairman of the Board and other members of the Board
- Board fees: in total and divided among the Chairman and other members of the Board as well as compensation for work on committees, when relevant
- Audit fees
- Election of auditor and deputy auditor, when relevant
- Adoption of a policy for appointing the nominating committee.

A nominating committee for BTS Group AB was appointed on October 25, 2017. BTS's three largest shareholders in consultation with Reinhold Geijer, Chairman of the Board, appointed Anders Dahl (representing Henrik Ekelund), Erik Durhan (appointed by Nordea Funds), Stefan af Petersens (own holdings) and Reinhold Geijer to the committee. Anders Dahl was appointed chairman of the nominating committee.

Shareholders in BTS Group AB have been able to contact the nominating committee to propose candidates to the Board.

All of the nominating committee's candidates based on the above will be announced in the notice for the 2018 AGM. The nominating committee's statement supporting its proposal for the Board of Directors of BTS Group AB as well as the information about the candidates recruited by the committee will be published on BTS's web site when the proposal is announced.

## Board of Directors

The Board of Directors has ultimate responsibility for the Company's organization and management and is appointed by the shareholders at each AGM for the period from that AGM until the end of the next. BTS's Board decides on issues such as strategic direction, acquisitions, investments, financing, and Group-wide policies. BTS's Board shall also insure proper disclosure to BTS's various stakeholders.

The articles of association specify that BTS's Board shall consist of no fewer than three and no more than eight members. The AGM held on May 12, 2017, decided that for the period until the next AGM the Board would consist of six members and no deputy members.

## Composition and independence of the 2017 Board

Member	Position	Elected	Committee work	Independent	Board meeting attendance
Reinhold Geijer	Chairman of the Board	2016		Yes	12/12
Mariana Burenstam Linder	Member	2004		Yes	12/12
Henrik Ekelund	Member	1986		No <sup>1</sup>	12/12
Stefan Gardefjord	Member	2003	Audit committee	Yes	11/12
Dag Sehlin	Member	2003	Audit committee	Yes	12/12
Anna Söderblom	Member	2017		Yes	7/8

<sup>1</sup>Henrik Ekelund is the largest shareholder and is President and CEO of BTS Group.

Once each fiscal year, the work of the Board is assessed, either by the Board alone or with external assistance, providing a basis for the Board's procedures in the future.

The Board is deemed to comply with the Nasdaq Stockholm marketplace rules and the Swedish Code of Corporate Governance regarding requirements on independence of members of the Board in relation to the Company, Company management and large shareholders.

Information about the Board of Directors is to be found on page 96–97 in the Annual Report.

## The work of the Board of Directors

In addition to legislation and recommendations, a written set of procedures adopted annually governs the work of the Board. The Board's set of procedures is intended to clarify and regulate the Board's tasks and how it works as well as the division of responsibilities among the Chairman, other Board members, and the CEO. According to these procedures, the Board shall normally hold a minimum of four ordinary meetings. At each of these meetings, the Board deals with issues of material significance to the Company. In addition, the Board receives reports from senior management about current business conditions in the Group's market segments.

Board meetings are held periodically in connection with the Company's financial reports, and otherwise as required. The Board deals with the year-end report and proposed appropriation of earnings in February, interim reports in April–May, August, and October–November, and the budget for the coming year in December. Occasionally, an issue is delegated to the Chairman of the Board and the CEO for joint deliberation. The Company's CFO serves as Board secretary. During 2017, twelve meetings were held.

## Evaluation of the Board and the CEO

Every year the Board makes an evaluation of the work of the Board. The purpose of the evaluation is to get an opinion on the Board members' views on how the board work is conducted, and what measures can be taken to streamline the board work. The Nomination Committee has been informed of the content of the 2017 evaluation. The Board evaluates the ongoing CEO's work by following the development of the business towards set goals as well as through an annual CEO's evaluation.

## Compensation to the Board

The AGM held on May 12, 2017, approved a total of SEK 1,050,000 in fees to be paid to those Board members who

receive no salary from the Company or any of its subsidiaries, such that SEK 350,000 be paid to the Chairman and SEK 175,000 each to the members. The AGM also approved a total of SEK 90,000 in fees for work on Board committees.

The AGM also determined that auditors' fees will be paid based on approved invoices.

Members of the Board in the Parent Company have received compensation only in the form of Board fees. The Members of the Board are not included in any incentive programs for Group employees that are based on shares or share prices.

### **Compensation committee**

The compensation committee has the task of reviewing and recommending to the Board policies for compensation for the Company's senior executives, including performance-based payments and pension benefits. Issues concerning the CEO's terms of employment, compensation, and benefits are prepared by the compensation committee and decided by the Board. The duties of the compensation committee were performed during the year by the Board as a whole excluding the CEO.

The Board will propose policies for compensation and other terms of employment for the Company's senior executives for the approval of the AGM on May 16, 2018.

More information about compensation to senior executives is found in Note 6 of the annual report.

### **Audit committee**

The Board has appointed an audit committee. The task of the audit committee is to prepare the Board's work assuring the quality of the Company's financial reports. The audit committee also adopts guidelines on services other than auditing that the Company may purchase from the Company's auditors. The committee is also tasked with providing the nominating committee with an assessment of the audit work and of assisting the nominating committee in preparing the nominating committee's proposal to the AGM regarding the election of auditors as well as the size of the audit fee. The Company's CFO, also the Board secretary, prepared the business for the meetings. The audit committee has had two meetings in 2017.

### **Auditors**

The auditors examine the management of the Company by the Board and CEO and the quality of the Company's accounts and they report the results of their audit to the shareholders through the audit report, which is submitted at the AGM. In addition, the auditor participates in the Board meeting when the financial accounts are presented and submits a report on the audit of the Company's earnings, financial position, and internal control. The Company's auditor may also submit a statement of his findings directly to the Chairman of the Board, if deemed necessary. The Board shall at least once a year, without the presence of the CEO or other members of management, meet the Company's auditor. During the year, the auditor participated in one board meeting, and on this occasion also reported the audit in writing.

The auditor is elected by the AGM for a period of one year. The 2017 AGM re-elected the registered public accounting firm Öhrlings PricewaterhouseCoopers AB who appointed Magnus Thorling as managing auditor for the period until the end of 2018 AGM.

More information about compensation to auditors is found in Note 4 of the annual report.

For 2017, the Company's auditors did not review BTS's semi-annual report or the nine-month interim report, which deviates from the Code. The Board has determined to date that the additional costs of such reviews have not been justifiable.

### **Senior executives**

BTS's senior executives include: Henrik Ekelund, President & CEO of BTS Group AB, and Stefan Brown, CFO and Vice President of BTS Group AB.

More information about senior executives is found on page 98 of the annual report.

### **Guidelines for compensation and other terms of employment for senior executives**

The AGM held on May 12, 2017, adopted policies for compensation to senior executives. These mean that BTS shall employ persons on terms and at salaries commensurate with the market to be able to recruit and retain employees with excellent skills and of a high caliber to reach the Company's goals. When employing persons in different countries, the Company shall comply with each country's generally accepted forms of employment and good practice.

Forms of compensation are intended to achieve a consensus on the long-term view of operations by rewarding performance that benefits the Company and thus the shareholders. Compensation paid to individual employees will be based on their position and tasks, performance, skills, and experience. Compensation will normally consist of a fixed basic salary and defined-contribution pension benefits, the latter no more than 35% of the fixed basic salary for the CEO of the Parent Company and no more than 30% of the fixed basic salary for other senior executives. When deemed appropriate, the basic salary and pension benefit can be augmented by variable compensation, other benefits, and participation in incentive programs. Only the CEO in the Parent Company is entitled to a severance package, corresponding to 12 months' salary if the Company terminates his employment contract.

The Board is entitled to deviate from the principles above in individual cases under special circumstances.

### **Information and communication**

The overall goal of BTS's communication is to provide shareholders and employees, actors in the market, and other stakeholders with an up-to-date, true, and fair view of the Company and its business operations. Communication shall be correct, credible, characterized by good relevance to the Company's stakeholders, and based on on-going contacts, clarity, and good ethics. BTS believes that high-quality communication efforts actively help bolster confidence in the Company and the management, making it easier to achieve business objectives.

BTS publishes up-to-date information about the Company on its web site. Interim reports and annual reports are published in Swedish and English. Events that could be expected to affect the share price are announced in press releases. In addition, the Company communicates with mass media, capital markets, and shareholders when interim reports are published and also participates in other activities on an ongoing basis.

### **The Board of Directors' description of internal control concerning financial reports**

Good corporate governance is about organization and routine in a good control environment, the proper handling of financial information, and minimizing risk. A good control environment is also based on an organizational structure with explicit and documented delegation of decision-making authority, straightforward policies and guidelines, and a corporate culture with good common values.

### **Control environment**

Internal control at BTS is based on a control environment embracing the organization, lines of decision-making, authority, and responsibility. The Board of Directors has a written set of procedures that clarifies the Board's responsibility and regulates how Board tasks are delegated. The set of procedures also specifies which issues are submitted to the Board for a decision. How roles are divided between the Board and the CEO is established in the Board's set of procedures and its instructions to the CEO. The Board and the CEO also manage the business with reference to the Companies Act, other laws and regulations, rules and regulations for stock market companies, and the Code, etc.

The Company has established policies in areas such as financial reporting, IT and IT security, human resources (compensation to senior executives), sustainability etc. The Board's instructions to the CEO specify financial responsibilities and authority, as do procedures adopted for authorization. To limit and control financial risk, the Board has adopted a financial policy.

The Company's operating organization is adopted and communicated through an organization chart augmented by the assignment of roles and responsibilities.

The Board of Directors follows up to insure that policies adopted for financial reporting and internal control are adhered to and maintains appropriate relationships with the Company's auditors. Company management is responsible for the system of internal controls required for managing significant risks in operating activities.

### **Risk assessment and control activities**

The Board of Directors has ultimate responsibility for risk management. A well-defined organization and decision-making procedure are intended to foster prudent risk taking and good awareness of risk among employees. To insure that internal routines and controls have worked adequately and uniformly, the most important processes have procedural descriptions. Built-in checkpoints also minimize the risk of errors in accounting. Likewise, procedures for the Company's accounting and consolidation systems have been documented. Ongoing activities aim at maintaining good internal control, thus avoiding and detecting risks.

### **Information and communication**

Significant guidelines, manuals, and such that govern financial reporting are updated and communicated on an ongoing basis to personnel affected in the Group. Formal as well as informal channels to Company management and the Board exist to transmit significant information from employees. For external communication, the Company follows the governing regulations discussed above.

### **Follow-up**

The Board of Directors continuously evaluates the information provided by Company management. The work of the Board includes insuring that actions are taken concerning any deficiencies or proposals for corrective action arising from external audits.

BTS has no internal audit unit of its own, based on the assessment that there are no special circumstances in operating activities according to Group size, organization and reporting structure or other conditions to justify such a unit. The follow-up performed by the Board and management is considered to meet the need.

## **Auditor's report on the corporate governance statement**

To the general meeting of shareholders in BTS Group AB (publ), corporate identity number 556566-7119

### **Engagement and responsibility**

It is the Board of Directors who is responsible for the corporate governance statement for the financial year 2017 found on pages 92–95 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 a sufficient basis for our opinions.

### **Opinions**

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6, section 6, second paragraph, points 2–6 of the Annual Accounts Act and chapter 7, section 31, second paragraph of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, April 23, 2018  
Öhrlings PricewaterhouseCoopers AB

Magnus Thorling  
Authorized Public Accountant