

# Corporate governance

## CORPORATE GOVERNANCE REPORT 2018

Corporate governance in Bure Equity AB is regulated by Swedish law, primarily the Swedish Companies Act, and the Nasdaq Stockholm's Rules for Issuers. Bure also applies the revised rules of the Swedish Code of Governance ("the Code") from 1 December 2016. These rules are applied successively to the extent prescribed by the Code, and in line with statements and recommendations issued by advisory organisations, (such as the Swedish Corporate Governance Board), on specific issues related to the Code. Bure applied the Code and reports no deviations from the Code for the financial year 2018, aside from that regarding the company's special audit function, (see "Deviations from the Code" below). For more information about corporate governance issues that are not covered in this corporate governance report, please go to [www.bure.se](http://www.bure.se).

## SHARE CAPITAL

Bure has been listed on the Nasdaq Stockholm since 1993. At year-end, Bure's share capital amounted to SEK 535.5M, divided between 69,332,710 ordinary shares. The company's ordinary shares grant the right to one vote per share. All shares grant entitlement to an equal share of the company's assets and dividends.

At the end of 2018, Bure had 26,623 shareholders according to Euroclear Sweden. The ten largest shareholders accounted for 60.0 per cent of the shares. Patrik Tigerschiöld was Bure's single largest shareholder with 11.4 per cent of the shares. The percentage of shares held by physical persons or legal entities outside Sweden was 27.0. The 2018 AGM authorised the Board, during the period until the next AGM, to acquire up to 10 per cent of the outstanding shares in the company. In 2018, Bure repurchased 360,789 shares for SEK 37.7M equivalent to an average price of SEK 104.4 per share.

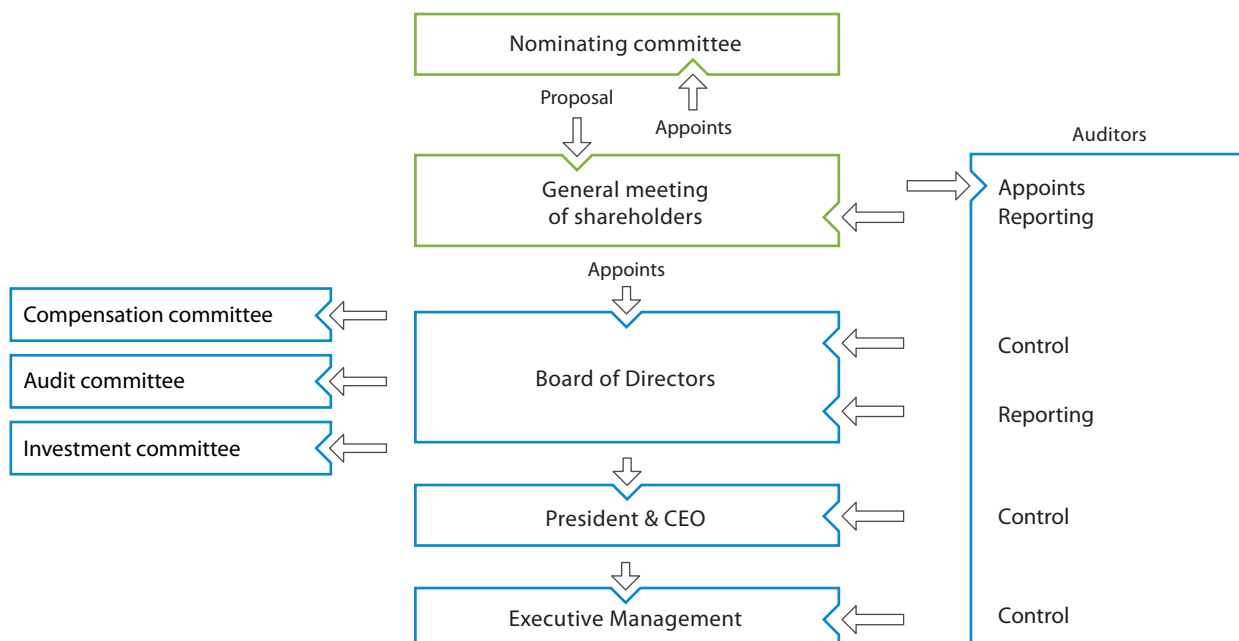
## GENERAL MEETING OF SHAREHOLDERS

The general meeting of shareholders is Bure's highest decision-making body, and shall be held in Stockholm or Gothenburg once a year before the end of June. According to the company's Articles of Association, notice of the general meeting shall be published no more than six weeks, and no fewer than four weeks prior to the meeting, and no more than six weeks, and no fewer than three weeks prior to an extraordinary general meeting. Notice shall always be given through an announcement in Sweden's official gazette, Post- and Inrikes Tidningar, and in Swedish daily Svenska Dagbladet.

To have a matter addressed at an AGM, shareholders shall submit a written request to the Board in good time so that the matter can be included in the notice to attend the meeting. Bure's Articles of Association contain no restrictions regarding the number of votes each shareholder may exercise at the meeting. All shareholders who are registered on Euroclear Sweden's shareholder register, and who have notified the company of their intention to attend the meeting by the specified date have the right to participate in the meeting and exercise the votes for their total shareholdings. Shareholders may be accompanied by assistants at the meeting if shareholders notify the company in advance.

## THE 2018 ANNUAL GENERAL MEETING

The 2018 AGM was held on 3 May in Stockholm. The meeting was attended by 134 shareholders, proxies and assistants, representing 40.9 per cent of votes and share capital. Bure's Board of Directors, management and auditor were present. The CEO's address was published in full on the Bure website the day after the AGM. During the AGM, the auditor was appointed for a mandate period of one year.



## NOMINATION COMMITTEE

The composition of the nomination committee was announced on 26 September 2018. The committee was appointed in accordance with the instructions that were approved by Bure's 2018 AGM. These require the Chairman of the Board, no later than the end of the third quarter, to ensure that the company's three largest shareholders are given the opportunity to each appoint one member to the nomination committee. Should any of these three shareholders waive their right to appoint a member to the committee, the shareholder next in order of voting power will be contacted and asked whether they wish to appoint a member to the committee.

The mandate period is one year. Furthermore, the Chairman of the Board shall be a member of the nomination committee. No compensation is paid for work done on the nomination committee.

The nomination committee consists of:

- Per Björkman representing the Björkman family. The committee appointed Per Björkman as its chairman.
- Erik Durhan, representing Nordea Investment Funds
- Patrik Tigerschiöld representing the Tigerschiöld family

The nomination committee shall prepare and submit proposals to the AGM regarding:

- Election of a meeting chairman
- Election of and fees for the Chairman of the Board and other board members
- Election of and fees for the auditor and deputy auditor (as applicable)
- Principles for the appointment of the next nomination committee.

Ahead of the 2018 AGM, the nomination committee held three minuted meetings. To evaluate those requirements that will be made of the board due to the company's current position and future direction, the nomination committee has discussed the size and composition of the board in terms of, for example, industry experience, competence, international experience, and diversity. A key starting point for this work has been the principle that the composition of the board shall reflect and provide scope for the different skill sets needed to support Bure's long-term operations. In addition, the nomination committee has considered the board's gender balance.

The nomination committee strives to achieve an even gender balance in the composition of the board. The committee's proposal means that the number of women on the board, corresponding to 33 per cent. Its proposals, its report on its work prior to the AGM, and other information regarding proposed members will be published on the company's website at the same time as the notice to attend the AGM.

## THE BOARD OF DIRECTORS

All members of the Board are appointed by shareholders at the AGM to serve a period of one year from the AGM until the end of the next AGM. According to the Articles of Association, Bure's Board of Directors shall consist of no fewer than five and no more than nine members.

The Board is responsible for the company's organisation and management of the company's affairs, but not for its operational activities. The Board's tasks include the assessment of the company's financial situation, the adoption of a procedural plan, the appointment of a CEO, and to define the separation of duties.

The AGM on 3 May 2018 elected Patrik Tigerschiöld (re-election) as Chairman, and elected Carl Björkman (re-election), Bengt Engström (re-election), Charlotta Falvin (re-election), Sarah McPhee (re-election) and Mathias Uhlén (re-election) as regular Board members. Hans Biörck did not make himself available for re-election. Information about Board members and the CEO is presented at the end of the corporate governance report. CFO Max Jonson has served as Secretary of the Board. The CEO is not a member of the Board. Of the company's six Board members, four are independent in relation to the company, its management and the company's major shareholders; one is independent in relation to the company, its management and the company's major shareholders; and one is dependent in relation to the company, its management and the company's major shareholders. A description of Board members' and the CEO's shareholdings and other assignments is provided in the "Board of Directors and Employees" section of this report.

### Duties of the Board

The duties of the Board include the development of the company's strategy and business plan in such a way that the long-term interests of shareholders are served in the best possible way. The Board's work is governed by a procedural plan that was adopted at a statutory meeting of the Board on 3 May 2018. The work of the Board follows an annual plan containing fixed decision points adopted at statutory meetings of the Board. In brief, the procedural plan states that the Board is responsible for the company's organisation and management of its affairs. The procedural plan includes information regarding the separation of duties between the Board, the Chairman, the CEO, and the Board's committees.

The Board continuously monitors the company's and Group's financial position so that the Board fulfils its monitoring obligations required by law, Nasdaq Stockholm's Rules for Issuers, and sound Board practice. The procedural plan states that it is the responsibility of the Board to decide on matters that fall outside the sphere of operational activities or that are of major significance, such as material financial commitments and agreements and significant changes in the organisation. Bure's Board establishes and documents the company's goals and strategies on an annual basis, along with

marketing, and strategic and budgetary issues. The Board establishes the company's finance policy, authorisation rights, order of delegation and decision-making procedures. The Board has formulated specific instructions regarding the responsibilities and powers of Bure's CEO, and receives reports and updates on operations from management on an on-going basis. Information material and decision data ahead of Board meetings is typically distributed one week prior to Board meetings. The company's auditors attend at least one board meeting a year to report on the annual audit and provide their evaluation of the company's internal control mechanisms. The auditors present their observations from the annual audit directly to the Board. At least once a year, the auditors meet the Board in the absence of management.

#### Work of the Board in 2018

According to the Articles of Association, the Board shall hold at least six meetings a year, and shall meet more frequently if required to do so. In the past financial year, the Board held eleven meetings, consisting of eight ordinary meetings, one statutory meeting, and two additional meetings. See Board attendance in the table below.

Key issues dealt with during the financial year included:

- Financial monitoring of operations
- Discussions and decisions regarding the portfolio
- Preparation of the dividend proposal
- Development of the company's strategic direction
- Authorisation for the repurchase of treasury shares
- Auditing, investments and compensation committee matters, as described in "Board committees" below.

The company's auditor participated in two board meetings, partly without the presence of management representatives.

Total Board fees in Bure Equity AB, as approved by the 2018 AGM, is SEK 3,500,000, of which SEK 2,000,000 is paid the Chairman.

#### Evaluation of the Board

An external, systematic review was conducted in the autumn of 2018. The evaluation provides Board members with an opportunity to give their views on working procedures, Board materials, their own and

other Board members' performance. The aim of this is to develop the work of the Board and provide the Nomination Committee with a relevant basis to take decisions.

#### BOARD COMMITTEES

The Board's procedural plan includes instructions regarding the audit committee, compensation committee, and the investment committee. The work of the audit and compensation committees is performed by all members of the Board.

##### Audit committee

The audit committee is responsible for issues concerning auditing, internal control, and review of interim and financial reports. The committee is also tasked with evaluating the work of the auditors, and preparing the election of new auditors when appropriate. The audit committee met the company's auditors on two occasions during the year.

##### Compensation committee

The compensation committee is responsible for compensation in the shape of salaries, pensions and bonuses, and other terms of employment for the CEO and staff who report directly to the CEO. Decisions regarding compensation principles for the CEO and management were adopted at the AGM 3 May 2018.

##### Investment committee

To actively manage Bure's cash and cash equivalents and short-term investments, the Board has appointed an investment committee. The committee's main task is to continuously evaluate the management of investments in terms of risk and return. The investment committee consists of Patrik Tigerschiöld, Sarah McPhee and CEO Henrik Blomquist. The investment committee functions according to the company's finance policy. In the past financial year, the investment committee held one meeting at which all members were in attendance.

#### PRINCIPLES FOR COMPENSATION TO SENIOR EXECUTIVES

The AGM adopts principles for the compensation of senior executives. Proposals are prepared by the compensation committee. The overarching principle is to offer competitive compensation and terms of employment. Overall compensation packages consist of fixed based salary, variable salary, pension benefits and other benefits. The principles that were applied

Attendance at Board meetings in 2018	Board meetings	Compensation, SEK th	Shareholding
Patrik Tigerschiöld, Chairman	11/11	2,000	7,933,405
Carl Björkman	11/11	300	2,945,412
Bengt Engström	11/11	300	7,000
Charlotta Falvin	10/11	300	0
Sarah McPhee	11/11	300	9,000
Mathias Uhlén	10/11	300	36,500

in 2018 are outlined in the administration report. Information about compensation to the CEO and other senior executives during 2018 is provided in Note 35.

## FINANCIAL REPORTING

Bure's financial reporting is based on applicable laws, regulations, rules, agreements and recommendations for companies listed on the Nasdaq Stockholm. A more detailed description of applicable accounting principles is provided in Note 1 of this report. The auditor's report for the financial year 2018 is also included in the annual report. The Board ensures that the company's financial and accounting structures are correctly dimensioned and have sufficient resources.

Every year, the Parent Company issues instructions regarding the financial information to be reported by the subsidiaries and other portfolio companies. This information includes income statements, balance sheets, cash flow statements and other key figures. The subsidiaries are required to submit a more extensive reporting package at year-end. This reporting takes place in the group-wide accounting system.

According to the requirements of the listing agreement with Nasdaq Stockholm, Bure provides financial information in the form of interim reports, a year-end report, an annual report, and press releases regarding significant events.

## DEVIATIONS FROM THE CODE OF CORPORATE GOVERNANCE

According to section 7.3 of the Code, the Board of Directors is required to evaluate the need for a special audit function, (internal audit) on an annual basis. The Board's assessment is that Bure currently has no need for this function. Relevant instructions are in place, and the Board continuously ensures that responsible individuals in the organisation have the requisite expertise and resources to fulfil their duties in the preparation of financial reports. Bure holds seats on the boards of its portfolio companies via a representative for its respective holdings. Depending on the holding, it is also possible to appoint more than one member to represent Bure.

Bure's holdings are currently spread across a variety of industrial sectors and geographical areas. It is therefore deemed more appropriate to make this decision for each holding rather than setting up internal audit functions at group level. The need to establish an internal audit function in the Parent Company must therefore be regarded as minor.

## INFORMATION ABOUT THE AUDITORS

Bure has appointed Öhrlings PricewaterhouseCoopers AB ("PwC") as its independent auditor. PwC has appointed Michael Bengtsson, 59, as Auditor in Charge. In addition to Bure Equity AB, Michael is auditor for the Bonnier Group, Indutrade AB, and Sweco AB. For information on compensation to PwC, please see Note 9.

## THE BOARD'S DESCRIPTION OF INTERNAL CONTROL OF FINANCIAL CONTROL FOR THE FINANCIAL YEAR 2018

Under the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for internal control at the company. This description has been prepared in accordance with the Swedish Code of Corporate Governance, section 7.4, and is thereby limited to internal control in relation to financial reporting. This description is not part of the formal annual report.

## CONTROL ENVIRONMENT

The procedural plan for the Board, and instructions for the CEO, ensure clearly delineated roles and responsibilities that promote effective management of the company's risk. Furthermore, the Board has established several normative documents for internal control, which, among other things, emphasise the importance of having clear and documented instructions and policies in the Parent Company and its subsidiaries. Management regularly reports to the Board according to established routines. Management is responsible for the system of internal controls that is necessary for the management of significant risk associated with day-to-day operations. This includes guidelines that promote understanding and awareness among company executives of the importance of their respective roles in maintaining good internal control.

## RISK ASSESSMENT AND CONTROL ACTIVITIES

In assessing the risk for irregularities in the company's financial reporting, Bure has developed a model in which several areas exposed to elevated risk for significant error have been identified. Particular attention has been paid to the development of controls to prevent and detect deficiencies in these areas. Areas where material deficiencies are identified are dealt with immediately.

## INFORMATION AND COMMUNICATION

Significant guidelines, manuals et., pertinent to financial reporting are continuously updated and communicated to relevant employees. Employees can communicate important information to management and the Board via formal and informal channels. For external communication, guidelines are in place to ensure that the company meets the highest standards in complete and accurate reporting to the market.

## MONITORING

The Board continuously monitors and evaluates information provided by company management. This includes ensuring that action is taken in relation to any deficiencies and recommendations identified in internal and external audits.

Stockholm, 28 March 2019

The Board of Directors of Bure Equity AB (publ.)