

CORPORATE GOVERNANCE REPORT 2011

The Björn Borg share is listed on NASDAQ OMX Stockholm.

CORPORATE GOVERNANCE AT BJÖRN BORG

Corporate governance refers to the rules and structure established to effectively control and manage the operations of a corporation. Ultimately the purpose of corporate governance is to satisfy the demands of shareholders for a return on their investment and the demands of all stakeholders for information regarding the company and its development.

The corporate governance principles applied by Björn Borg, in addition to the rules stipulated in laws and regulations are stated in the Swedish Code of Corporate Governance ("the Code"). The Board of Directors is responsible for continuously monitoring the application of the Code. If a company that applies the Code does not follow it in any respect, the company must explain the non-compliance, describe the solution it has selected instead and state the reasons why. In 2011 Björn Borg applied the Code without non-compliance with any of its provisions, with the exception that Director Mats H Nilsson served as Chairman of the Nomination Committee. The reason for this non-compliance was that the Nomination Committee felt that Mats H Nilsson's background as a major long-term shareholder and Director of Björn Borg qualified him to effectively lead the 2011 Nomination Committee as Chairman.

This corporate governance report does not constitute part of the formal annual report.

ANNUAL GENERAL MEETING

Björn Borg's highest decision-making body is the Annual General Meeting (AGM), at which every shareholder who is recorded in the share register on the record day for the AGM and notifies the company as required is entitled to participate personally or by proxy. The AGM may decide on all issues that affect the company and do not expressly fall under another decision-making body's exclusive competence according to the Swedish Companies Act or the Articles of Association. Every shareholder is entitled to have an issue brought before the AGM. The AGM elects the company's Board of Directors and the Chairman. Among the other duties of the AGM are to adopt the balance sheet and income statement, and decide on the disposition of the profit from the company's operations and the discharge from liability for the Directors and the President. The AGM also decides on remuneration to the Board and approves the compensation guidelines for management. The AGM in addition elects the company's auditors and decides on their fees. Further, the AGM may resolve to increase or reduce the share capital and can amend the Articles of Association. With respect to new issues of shares, convertibles and warrants, the AGM may authorize the Board to take decisions.

Annual General Meeting 2012

The next AGM will be held in Stockholm on May 3, 2012. A notice will be released in accordance with the Articles of Association and the rules that apply according to the Companies Act and the Code.

Annual General Meeting 2011

The 2011 AGM was held in Stockholm on April 14, 2011. The AGM resolved to reelect Directors Mats H Nilsson, Vilhelm Schottenius,

Michael Storåkers, Monika Elling, Fabian Måansson, Kerstin Hessius and Nils Vinberg, and reelected Fredrik Lövstedt as Chairman. The AGM also resolved to transfer earnings to the shareholders through an automatic redemption as well as to authorize the Board to decide to acquire and transfer the company's own shares and to issue new shares. The minutes of the AGM can be found on Björn Borg's web site.

NOMINATION COMMITTEE

According to the resolution of the 2011 AGM, Björn Borg's Nomination Committee shall be appointed by having the Chairman of the Board contact the four largest shareholders by votes as of August 31, 2011. The Nomination Committee, whose composition was published on the Group's web site in November 2011, consists of the following members for the 2012 AGM:

- Fredrik Lövstedt, Chairman of the Board
- Mats H Nilsson, representing himself as a shareholder
- Kerstin Stenberg, representing Swedbank Robur Fonder
- Per Trygg, representing SEB Fonder.

Mats H Nilsson has been named Chairman of the Nomination Committee. According to the resolution of Björn Borg's 2011 AGM, the Nomination Committee's mandate is to propose to the 2012 AGM the number of Directors to be elected by the meeting, their remuneration, any compensation for committee work, the composition of the Board, the Chairman, the Nomination Committee, the Chairman of the AGM and the election of the auditors and their remuneration. Through January 31, 2012 the Nomination Committee has held two meetings at which minutes were taken. In addition contacts were made at other times. No compensation was paid to the members of the committee.

BOARD OF DIRECTORS

In accordance with the Articles of Association, Björn Borg's Board of Directors consists of a minimum of four and a maximum of eight members. Directors are elected annually at the AGM for a one-year term up until the following AGM. The AGM on April 14, 2011 reelected Directors Fredrik Lövstedt, Mats H Nilsson, Vilhelm Schottenius, Michael Storåkers, Nils Vinberg, Monika Elling, Kerstin Hessius and Fabian Måansson. Fredrik Lövstedt was elected Chairman of the Board.

The Board fulfills the requirements of the Code that no more than one Director elected by the AGM is employed in the company's management or the management of the company's subsidiary, that a majority of the Directors are independent in relation to the company and the management, and that at least two Directors are independent in relation to the company's major shareholders. Prior to the 2011 AGM the Nomination Committee concluded that all of the nominated Directors were independent from the company and the management as well as from major shareholders, with the exception that the Chairman of the Board, Fredrik Lövstedt, was not considered independent in relation to the company's major shareholders due to his shareholding, and that Nils Vinberg was not considered independent in relation to the company and the management due to his previous role as President of Björn Borg.

The Board is assisted by an external secretary. For more information on the Directors, see page 66 of the annual report.

The Board's rules of procedure

Pursuant to the Companies Act, Björn Borg's Board is responsible for the company's organization and the management of its affairs and appoints its President. The Board lays down the company's goals and strategy, adopts critical policy documents and continuously monitors compliance thereto. The Board also has ultimate responsibility for its various committees. The Board's rules of procedure, which were adopted at the Board meeting on August 22, 2011 and subsequently reevaluated, define the principles for Board work, the delegation between the Board and the President, and financial reporting.

Board work

In 2011 the Board held six scheduled meetings, four of which were in connection with the quarterly financial reports, one in connection with the preparations for the AGM and one strategy meeting that included the adoption of the budget. Directors' attendance at the year's Board meetings is shown in the table below.

Compensation Committee

The Board has established a Compensation Committee consisting of Chairman Fredrik Lövstedt and Monika Elling to prepare proposals on remuneration and other terms of employment for Senior Executives. In 2011 the Committee held three meetings, and all of the members attended all the meetings. The Compensation Committee is a drafting committee.

Audit Committee

The Board of Directors has established an Audit Committee consisting of Chairman Fredrik Lövstedt, Mats H Nilsson and Monika Elling. The committee supports the Board in its efforts to quality assure Björn Borg's financial reports and is tasked with ensuring that accurate, qualitative financial reports are prepared and communicated. The committee convened a total of four times in 2011, all in connection with the quarterly reports. All of the Committee's members attended all of the meetings, with the exception that the Chairman did not attend the meeting concerning the first quarter of 2011. The Audit Committee is a drafting committee.

PRESIDENT

The Board has established an instruction for the President's work and role, which in its current wording was adopted on August 22, 2011. The President is responsible for day-to-day management of the Group's operations according to the Board's guidelines and other established policies and guidelines, and reports to the Board. The President of Björn Borg since November 3, 2008 is Arthur Engel,

born in 1967. He does not own any shares in companies with which Björn Borg has significant business interests. For more information on the President, see page 67 of the annual report.

THE COMPANY'S AUDITORS

The outside auditors review Björn Borg's annual accounts, accounting records and the administration of the Board of Directors and the President. After every financial year the auditors submit an audit report to the AGM. The 2011 AGM elected the registered public accounting firm Deloitte AB as auditor of the company until the conclusion of the next AGM. Authorized public accountant Fredrik Walmeus is chief auditor. The next election of the auditors will be held at the 2012 AGM. According to the Companies Act, the auditors' term has been shortened as of November 1, 2010 to one year, so that the main rule is now a one-year term instead of the previous four-year term.

Further information on the auditors can be found on page 66 in the annual report. Information on the auditors' fee can be found in Note 8.

REMUNERATION TO DIRECTORS AND SENIOR EXECUTIVES

Remuneration to the Chairman and other Directors is determined by the AGM. According to the resolution of the 2011 AGM, the Chairman received remuneration of SEK 300,000 and other Directors received SEK 115,000. For committee work in 2011, the member of the Compensation Committee was paid SEK 15,000 and the Chairman was paid SEK 25,000, while the members of the Audit Committee were each paid SEK 25,000 and the Chairman was paid SEK 40,000.

According to the remuneration guidelines for Senior Executives approved by the 2011 AGM, the remuneration for the President and other members of management includes a base salary, variable compensation, previously established long-term incentive schemes and other benefits, including a pension. The variable compensation is based on the results relative to defined, measurable targets and is maximized relative to the salary target.

The fixed and variable salary components and benefits for the President and the management of Björn Borg are indicated in Note 7 of the annual report.

INCENTIVE SCHEME

Björn Borg has one outstanding incentive scheme based on warrants. This scheme was adopted at the Extraordinary General Meeting in 2008 and extends until November 30, 2012. An incentive scheme based on warrants in the company, adopted by the 2008 AGM, expired in 2011 without any subscriptions. The scope of Björn Borg's incentive scheme is indicated in Note 7 of the annual report.

Directors' attendance in 2011

	Feb 23	Mar 11	May 3	Aug 22	Nov 9	Dec 14
Fredrik Lövstedt	1	1	1	1	1	1
Vilhelm Schottenius	1	1	1	1	1	1
Mats H Nilsson	1	1	1	1	1	1
Michael Storåkers	1	1	–	1	–	1
Nils Vinberg	1	1	1	1	1	1
Fabian Måansson	1	1	1	1	1	1
Monika Elling	1	1	1	–	1	1
Kerstin Hessius	1	1	1	1	1	1
No. of attendees	8	8	7	7	7	8

FINANCIAL REPORTING

The quality of the financial reporting is ensured by the Board of Directors' policies and instructions on delegation of responsibility and control as well as the instruction for the President on financial reporting, among other things. Prior to each of its meetings, the Board receives the latest financial reports and at each meeting it discusses the financial situation of the Parent Company and the Group. The Board also discusses the interim and annual reports. At least once a year the company's auditors report on whether the company has ensured that its accounts, their management and financial controls are working satisfactorily. After the formal report the President, Executive Vice President and Chief Financial Officer leave the meeting, so that the Directors can have a discussion with the auditors without the participation of the Senior Executives.

BOARD REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

According to the Companies Act and the Code, the Board is responsible for internal control. This report on internal control over financial reporting for 2011 has been prepared in accordance with these regulations and is part of the corporate governance report. Björn Borg's Board has evaluated the need for a separate audit function (internal audit) and has found that such a function is not motivated at present in view of the staffing in the company's finance department in relation to the operations' nature, scope and complexity.

ORGANIZATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Control environment and corporate governance

The control environment serves as the basis for internal control over financial reporting. The Board of Directors' rules of procedure and instructions for the President and the Board's committees clearly define the delegation of roles and responsibilities in order to effectively manage the company's risks. The Board has established a number of fundamental guidelines and frameworks that are important to internal control. Examples include the Board's rules of procedure, financial policy, investment policy, code of conduct and communication policy, which were reviewed during the year. The Board's Audit Committee has as its specific responsibility to monitor and quality assure the financial reporting.

Management regularly reports to the Board based on established routines, as does the Audit Committee. Management is responsible for ensuring that the routines and systems established for internal control are followed to ensure proper management of significant operating risks. This includes routines and guidelines for various Senior Executives, so that they understand the importance of their roles in maintaining good internal control.

Risk assessment

Management works continuously and actively with risk analysis, risk assessment and risk management to ensure that the risks that the company faces are managed appropriately within the framework that has been established. The risk assessment takes into consideration, among other things, the company's administrative routines with respect to operating, financial and legal risks. Balance sheet and income statement items where there is a risk that material errors could arise are continuously reviewed as well. Assessed risks in various major balance sheet and income state-

ment items are graded and monitored. The risk analysis has identified a number of critical processes. The biggest focus is on purchasing and revenue processes. The Audit Committee plays an important role in risk assessment, since it reports its observations and priorities to Björn Borg's Board.

Communication and control activities

Prior to each of its meetings, the Board receives financial reports. The financial situation of the Parent Company and the Group is treated as a separate point at each Board meeting. The Audit Committee plays an important role in the monitoring process, since it reports its observations and priorities to the Board.

Manuals, guidelines and policy documents important to financial reporting are updated and provided to all parties concerned at internal meetings or by e-mail. To ensure that external information is distributed correctly, Björn Borg has a communication policy laid down by the Board.

Financial reporting for all subsidiaries is managed by Björn Borg's finance department. The company's auditors conduct the audit of the Group's financial reporting and review the processes, systems, routines and accounting work done by the finance department.

Monitoring

The Board of Directors of Björn Borg is ultimately responsible for internal control. The Audit Committee appointed by the Board is responsible for, among other things, quality assuring the company's financial reporting, informing itself about the focus of the audit and reviewing the efficiency of the internal control systems for financial reporting.

The Audit Committee has the internal control structure as a recurring point at its meetings.

BJÖRN BORG SHARE AND OWNERSHIP STRUCTURE

Shares in Björn Borg are listed on the Mid Cap list on NASDAQ OMX Nordic in Stockholm. The total number of shares in Björn Borg is 25,148,384. There is only one class of share. The share capital amounts to SEK 7,858,870 and the quota value per share is SEK 0.3125. Each share carries one vote at the company's AGM, and there are no limitations on how many votes each shareholder may cast at the AGM. Björn Borg had 6,361 shareholders at year-end. The largest shareholder as of December 31, 2011 was SEB, which held 10.5 percent of the shares and votes. There are no limitations on the right to transfer the Björn Borg share due to legal provisions or Björn Borg's Articles of Association. Nor is Björn Borg aware of any agreements between shareholders that could infringe upon the right to transfer Björn Borg shares.

Largest shareholders Dec. 31, 2011

SEB	2,638,480	10.5%
Fredrik Lövstedt through companies	2,600,040	10.3%
Robur	1,886,065	7.5%
Mats H Nilsson directly or through related parties	1,478,440	5.9%
Vilhelm Schottenius	1,023,520	4.1%
Fourth Swedish National Pension Fund	928,170	3.7%
JP Morgan Bank	730,500	2.9%
Nils Vinberg	711,080	2.8%
Danske Bank Sverige Fund	640,000	2.5%
Avanza Pension	563,492	2.2%
Total	13,199,787	52.4%
Total number of shares	25,148,384	100.0%