



BJÖRN BORG 

CORPORATE GOVERNANCE REPORT 2015

BORG

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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 fails to comply with it in any respect, it must explain the noncompliance, describe the solution it has chosen instead and state the reasons why. The only noncompliance with the Code during the year is that company Directors constituted a majority of the members of the Nomination Committee. The reason for the noncompliance is that this composition was considered motivated against the backdrop of the ownership structure and because large, engaged owners are represented on the Board.

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).

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, 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 2016

The next AGM will be held in Stockholm on May 19, 2016. 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 2015

The 2015 AGM was held in Stockholm on May 11, 2015. The AGM resolved to reelect Directors Mats H Nilsson, Kerstin Hessius, Isabelle Ducellier, Fredrik Lövestedt, Nathalie Schuterman and Martin Bjäringer. In addition, Heiner Olbrich was elected as a new Director. Anders Slettengren declined reelection and resigned from the Board. 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. Further, the AGM adopted an incentive scheme comprised on an issue of convertible debentures to all employees of Swedish Group companies, including Group Management, and an issue of warrants to Group Management. For more information, see below under the heading Incentive scheme. The minutes of the AGM can be found on Björn Borg's website.

NOMINATION COMMITTEE

According to the resolution of the 2015 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, 2015 and ask them to appoint one person each to participate in the Nomination Committee. The Nomination Committee, whose composition was published on the Group's website in October 2015, consisted of the following members for the 2015 AGM:

- Fredrik Lövestedt, Chairman of the Board and himself the company's largest shareholder
- Mats H Nilsson, representing himself as a shareholder
- Martin Bjäringer, representing himself as a shareholder
- Pehr-Olof Malmström, appointed by Danske invest

Pehr-Olof Malmström was named Chairman of the Nomination Committee. According to the resolution of Björn Borg's 2015 AGM, the Nomination Committee's mandate is to propose to the 2016 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 of the Board, the Nomination Committee, the Chairman of the AGM and the election of the auditors and their remuneration. Through March 20, 2016 the Nomination Committee has held six 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 2015 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 in that a majority of the Directors are independent in relation to the company and the management, and that at least two of them are independent in relation to the company's major shareholders. Prior to the 2015 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.

An annual board review was conducted within the company during the fourth quarter and its conclusions were presented to the Nomination Committee.

The Board is assisted by an attorney, who serves as external secretary. For more information on the Directors, see page 127 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 August 11, 2015, define the principles for Board work, the delegation between the Board and the CEO, and the financial reporting.

Board work

In 2015 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 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 Lövestedt and Mats H Nilsson to prepare proposals on remuneration and other terms of employment for Senior Executives. In 2015 the Committee held four meetings, which both members attended. During the year the Compensation Committee, which is a drafting committee, addressed, among other things, the proposed incentive scheme that was adopted by the 2015 AGM.

Audit Committee

Björn Borg's Board of Directors has established an Audit Committee consisting of Chairman Fredrik Lövestedt, 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 2015, all in connection with the quarterly reports. All of the Committee's members except Kerstin Hessius attended these meetings. In 2015 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 August 11, 2015. 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) has been CEO since August 4, 2014. He does not own shares in any company with which Björn Borg has significant business interests. For more information on the CEO, see page 129 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 2015 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 2016 AGM.

Further information on the auditors can be found on page 127 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 2015 AGM, the Chairman received remuneration of SEK 350,000 and other Directors received SEK 140,000. For committee work in 2015 the members of the Compensation Committee were paid SEK 15,000 and the Chairman was paid SEK 25,000, while the

DIRECTORS' ATTENDANCE IN 2015

	Feb 18	Apr 7**	May 11	Aug 11	Nov 5	Dec 2
Fredrik Lövestedt	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	1	-	-
Anders Slettengren*	-	1	-	*	*	*
Kerstin Hessius	1	1	1	1	-	1
Isabelle Ducellier	1	1	1	-	1	1
Heiner Olbrich*	*	*	*	1	-	1
No. of attendees	6 (of 7)	7 (of 7)	7 (of 7)	5 (of 7)	4 (of 7)	5 (of 7)

* The person in question left or was elected to the Board at the 2015 AGM.

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

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 2015 AGM, the remuneration for the CEO and other members of management can consist of a base salary, variable compensation, long-term incentive schemes and other benefits, including a pension. Any variable compensation is based on performance relative to predefined, 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

The 2015 AGM adopted a long-term incentive scheme (2015/2019) comprising the issuance and transfer of convertibles and warrants, which was implemented in the early summer. The incentive scheme comprises a convertible plan for all employees of Swedish Group companies, including Group Management, and a warrant plan exclusively for Group Management.

As part of the convertible plan, Björn Borg raised a convertible debenture loan with a nominal value of SEK 22,016,800, corresponding to 580,000 convertibles, which can be converted to not more than 580,000 shares in the company. As part of the warrant plan, Björn Borg issued 520,000 warrants that can be exercised to subscribe for not more than 520,000 new shares in the company. The level of participation in the plan was relatively high, but due to, among other things, changes in Group Management all the warrants and convertibles were not transferred to the eligible employees in early summer 2015. Instead, a number of convertibles and warrants are still held by in the Group company Björn Borg Services AB.

In the event of full conversion in the convertible plan or full subscription in the warrant plan, Björn Borg's share capital can increase by not more than SEK 343,750, distributed between SEK 181,250 due to the conversion of convertibles and SEK 162,500 due to the exercise of warrants, through the issuance of not more than 1,100,000 shares, corresponding to a maximum dilution effect of approximately 4.2 percent of the share capital and votes in the event of full conversion or subscription.

The convertibles were issued at nominal value, which corresponded to the conversion price. The subscription price corresponded to 100 percent of the convertibles' nominal value. The subscription price for the warrants was the market value according to the Black & Scholes valuation model. Each convertible and warrant in the incentive scheme entitles its holder to convert to, or subscribe for, one new share in Björn Borg at a conversion or subscription price of SEK 37.96, which corresponded to 120 percent of the average volume-weighted price paid for the Björn Borg share on Nasdaq Stockholm during the period May 21-29, 2015. Subscriptions and conversions as part of the plans are permitted during the period June 1-14, 2019.

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

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 addresses the financial situation of the Parent Company and the Group. The Board also addresses 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 2015 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, finance 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. The Audit Committee monitors internal control in connection with its meetings prior to quarterly 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 frameworks 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, with the greatest focus 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 6,590 shareholders at year-end. The largest shareholder as of December 31, 2015 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. 31, 2015

	No. of shares	%
Fredrik Löfstedt, directly and through companies	2,750,040	10.94
Mats H Nilsson	1,638,440	6.52
Fourth Swedish National Pension Fund	1,122,258	4.46
Martin Bjäringer	1,100,000	4.37
Danske Bank Sweden	1,050,000	4.18
Vilhelm Schottenius	1,023,520	4.07
Avanza Pension	785,044	3.12
Carl Rosvall	715,000	2.84
Håkan Roos	712,000	2.83
Nordnet Pension	679,740	2.70
Total	11,576,042	46.03
Total number of shares	25,148,384	100.00



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