



# BJÖRN BORG



**CORPORATE GOVERNANCE REPORT 2014**

# THANK YOU BJÖRN!

You changed tennis from being “a white sport” into a colourful scene for the passionate and the active. You started a revolution against conservatives and conformists that has spread from locker room to locker room all over the world. You showed us that being active and making a difference is far more attractive than playing it safe. It is this attitude that is the core of the Björn Borg brand. That is how we create our fashion and that is how we inspire the people who wear it. And hey, it doesn't hurt your chances to score more either.



# **CORPORATE GOVERNANCE REPORT 2014**

The Björn Borg share is listed on Nasdaq 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, it must explain the noncompliance, describe the solution it has selected and state the reasons why. The only noncompliance with the Code during the year is that Mats H. Nilsson, a member of the Board of Directors, has been Chairman of the Nomination Committee. The reason for this noncompliance from the Code is that the Nomination Committee felt that Mats H. Nilsson's background as a major shareholder for many years qualified him as Chairman to effectively lead the Nomination Committee's work.

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 CEO. 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 remuneration. 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 2015**

The next AGM will be held in Stockholm on May 11, 2015. 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 2014**

The 2014 AGM was held in Stockholm on April 10, 2014. The AGM resolved to reelect Directors Mats H Nilsson, Kerstin

Hessius, Isabelle Ducellier and Fredrik Lövestedt, with the latter as Chairman. Nathalie Schuterman, Martin Bjäringer and Anders Slettengren were elected as new Directors. The AGM also resolved to transfer earnings to the shareholders through an automatic redemption and granted limited authorization to the Board to resolve 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 2014 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, 2014 and ask them to appoint one person each to participate in the Nomination Committee. The Nomination Committee, whose composition is published on the Group's website in October 2014, consists of the following members for the 2015 AGM:

- Fredrik Lövestedt, Chairman of the Board and himself the company's largest shareholder
- Mats H Nilsson, shareholder
- Marianne Flink, Swedbank Robur Fonder
- Vilhelm Schottenius, shareholder

Mats H Nilsson has been named Chairman of the Nomination Committee. According to the resolution of Björn Borg's 2014 AGM, the Nomination Committee's mandate is to propose to the 2015 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 March 15, 2015 the Nomination Committee has held five meetings at which minutes were taken, in addition to other contacts. 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 2014 AGM reelected Directors Fredrik Lövestedt, Mats H Nilsson, Isabelle Ducellier and Kerstin Hessius, and elected Martin Bjäringer, Nathalie Schuterman and Anders Slettengren as new Directors. Fredrik Lövestedt 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 2014 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 Lövestedt, was not considered independent in relation to the company's major shareholders due to his shareholding.

The Board is assisted by an attorney, who serves as external secretary. For more information on the Directors, see page 120 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 CEO. 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 May 16, 2014, define the principles for Board work, the delegation between the Board and the CEO, and financial reporting.

#### Board work

In 2014 the Board held six scheduled meetings, four of which were in connection with the quarterly financial reports, one by circulation in connection with the preparations for the AGM and one to adopt the business plan and 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 Lövested and Mats H Nilsson to prepare proposals on remuneration and other terms of employment for Senior Executives. In 2014 the Committee held two meetings, which both members attended. The Compensation Committee is a drafting committee.

#### Audit Committee

Björn Borg's Board of Directors has established an Audit Committee consisting of Chairman Fredrik Lövested, Mats H Nilsson and Kerstin Hessius. The Audit 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 2014, all in connection with the quarterly reports. All of the Committee's members attended all of the meetings. In 2014 the CEO attended the meetings as a co-opted member. The Audit Committee is a drafting committee.

#### CEO

The Board has established an instruction for the CEO's work and role, which in its current wording was adopted on May 16, 2014. The CEO 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.

Henrik Bunge (b. 1973) took over as CEO on August 4, 2014, replacing Henrik Fischer (b. 1967), who had served as Acting CEO since November 2013. Neither own shares in any companies with which Björn Borg has significant business interests. For more information on the CEO, see page 122 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 CEO. After every financial year the auditors submit an audit report to the AGM. The 2014 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 auditors' election will be held at the 2015 AGM.

Further information on the auditors can be found on page 120 in the annual report. Information on the auditors' fee can be found in note 9.

#### REMUNERATION TO DIRECTORS AND SENIOR EXECUTIVES

Remuneration to the Chairman and other Directors is resolved by the AGM. According to the resolution of the 2014 AGM, the Chairman received remuneration of SEK 350,000 and other Directors received SEK 140,000. For committee work in 2014, 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 50,000 and the Chairman was paid SEK 75,000.

According to the remuneration guidelines for Senior Executives approved by the 2014 AGM, the remuneration for the CEO and other members of management includes a base salary, variable compensation, any long-term incentive schemes and other benefits, including a pension. Any variable compensation is based on the results relative to defined, measurable targets and is maximized relative to the target salary.

The fixed and variable salary components and benefits for the CEO and the management of Björn Borg are indicated in Note 8 of the annual report.

#### INCENTIVE SCHEME

Björn Borg has no outstanding incentive schemes based on shares or other financial instruments in the company.

#### FINANCIAL REPORTING

The quality of the financial reporting is ensured by the Board of Directors' policies and instructions on delegation of

#### DIRECTORS' ATTENDANCE IN 2014

	Feb 13	Mar 6**	May 16	Aug 19	Sep 30	Nov 14
Fredrik Lövested	1	1	1	1	1	1
Martin Bjäringer*	*	*	1	1	1	1
Mats H Nilsson	1	1	1	1	1	1
Nathalie Schuterman*	*	*	1	1	–	1
Anders Slettengren*	*	*	1	1	1	1
Kerstin Hessius	1	1	1	1	1	1
Isabelle Ducellier	1	1	–	1	1	1
Michael Storåkers*	1	1	*	*	*	*
Vilhelm Schottenius*	1	1	*	*	*	*
<b>No. of attendees</b>	<b>6 (of 6)</b>	<b>6 (of 6)</b>	<b>6 (of 7)</b>	<b>7 (of 7)</b>	<b>6 (of 7)</b>	<b>7 (of 7)</b>

\* The person in question left or was elected to the Board at the 2014 AGM.

\*\* Meeting held by circulation with all members participating in the decisions.

responsibility and control as well as the instruction for the CEO 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 representatives of the company's management leave the meeting, so that the Directors can dialogue 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. The following report on internal control over financial reporting for 2014 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 CEO 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 are continuously reviewed as well if there is a risk of material errors. Assessed risks in major balance sheet and income statement items are graded and monitored. The risk analysis has identified a number of critical processes. The greatest 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. Information reporting and financial reporting for all Swedish subsidiaries are managed by Björn Borg's finance department. Foreign subsidiaries are managed locally. The company's auditors conduct the audit of the Group's financial reporting and review the processes, systems, routines and accounting work conducted by Björn Borg's 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**

The shares in Björn Borg AB are listed on the Small Cap list on Nasdaq 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 6,327 shareholders at year-end. The largest shareholder as of December 31, 2014 was Fredrik Löfstedt, through companies and directly, with 10.94 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

#### **TEN LARGEST SHAREHOLDERS DEC. 30, 2014**

	No. of shares	%
Fredrik Löfstedt, directly through companies	2,750,040	10.94
Swedbank Robur funds	1,886,065	7.50
Mats H Nilsson, directly or through related parties	1,588,440	6.32
Danske Bank Sweden	1,458,934	5.80
Vilhelm Schottenius	1,023,520	4.07
Fourth Swedish National Pension Fund	1,016,774	4.04
Martin Bjäringer, directly or through related parties	773,235	3.07
Avanza Pension	722,471	2.87
Håkan Roos	712,000	2.83
Länsförsäkringar	621,000	2.47
<b>Total</b>	<b>12,552,479</b>	<b>49.91</b>
<b>Total number of shares</b>	<b>25,148,384</b>	<b>100.00</b>

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