

# CORPORATE GOVERNANCE

Corporate governance structured around the Group's operations is essential to commercial success and increased profitability. In 2012, work at Gunnebo included the integration of acquired and newly established operations into the Group.

Gunnebo AB (publ) is listed on the NASDAQ OMX Nordic Exchange Stockholm and, in addition to Swedish law, the Group's corporate governance is based on the Swedish Corporate Governance Code (referred to below as "the Code"), NASDAQ OMX Stockholm AB's Rule Book for Issuers and the Swedish Securities Council's statements. This Report summarises the structure of corporate governance and how corporate governance has been performed and developed within the Group during the 2012 financial year. Gunnebo complies with the regulations of the Code in all respects.

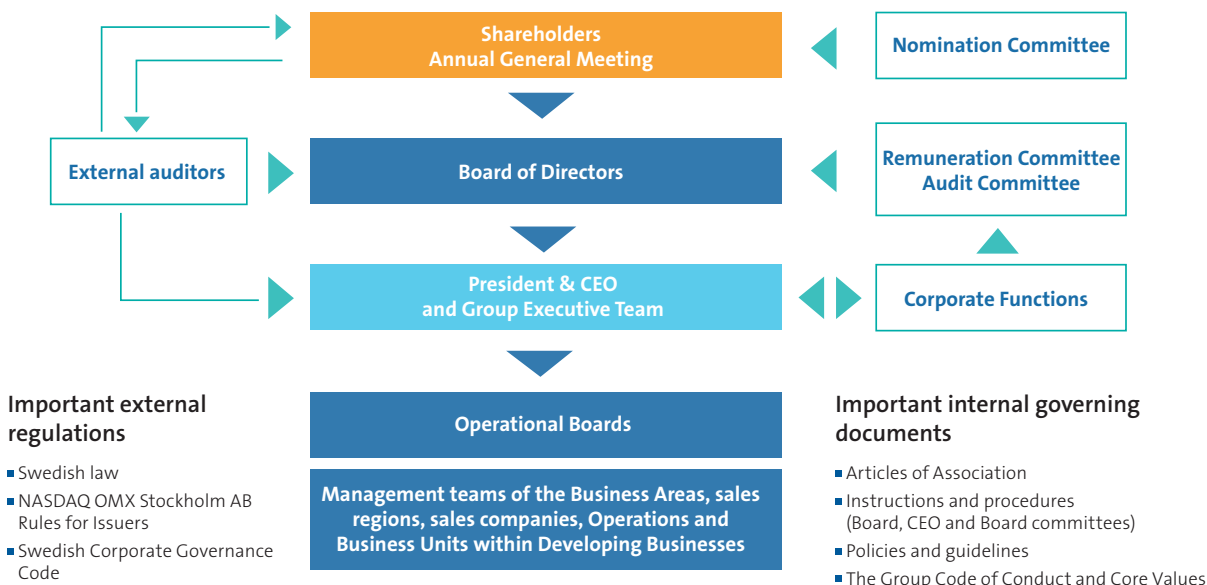
## Governance and division of responsibilities

Effective corporate governance involves a well-defined division of duties and responsibilities, transparency vis-a-vis the shareholders and efficient governance and effective control over the Group's operations

to ensure that it meets established targets. The following groups are primarily in charge of the governance, management, control and divisions of responsibilities at Gunnebo:

- Shareholders
- Board of Directors
- President
- Group Executive Team
- Operational Boards
- Management teams of the Business Areas, sales regions, sales companies, Operations and business units within Developing Businesses
- Corporate functions

## Overview of Gunnebo's corporate governance



## For more information

- Swedish Companies Act, [www.regeringen.se](http://www.regeringen.se)
- NASDAQ OMX Stockholm, [www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com)
- Swedish Corporate Governance Code and special rules for corporate governance: [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)

## Shareholders

At year-end 2012, the number of shareholders in Gunnebo amounted to 9,928. The percentage of Swedish financial ownership was approximately 20% and foreign ownership was 11%. 13% of the share capital was owned by Swedish natural persons, meaning that 87% of the company was owned by legal entities or foreign natural persons.

A table of the largest shareholders and further information about Gunnebo's ownership structure is available under the section "The Gunnebo Share" on pages 92–93.

## General Meetings

Shareholders exercise their influence at the Annual General Meeting or, if held, at Extraordinary General Meetings, which are Gunnebo's highest decision-making bodies. All shareholders registered in the transcript or other statement of the shareholders' register a certain amount of time before the Meeting and who have registered their attendance at the Meeting before the stipulated deadline in the notice to attend are entitled to participate in the Meeting and exercise full voting rights. Shareholders who are unable to attend the Meeting in person may appoint a proxy. Shareholders wishing to have an issue addressed by a General Meeting should submit their request to the Chairman of the Board by e-mail to [info@gunnebo.com](mailto:info@gunnebo.com) or by post to Gunnebo AB to the address printed on the back cover of this Annual Report. Such a request should be submitted far enough in advance to be included in the convening notice to the General Meeting.

### 2012 Annual General Meeting

The 2012 Annual General Meeting was held on 26 April at Lisebergsteatern in Gothenburg, Sweden. A total of 82 shareholders took part in the Meeting, representing 60% of the number of shares and votes in the company.

Martin Svalstedt, Göran Bille, Bo Dankis, Mikael Jönsson and Katarina Mellström were re-elected as members of the Board of Directors and Charlotte Brogren and Tore Bertilsson were elected as new members of the Board. The Annual General Meeting also re-elected Martin Svalstedt as Chairman of the Board. In addition to resolutions in ordinary matters, the Annual General Meeting resolved on the introduction of a share-based incentive programme for senior executives and key individuals. The Annual General Meeting resolved on a dividend of SEK 1.00 per share to the shareholders.

### 2013 Annual General Meeting

The next Annual General Meeting of shareholders in Gunnebo will be held in the Chalmers Student Union building, Chalmersplatsen 1 in Gothenburg, Sweden, on Tuesday, 9 April 2013. More information about the Annual General Meeting is available on page 96 of this Annual Report and will be published on [www.gunnebogroup.com](http://www.gunnebogroup.com).

## Nomination Committee

The task of the Nomination Committee is to present proposals to the Annual General Meeting for decisions in such matters as the election of the Chairman of the Meeting, Board members (number, name and Chairman), fees to the Board of Directors, remuneration for Committee work, auditor's fees, procedures for the appointment of the Nomination Committee and, where applicable, the election of auditors. It was decided at the 2012 Annual General Meeting that, for the period until the 2013 Annual General Meeting, Gunnebo's Nomination Committee would consist of one representative from each of the three largest shareholders as of 30 September 2012 as well as the Chairman of the Board. This means that the following shareholder representatives constituted the Nomination Committee for the period until the 2013 Annual General Meeting: Dan Sten Olsson (Stena Adactum AB), Nils-Olov Jönsson (Vätterledens Invest AB), Ricard Wennerklint (If Skadeförsäkrings AB) and Martin Svalstedt, Chairman of the Board and convener. The Chairman of the Nomination Committee is Dan Sten Olsson. In the Nomination Committee's opinion, all of the Committee members are independent of the company and its executive management. Furthermore, Nils-Olov Jönsson and Ricard Wennerklint are independent of the company's largest shareholder. At the end of the third quarter, the Nomination Committee represented 58% of the number of shares and votes in the company. No remuneration is paid by the company to the members for their work on the Nomination Committee. The Nomination Committee held one meeting prior to the date of this Annual Report.

Contact the Nomination Committee by post to Gunnebo AB to the address printed on the back cover of this Annual Report or by e-mail to [info@gunnebo.com](mailto:info@gunnebo.com).

## Board of Directors

The overall task of the Board of Directors is to manage the interests of the shareholders. It is also the Board's duty and responsibility to ensure that this Corporate Governance Report is prepared. The Articles of Association stipulate that the Board shall comprise no fewer than five and no more than seven members, with no more than two deputies.

The 2012 Annual General Meeting resolved that, for the period until the 2013 Annual General Meeting, Gunnebo's Board would comprise seven ordinary members and no deputies. In addition, Gunnebo's Swedish trade unions are entitled to appoint two ordinary Board members and two deputies.

The Chairman of the Board is appointed by the Annual General Meeting. None of Gunnebo's senior executives are members of the Board. The Group's President and CEO, and the CFO, participate at Board meetings, the latter also serving as secretary. Furthermore, other senior executives participate at meetings whenever required.

### Independence of Board members

Pursuant to the Code, the majority of Board members elected at the Annual General Meeting must be independent of the company and its executive management. At least two members who are independent of the company and its executive management must also be independent of the company's major shareholders. The shareholdings of the individual Board members and their independence of the company, its executive management and the major shareholders, and other assignments in other companies are presented in the table on page 78 and the presentation of Board members on pages 82–83.

### The Board's rules of procedure

The Board's work is primarily governed by the Swedish Companies Act, the Code and the Board's rules of procedure. The rules of procedure are adopted every year at the statutory meeting of the Board. The current rules of procedure state that the Board shall hold at least five scheduled meetings between Annual General Meetings and describe the matters to be addressed at each meeting. The rules of procedure also outline the division of work and responsibilities between the Board, the Chairman, the Committees and the President.

The Board's tasks include establishing strategies, business plans, operational targets, interim reports and year-end reports. Furthermore, it is the Board's duty to decide on significant changes to the organisation of Gunnebo and its business activities and continuously evaluate the work of the President.

### Meetings' report

In 2012, the Board held nine scheduled meetings. During these meetings, reports from the President, the accounts at the close of interim periods, the budgets for 2012 and 2013, interim and annual reports, financial statements, reports from the Board's Committees and the Nomination Committee, and items pertaining to the Annual General Meeting were addressed. The following topics were also discussed:

- Strategic issues
- Investment issues
- New financing
- Acquisition of Hamilton Safe
- New establishments
- Investments in China and India
- Board evaluations
- Evaluation of President
- Rules of procedure

No Board members registered reservations against any decisions during the year.

### Evaluation of the Board's work

The work of the Board is evaluated every year by a survey, the results of which form the basis for continuous improvements to the Board's work. The evaluation includes issues regarding the composition of the Board, meetings, material, Committees and the manner in which the Chairman of the Board and the Board perform their main duties in accordance with the Code.

### Chairman

Martin Svalstedt was re-elected the Chairman of the Board of Directors at the Annual General Meeting held on 26 April 2012. It is the Chairman of the Board's responsibility to ensure that the Board's work is conducted efficiently. This includes ensuring that the Board completes its duties, and monitoring the progress of the company and ensuring that the other members continuously receive the information required for the Board to perform its work to the necessary standard and in accordance with the relevant regulations. The Chairman does not participate in the operational management of the company.

### President

Per Borgvall is the President of Gunnebo and leads the company in accordance with the rules of procedure adopted by the Board. The President is also responsible for ensuring that the Board receives the information and material necessary for making decisions. Furthermore, he presents reports at Board meetings and continuously keeps the Board and Chairman informed of the Group's and company's financial position and performance.

It is the President's responsibility to implement and ensure the execution of the strategies, business plans and operational targets adopted by the Board.

The President's work in 2012 focused on continuing to implement the strategic plan adopted by the Board in 2010. During the year, the President actively worked to enable and simplify growth opportunities, primarily in markets outside Europe. As a part of this, a major acquisition of Hamilton Safe in the US was completed in August. On the capital market day in September, the President also introduced the next phase in the Group's development, the Delivery phase, the primary goal of which is to deliver the Group's financial targets. During the year, the President also carried out continuous steps to address the excessively high fixed costs in Europe.

### Group Executive Team

The Group Executive Team presented on pages 84–85 of this Annual Report is current as of 1 April 2013 and comprises the President, the Senior Vice Presidents of the Business Areas and the regions of EMEA and Americas, the Senior Vice President of Operations, and the CFO.

The task of the Group Executive Team is to establish, implement and monitor strategies and guidelines for the Group's operations following decisions made by the Board. This work is ensured by having the SVPs of the Business Areas, regions and Operations represented in the Group Executive Team.

The Group Executive Team's work in 2012 continued to focus on implementing the set strategy, integration of the business acquired in Brazil in the fourth quarter of 2011, the acquisition and integration of the US company, Hamilton Safe, business development, cuts of the Group's fixed costs, purchasing savings and reprioritising resources and supporting the emerging markets in Asia and the Americas. The Group Executive Team is also responsible for continuously assessing and deciding on the tenders Gunnebo submits for major transactions.

### **Operational Boards**

Each region, sales company and Business Area, as well as Operations, has an operational board. The operational boards are the bodies under the Group Executive Team that are responsible for ensuring and following up on the implementation of the decisions made.

The President, the SVPs of the Business Areas and regions, and the SVP Operations share the Chairmanship of the operational boards. Other members of the operational boards are representatives from the respective management groups of each of these parts of the business.

In the operational boards, focus during the year has also been on reprioritising resources to benefit emerging markets, activities related to adjusting costs and the development of the Group's market offering with the aim of increasing customer benefits. In addition, the boards followed up on observations noted in internal and external audits.

### **Operational management**

Gunnebo's operational management comprises the four Business Areas Bank Security & Cash Handling, Secure Storage, Global Services and Entrance Control, as well as Operations, the two management groups within Developing Businesses and the 32 sales companies, which are divided into the regions of EMEA, Americas and Asia-Pacific. The operational management groups in the Group's Business Areas are responsible for drafting and communicating strategies concerning the Group's offering. The Group's 32 sales companies are then responsible for carrying out the set strategies, efforts that are then followed up by the operational boards.

The Business Units in Operations are responsible for the supply chain in the Group, which includes production, purchasing and logistics.

These management groups usually comprise the three to five most important heads of corporate functions and the relevant SVP.

### **Corporate functions**

Gunnebo's head office houses the corporate functions for the coordination of Operations (production, environmental issues, quality, logistics and purchasing), finance, financial control, business control, legal affairs, IT, HR, communications, brand management and investor relations. These functions are responsible for preparing relevant Group-wide strategies and business plans for their respective areas of responsibility and for driving, supporting and controlling the development of the organisation based on their respective areas of expertise.

### **Committees**

During 2012, the Board of Directors of Gunnebo had two Committees: the Remuneration Committee and the Audit Committee. The representatives sitting on these Committees are appointed by the Board from among its own ranks.

#### **Remuneration Committee**

The Remuneration Committee's task includes preparing issues pertaining to the conditions of employment for the Group Executive Team, succession planning and other personnel development issues prepared by the Group Executive Team and the Group's SVP HR. The Remuneration Committee also evaluates the application of the guidelines for remuneration to senior executives adopted by the Annual General Meeting. The Remuneration Committee follows written rules of procedure.

Following the Annual General Meeting held on 26 April 2012, the Committee comprised Martin Svalstedt (Chairman), Mikael Jönsson and Göran Bille. All of the members of the Remuneration Committee are independent of the company and company management and one member is also independent of the company's major shareholders. The Remuneration Committee held two meetings after the 2012 Annual General Meeting. Issues including performance requirements, bonus models and the incentive programme for senior executives were discussed during the year. The attendance of the committee members at meetings is presented in the table on page 78.

#### **Audit Committee**

The Audit Committee is a preparatory body for contact between the Board and the auditors. The Audit Committee follows written rules of procedure. The Committee's duties also include examining and monitoring the Group's financial reporting, external reporting, internal

control and ensuring the management and reporting of financial risks.

Following the Annual General Meeting held on 26 April 2012, the Committee comprised Bo Dankis (Chairman), Katarina Mellström and Tore Bertilsson. All of the members of the Audit Committee are independent of the company, company management and the company's major shareholders.

The Committee held four meetings during the year and the Group's auditors participated at all of them. The Group's auditors also participated at one Board meeting to present an account of their audit. Issues including the annual and interim accounts, the auditors' audit, risk management and internal audit were discussed during the year. The attendance of the committee members at meetings is presented in the table below.

### Financial reporting

Each Business Area, sales region and sales company as well as Operations and Developing Businesses report on their financial outcome every month. The major sales companies also report certain key figures on a weekly basis. These reports are compiled by Gunnebo AB's finance, financial control and business control corporate functions, and form the basis of further analyses and interim reporting to shareholders and the stock market.

### Incentive programme

The 2010 Annual General Meeting resolved to adopt an initial component of a "rolling" incentive programme comprising warrants (Incentive Programme 2010/2014). A total of 550,000 warrants were offered to

46 senior executives and other key individuals in the Group. The warrants were valued at market value externally in accordance with Black & Scholes valuation model and the price per warrant was set at SEK 3.30. A warrant entitles the holder to subscribe for a share in Gunnebo AB for SEK 32.00 during certain fixed periods during 2013-2014.

In conjunction with the 2011 Annual General Meeting, a second component of the rolling incentive programme (Incentive Programme 2011/2015) was adopted. A total of 575,000 warrants were offered to 49 senior executives and other key individuals in the Group. The warrants were valued at market value externally in accordance with Black & Scholes valuation model and the price per warrant was set at SEK 6.30. A warrant entitles the holder to subscribe for a share in Gunnebo AB for SEK 44.20 during certain fixed periods during 2014-2015.

In conjunction with the 2012 Annual General Meeting, a third component of the rolling incentive programme (Incentive Programme 2012/2016) was adopted. A total of 585,000 warrants were offered to 50 senior executives and other key individuals in the Group. The warrants were valued at market value externally in accordance with Black & Scholes valuation model and the price per warrant was set at SEK 4.00. A warrant entitles the holder to subscribe for a share in Gunnebo AB for SEK 31.40 during certain fixed periods during 2015-2016.

Since the participants, within the scope of the above incentive programme, have been offered acquisition of warrants at market price, the programme is not deemed to entail any accounting salary costs or similar costs in accordance with IFRS 2 for the Group.

However, costs in the form of social security charges may be payable in certain countries.

## Statistics on attendance and independence of Board members 2012

| Name<br>Elected at Annual General Meeting | Elected | Board meetings | Remuneration<br>Committee | Audit<br>Committee | Independent of:                            |                                       | Total<br>remuneration,<br>SEK |
|---|---------|----------------|---------------------------|--------------------|--|---------------------------------------|-------------------------------|
|   |         |                |                           |                    | The company<br>and executive<br>management | The company's<br>largest shareholders |                               |
| Martin Svalstedt                          | 2013    | 9 (C)          | 2 (C)                     |                    | Yes  | No                                    | 450,000                       |
| Tore Bertilsson*                          | 2012    | 5 (M)          |                           | 3 (M)              | Yes  | Yes                                   | 127,500                       |
| Göran Bille                               | 2008    | 8 (M)          | 2 (M)                     |                    | Yes  | Yes                                   | 255,000                       |
| Charlotte Brogren**                       | 2012    | 6 (M)          |                           |                    | Yes  | Yes                                   | 112,500                       |
| Bo Dankis                                 | 2006    | 9 (M)          |                           | 4 (C)              | Yes  | Yes                                   | 275,000                       |
| Mikael Jönsson                            | 2000    | 9 (M)          | 2 (M)                     |                    | Yes  | No                                    | 285,000                       |
| Katarina Mellström                        | 2010    | 9 (M)          |                           | 4 (M)              | Yes  | Yes                                   | 255,000                       |
| Björn Eriksson***                         | 2006    | 2 (M)          |                           |                    |  |                                       | 127,500                       |
| <b>Employee representatives</b>           |         |                |                           |                    |  |                                       |                               |
| Crister Carlsson                          | 2010    | 9 (M)          |                           |                    |  |                                       | 38,700                        |
| Irene Thorin                              | 2012    | 7 (M)          |                           |                    |  |                                       | 24,969                        |
| <b>Number of meetings:</b>                |         | <b>9</b>       | <b>2</b>                  | <b>4</b>           |  |                                       | <b>Total: 1,951,169</b>       |

\* Elected at the AGM in April, present at five of six Board meetings and all meetings in the Audit Committee since then.

\*\* Elected at the AGM in April 2012, present at all meetings since then.

\*\*\* Board member until the AGM in April 2012.

C=Chairman M=Member

### **External audit**

Gunnebo's auditors are elected at the Annual General Meeting. At the 2012 Annual General Meeting, the registered public accounting firm Deloitte was elected as the auditor with Jan Nilsson as the Auditor in Charge. The current mandate period expires at the 2013 Annual General Meeting. The auditors report on their audit to the Audit Committee and the Board of Directors. In addition to their standard audit assignments, Deloitte provides assistance in the form of advisory and investigative assignments. The assignments performed are not deemed to give rise to a disqualification situation. Information regarding fees to auditors is provided in Note 33.

### **BOARD'S REPORT ON INTERNAL CONTROL**

The responsibility of the Board of Directors for internal control is regulated in the Swedish Companies Act and in the Swedish Code of Corporate Governance. Gunnebo AB applies and adheres to the requirements for internal governance and control stipulated by Swedish law (Companies Act and Annual Accounts Act) and the Swedish Code of Corporate Governance ("the Code"). Accordingly, the Report is limited to a description of how internal control is organised with regard to financial reporting.

### **Internal control in respect of financial reporting**

The internal governance and control process involves the Board, Audit Committee, President, Group Executive Team, corporate staffs, operational boards and other personnel. The purpose of the process is to ensure fulfilment of the Group's goals in terms of relevant and efficient processes, to obtain reasonable assurance with respect to the reliability of external financial reporting in the form of interim reports, annual reports and year-end reports and to ensure that this reporting is prepared in accordance with law, applicable financial reporting standards and other requirements on listed companies.

### **Control environment**

Gunnebo's control environment is based on and governed by the principles established in the Group's Core Values and Code of Conduct, which are linked to the company's strategy, business plans and operational targets. These are fundamental principles that emphasise the culture, values and ethics that the Board, Audit Committee, President and Group Executive Team communicate and base their work on. The principles also include the Group's policies and guidelines from a number of areas, for example, the delegation of authorities from management to personnel. The Group-wide corporate governance model, described on pages 74–79, is also fundamental.

### **Risk assessment**

Risk assessment is an integrated part of the Group's business, from the strategy process to budget, financial forecasts, implementation and follow-up. Furthermore, it is combined with other information that may influence risks, such as major changes with regard to the organisation, senior executives, systems or new operations and acquisitions. The risks identified are managed through the Group's control structures and continuously monitored with the aim of implementing measures, identifying and evaluating processes and ensuring good quality in financial reporting. More information about the Group's risks is available in the section "Risk and Sensitivity Analysis", pages 88–91, and in Note 3, "Financial Risk Management and Financial Instruments".

### **Control activities**

Control activities are performed at various levels within Gunnebo. The Group Executive Team is ultimately responsible for implementing and ensuring that controls are performed at both a general and detailed operational level. This is achieved by ongoing governance and control of the accounts and financial reporting carried out by the finance functions of the local companies, Business Areas and the finance corporate function in conjunction with reporting and consolidation. The controller network in the various organisational units performs detailed financial analyses of earnings, key ratios, tied-up capital, trends and the follow-up of budgets and forecasts. In addition, more detailed analyses are performed as required.

The Group's risks with regard to financial reporting are related to the risk that material misstatements may arise in the reporting of the company's financial position and performance. The company's reporting instructions and established monitoring procedures aim to minimise these risks.

### **Information and communication**

Gunnebo's external and internal information and communication in the form of reporting to various authorities, financial reporting and information to the Board and employees takes place in accordance with the requirements of the business environment, the Group's internal governing documents and the Communications Policy. Accordingly, all external and internal information and communication are to be appropriate, up-to-date and correct, and should be available to the target groups as and when required.

### Internal information

Internal governing documents and guidelines pertaining to financial reporting are available to the relevant personnel on Gunnebo's intranet and are also communicated at meetings and through other channels. The intranet contains policies, guidelines and specific instructions for financial reporting, internal control, closing of accounts, budget and forecasts. The Gunnebo Training Centre (GTC) is a tool used for training and facilitating communication of, for example, the Group's vision, targets, strategies and ethical dilemmas linked to the Group's Code of Conduct and Core Values.

The Board receives regular reports on the financial statements and earnings trends, analyses and comments on outcomes, plans and forecasts. It also receives feedback from Audit Committee meetings at which the auditors present the results of their audits. Additionally, there are various internal meeting forums, such as the International Management Conference (IMC), and internal boards that also include the monitoring of financial information and other important internal matters on their fixed agendas.

### External information

Information about the Group's business is continuously communicated to external stakeholders on Gunnebo's website, which contains publications, interim reports and other financial information, press releases

and information about Gunnebo's organisation and market offering. This information is also supplemented by meetings with investors and analysts, which are logged in an internal database.

### Monitoring

Regular monitoring of and reporting on operations is carried out at different levels by the Board, Audit Committee, President, Group Executive Team, corporate finance function and operational boards. Monitoring of Group companies includes monthly and quarterly reviews of outcomes compared with budget and forecasts, the results of audits, etc. In addition to this, special efforts are monitored such as activities linked with the implementation of the new strategy, acquisitions and divestments. The Group's internal control function is an integrated part of the corporate finance function. Gunnebo has not established a separate internal audit function to date. The Board, which annually evaluates the need for such a function, has deemed that existing structures for monitoring, control and evaluation provide satisfactory documentation. For some special audits, external efforts may be conducted.

See the section Information for the Capital Market on pages 86–87 for information about how communication and monitoring of the Group's financial reporting are carried out externally.

# AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of Gunnebo AB  
Corporate Registration Number 556438-2629

It is the Board of Directors who is responsible for the Corporate Governance Report for the financial year January 1, 2012 to December 31, 2012 included in the printed version of this document on pages 74–80 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report and based on that

reading and our knowledge of the company and the Group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Report 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.

In our opinion, the Corporate Governance Report has been prepared and its statutory content is consistent with the annual accounts and consolidated accounts.

Gothenburg March 1, 2013

Deloitte AB

*Signature on the Swedish original*

Jan Nilsson  
Authorised Public Accountant