

# Corporate Governance

Gunnebo AB (publ) is a Swedish public limited company listed on Nasdaq Stockholm, Mid Cap. The company applies the Swedish Corporate Governance Code and hereby submits its 2016 Corporate Governance Report.

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 Stockholm AB's Rule Book for Issuers and the Swedish Securities Council's statements on good practices in the Swedish stock market. This Report summarises the structure of corporate governance and how corporate governance has been performed and developed within the Group during the 2016 financial year. Throughout the year, Gunnebo has complied with the regulations of the Code in all respects, except in regard to the time of publication of the Nomination Committee members ahead of the 2017 Annual General Meeting. The company did not have access to this information before the deadline for the publication of these details (six months before the Annual General Meeting) as stipulated in the Code. The composition of the Nomination Committee was published on the company's website on October 31, 2016.

## GOVERNANCE AND DIVISION OF RESPONSIBILITIES

Corporate governance structured around and adapted to the Group's operations is essential to commercial success and increased profitability. Effective corporate governance involves a well-defined division of duties and responsibilities, transparency vis-à-vis the shareholders and the market and efficient governance and effective control over the Group's

operations to ensure that it meets established targets, applicable legislation, other regulations and internal policies.

In 2016, the following groups were primarily in charge of the governance, management, control and divisions of responsibilities at Gunnebo:

- Shareholders
- Board of Directors
- President
- Group Executive Team
- Regional and product area management teams
- Group corporate functions

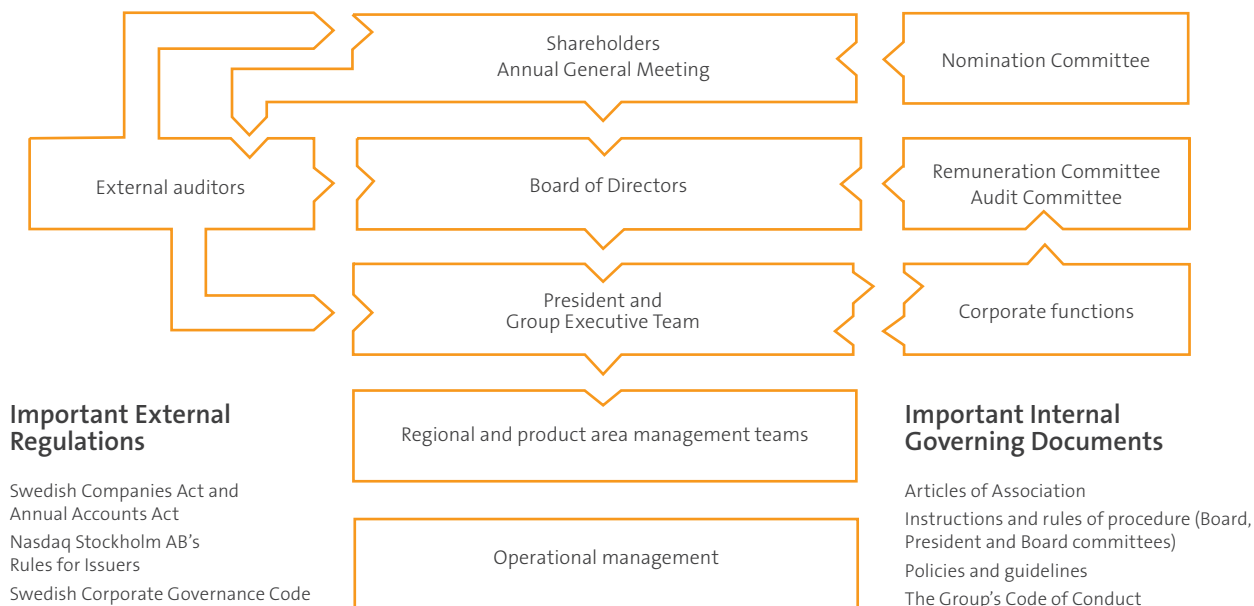
## SHAREHOLDERS AND THE SHARE

For information about shareholders and the Gunnebo share, refer to pages 94–95 and [www.gunnebogroup.com](http://www.gunnebogroup.com).

## 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 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

## Overview of Gunnebo's Corporate Governance



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 at a General Meeting should submit their request in writing to the Board far enough in advance to be included in the convening notice to the General Meeting.

### 2016 ANNUAL GENERAL MEETING

The 2016 Annual General Meeting was held on April 12 at the Chalmers Student Union building in Gothenburg. A total of 70 shareholders took part in the Meeting, representing around 66% of the number of shares and votes in the company. Chairman of the Board Martin Svalstedt was elected Chairman of the Meeting. All Board members elected by the Meeting were in attendance.

Minutes from the Annual General Meeting have been published on Gunnebo's website, [www.gunnebogroup.com](http://www.gunnebogroup.com). The Meeting adopted resolutions including:

- A dividend according to the Board and President's proposal of SEK 1.00 per share for the 2015 financial year.
- Re-election of all Board members and Martin Svalstedt as Chairman of the Board
- Determination of remuneration to the Board of Directors and auditor
- Principles for remuneration of senior executives
- Process for appointments to the Nomination Committee
- Election of Deloitte AB as the company's auditor until the end of the 2017 Annual General Meeting
- Authorisation for the Board to, in conjunction with agreements on company acquisitions, on one or several occasions during the period up until the next Annual General Meeting, resolve on the issue of shares, with or without deviation from the preferential rights for the shareholders for payment in cash, by contribution in kind or by set-off, for a maximum number of shares corresponding to 10% of the total shares in the company

### 2017 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 on April 5, 2017. More information about the Annual General Meeting is available on page 92 of this Annual Report and at [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 2016 Annual General Meeting that, for the period until the 2017 Annual General Meeting, Gunnebo's Nomination Committee would consist of one representative from each of the three largest shareholders as of September 30, 2016 as well as the Chairman of the Board. This means that the following shareholder representatives constituted the Nomination Committee for the period until the 2017 Annual General Meeting: Dan Sten Olsson (appointed by Stena Adactum), Nils-Olov Jönsson (appointed by Vätterledens Invest), Ricard

Wennerklint (appointed by If Skadeförsäkring) 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 deemed to be independent of the company's largest shareholders in terms of votes. 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 e-mail to [valberedningen@gunnebo.com](mailto:valberedningen@gunnebo.com) or by post to Gunnebo AB (Att. Nomination Committee) to the address printed on page 98.

### BOARD

The overall task of the Board of Directors is to be accountable for the company's organisation and management of the company's business. In the execution of its duties, the Board 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. Board members are elected every year at the Annual General Meeting for a period that extends to the close of the next Annual General Meeting.

In 2016, Gunnebo's Board comprised seven members elected by the Meeting. The employees have the right to appoint two representatives and two deputies to the Board. None of Gunnebo's senior executives are members of the Board. The President and the CFO participate at Board meetings, the latter also serving as secretary. Furthermore, other senior executives participate at meetings whenever required.

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 six scheduled meetings between Annual General Meetings. The rules of procedure also outline the division of work and responsibilities between the Board, the Chairman, the Board Committees and the President.

### THE BOARD'S WORK IN 2016

In 2016, the Board convened nine times in addition to the statutory meeting. The work of the Board has been performed as illustrated on page 85.

### CHAIRMAN OF THE BOARD

Martin Svalstedt was re-elected the Chairman of the Board of Directors at the 2016 Annual General Meeting. It is the Chairman of the Board's responsibility to lead and divide the Board's work and to ensure that it is conducted in an organised and effective manner. This includes ensuring that the Board completes its duties, monitoring the progress of the company and ensuring that the Board continuously receive the information required for the Board to perform its work to the necessary standard in accordance with the relevant regulations. The Chairman does not participate in the operational management of the company.

### 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, and at least two of its members 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 on page 89.

### EVALUATION OF THE BOARD'S WORK

The work of the Board is evaluated every year by a survey completed by the members of the Board. The results of this survey form the basis for continuous improvements to the Board's work in the company. The evaluation, for which the Chairman of the Board is responsible, includes issues regarding the composition of the Board, meetings, material, Committees and the manner in which the Chairman of the Board and the Board in general perform their main duties in accordance with the Code. The results of the survey have been presented to and discussed by the Board and been presented to the Nomination Committee by the Chairman of the Board. The evaluation is the basis for the Nomination Committee in terms of its various proposals regarding the Board.

### BOARD COMMITTEES

During 2016, 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.

### 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 include:

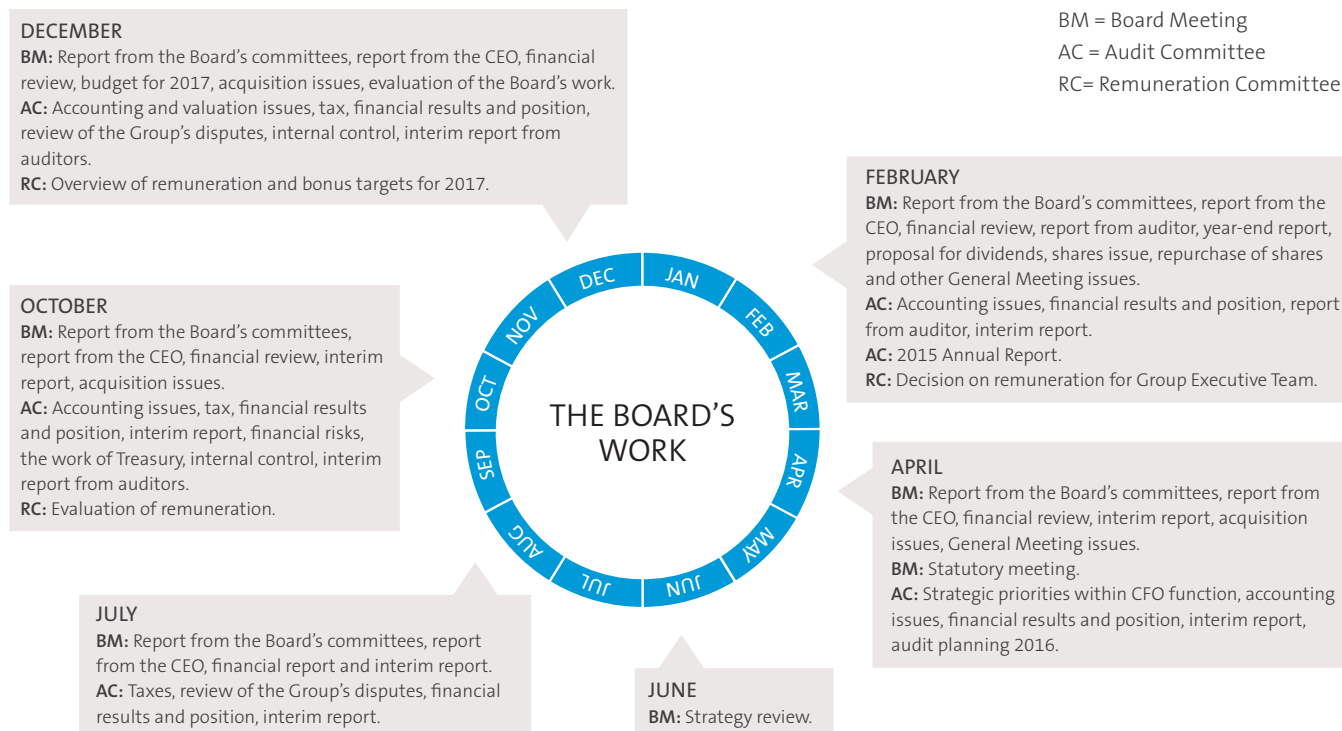
- Monitoring the Group's financial reporting as well as optimising efficiency within internal control and risk management
- Keeping informed of the auditing as well as examining and monitoring the auditor's impartiality and independence
- Assisting in the preparation of proposals for the election of auditor

Following the 2016 Annual General Meeting, the Committee comprised Tore Bertilsson (Chairman), Mikael Jönsson and Eva Elmstedt. All of the members of the Audit Committee are independent of the company and company management and, with the exception of Mikael Jönsson, the company's major shareholders.

The Committee held five meetings during the year and the Group's auditors participated in all of them. The Group's auditors also participated at one Board meeting to present an overview of their audit and review of internal control. The auditors have also met with the Board without the presence of representatives from the Group. Matters addressed by the Committee are illustrated below. The attendance of the Committee members at meetings is presented in the table on page 86.

### 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 referred to the Committee by the Group Executive Team and the SVP Human Resources and Sustainability. 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 2016 Annual General Meeting, 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 Committee held four meetings during the year, at which items such as long-term incentive programmes, bonus model, bonus outcomes and guidelines for remuneration to senior executives were discussed. The attendance of the committee members at meetings is presented in the table below.

## AUDITORS

Gunnebo's auditors are elected at the Annual General Meeting. The auditor audits the annual report, accounting and consolidated accounts as well as the Board and CEO's management of the company in accordance with generally accepted auditing standards in Sweden. After every financial year, the auditor submits an auditor's report for the Parent Company and a consolidated auditor's report to the Meeting. At the 2016 Annual General Meeting, the registered public accounting firm Deloitte AB was elected as the auditor with Hans Warén as the Auditor in Charge. The current mandate period expires at the 2017 Annual General Meeting. The auditors present 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 6 of the Group.

## PRESIDENT & CEO AND GROUP EXECUTIVE TEAM

Henrik Lange is Gunnebo's President and CEO and leads Gunnebo's business activities. 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 is also responsible for ensuring that the Board receives the information and material necessary for making decisions. Furthermore, he presents reports at Board meet-

ings and continuously keeps the Board and Chairman informed of the Group's and company's financial position and performance.

The President is assisted by a Group Executive Team comprising managers for regions, product areas and corporate functions. At year-end 2016, the Group Executive Team consisted of nine individuals. These individuals, as well as SVP Marketing & Communications which became a new role within the Group Executive Team on 1 January 2017, are presented on pages 90–91 of this Annual Report. In 2016, the Group Executive Team held 13 meetings. The meetings mainly focused on the Group's strategic and operational development as well as performance monitoring.

## REGIONAL AND PRODUCT AREA MANAGEMENT

Gunnebo's business activities consist of the regions EMEA, Asia-Pacific and the Americas with sales companies as well as the Cash Management, Entrance Security, Safes & Vaults and Electronic Security product areas. Each unit has an operational management team which is responsible for the unit's business operations. The operational management teams are the bodies under the Group Executive Team that are responsible for strategy implementation and ensuring that the decisions which have been made are actioned. Other members of the operational management teams include representatives from the Group Executive Team and representatives from the business. These management teams are responsible for leading the day-to-day operations in each unit and usually comprise the head of each unit and the most important heads of corporate functions.

## CORPORATE FUNCTIONS

Gunnebo's head office houses the corporate functions for the coordination of finance, IT, legal affairs, human resources, brands and marketing. These functions are responsible for preparing relevant group-wide strategies, priorities 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.

## Statistics on Attendance and Independence of Board Members 2016

Name Elected at Annual General Meeting	Elected	Board Meetings	Remuneration Committee	Audit Committee	Independent in Relation to:		Total Remunera- tion, SEK
					The Company and Executive Management	The Company's Largest Shareholders	
Martin Svalstedt	2003	9 (C)	4 (C)		Yes	No	500,000
Tore Bertilsson	2012	9 (M)		5 (C)	Yes	Yes	300,000
Göran Bille	2008	9 (M)	4 (M)		Yes	Yes	280,000
Charlotte Brogren	2012	8 (M)			Yes	Yes	250,000
Bo Dankis	2006	8 (M)			Yes	Yes	250,000
Eva Elmstedt	2015	9 (M)		4 (M)	Yes	Yes	280,000
Mikael Jönsson	2000	9 (M)	4 (M)	4 (M)	Yes	No	310,000
<b>Employee Representatives</b>							
Crister Carlsson	2010	9 (M)					38,700
Irene Thorin	2011	9 (M)					38,700
<b>Number of Meetings:</b>		<b>9</b>	<b>4</b>	<b>5</b>			<b>Total: 2,247,400</b>

C=Chairman M=Member

# Board of Directors' Report on Internal Control

The Board is responsible for internal governance and control stipulated by Swedish law (Companies Act and Annual Accounts Act) and the Swedish Corporate Governance Code. Gunnebo AB applies and complies with these requirements. The Board's report is limited to addressing internal control in respect of financial reporting and Gunnebo has elected to describe how the internal control is organised.

## INTERNAL CONTROL IN RESPECT OF FINANCIAL REPORTING

Internal control comprises a number of internally coordinated elements: control environment, risk assessments, control activities, information and communication as well as follow-up and management.

Internal control in respect of financial reporting is part of Gunnebo's total internal control and is one of Gunnebo's central corporate governance components. The purpose of the process is 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 the financial reporting is prepared in accordance with law, applicable financial reporting standards and other requirements on listed companies.

## CONTROL ENVIRONMENT

The control environment is the basis for the internal control in respect of financial reporting. Important aspects of the control environment are the values and the ethics that the Board, the CEO and the Group Executive Team communicates and applies in its work, as well as the Group's organisational structure, leadership, decision-making, authorities, responsibilities and the competence of its employees.

The Board has the overall responsibility for internal control in respect of financial reporting. The Board has established written rules of procedure that clarify the responsibilities of the Board and regulate the division of duties between the Board and its Committees. The Board has appointed an Audit Committee tasked primarily with ensuring adopted principles for financial reporting, compliance with the internal control and that relevant relationships with the company's auditor are maintained. The Board has also prepared instructions for the President. The responsibility for upholding an effective control environment has been delegated to the President. The corporate finance function acts as the Group's internal audit function and reports to the Audit Committee and to the CEO. The function develops and improves the internal control in respect of financial reporting, both proactively by focusing on the internal control environment and by reviewing how the internal control works.

Gunnebo's Code of Conduct covers principles for how the operations are to be conducted. Internal governing documents for the financial reporting mainly comprise the Group's Finance Policy, Finance Handbook, Authorisation Policy, Communication Policy and the Policy for Internal Control.

## RISK ASSESSMENT

Gunnebo's risk assessment is intended to prevent, identify, evaluate and rectify significant risks that affect internal control in respect of financial reporting in the Group's companies, business areas and processes.

The risk assessment results in control targets that are the basis for how the risks are to be managed through various control structures. The risk assessment is updated every year.

More information about the Group's risks is available in the section "Risk and Sensitivity Analysis" on pages 42–45 and in Note 18 – Group, "Financial Risk Management and Financial Instruments."

## CONTROL ACTIVITIES

The control structure is to ensure efficacy and good internal control in the Group's processes and is based on minimum requirements for good internal control in defined significant processes. All Group companies complete a self-assessment on how they conform to the Group's minimum requirements for internal control in select processes. Irregularities are identified and measures are planned and carried out by the companies. An internal audit of selected processes is done in the subsidiaries with the help of the company's external auditors. The results of the reviews include recommendations for future measures. The corporate finance function supplies the subsidiaries with information in order to elevate awareness and understanding for effective processes and good internal control.

## INFORMATION AND COMMUNICATION

Information and communication about internal governing instruments for the financial reporting is available for all concerned employees on Gunnebo's intranet. The Gunnebo Training Centre (GTC) is a tool used for training and communication of, for example, the Group's vision, targets, strategies and the Code of Conduct. The CFO and Group Accounting Manager reports to the Audit Committee the results of its internal control work. The result of the Audit Committee's work in the form of observations, recommendations and proposals for resolutions and measures are regularly presented to the Board. The external financial reporting is done in accordance with relevant external and internal governance instruments.

## MONITORING

Regular monitoring to ensure good internal control in respect of financial reporting is conducted by the Board, the Audit Committee, the CEO, the Group Executive Team, the corporate finance function and each Group company and business area respectively. Monitoring includes following up monthly financial statements against budget and targets as well as annual statements with results from self-assessments and internal audits. Internal audits are conducted by the corporate finance function with the help of the company's external auditors. In the year ahead, the ongoing internal control process will primarily concentrate on rectifying shortcomings identified in the self-assessment, but also on risk assessment, control activities and monitoring.

See the section Information for the Capital Market on pages 92–93 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

*This auditor's report on the corporate governance report is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.*

To the general meeting of the shareholders in Gunnebo AB  
Corp. Reg. No. 556438-2629

## Engagement and Responsibility

It is the board of directors who is responsible for the corporate governance statement for the financial year 2016-01-01 – 2016-12-31 on pages 83–87 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 sufficient basis for our opinions.

## Opinions

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

Gothenburg, March 2, 2017

Deloitte AB

*Signature on the Swedish original*

Hans Warén

Authorised Public Accountant