

# CORPORATE GOVERNANCE REPORT 2015



## DEAR SHAREHOLDER,

During the year, we have been actively managing Gränges' interests, and creating the conditions for future profits and strong dividend potential.

One of the issues that the Board has considered this year, is preparing the conditions for Gränges' future growth. This involves the identification and analysis of risk, and ensuring that we are financially well-equipped. Strong results and healthy cash flow contributed to Gränges' strengthening its balance sheet and reducing debt. In the light of this, the Board considers that an increase in the dividend of 33 % to SEK 2.00 per share is reasonable.

## Sound corporate governance is founded on an understanding of our various markets

Last year, the growth slowed in Asia after decades of expansion. Heightened concern about this development in China has been high on the Board's agenda. In September, the Board visited Gränges' facility in Shanghai. Asia is currently Gränges' most important market, and it is the region that is expected to experience the strongest growth in the coming years. Through its understanding of this market, the Board has an important responsibility to ensure that Gränges retains and strengthens its position as the leading supplier in the region in the long term.

Innovation is the key driving force for the development and sales of heat exchanger materials. Gränges' strategic research has therefore been given a sharper focus, at the same time as additional resources are being allocated to customer-related technical development. Gränges devotes more resources to research and development into heat exchanger materials than its competitors. Our R&D has departments in both Finspång and Shanghai. A couple further patent applications were submitted during the year.

On behalf of the Board, I would like to express our appreciation to the company's management and employees. Well-defined and goal-oriented work in the past year has enabled Gränges to deliver sustainable and improved results under the leadership of Johan Menckel. Gränges' focus is unchanged. We will continue to work in the best interests of our customers, employees, and shareholders – thereby contribute to sustainable development for society as a whole.

Stockholm, February 2016

Anders G. Carlberg  
Chairman of the Board

*“We will continue to work in the best interests of our customers, employees, and shareholders – thereby contribute to sustainable development for society as a whole.”*

Gränges AB has been listed on Nasdaq Stockholm since October 2014. Gränges' corporate governance is based on Swedish rules and Swedish legislation, primarily the Swedish Companies' Act, but also Nasdaq Stockholm's rules for issuers, the Swedish Corporate Governance Code ("the Code"), the Articles of Association, and other relevant internal and external regulations and policies.

Good corporate governance is about ensuring that the company is administered in a sustainable, responsible and effective manner, with the interests of its owners as guiding principles. Good corporate governance contributes to increased confidence among existing and potential owners, customers, legislators and the general public as well as other stakeholders. In this way, industry's freedom to develop is ensured as well as the supply of risk capital and competence. The aim of the Code is to strengthen confidence in Swedish listed companies by promoting a positive development of corporate governance in these enterprises.

This Corporate Governance Report has been drawn up as part of Gränges' application of the Code. The Corporate Governance Report has been reviewed by the company's auditors.

Gränges does not report any deviations from the Code for 2015.

#### ORGANISATION

The Group's operations during 2015 consisted of the three geographical regions Asia, Europe and the Americas. The two production facilities are located in Finspång, Sweden and in Shanghai, China. The parent company of the Group, Gränges AB, is a Swedish public limited liability company with corporate identity number 556001-6122. It has its registered office in Stockholm with headquarter at Humlegårdsgatan 19A.

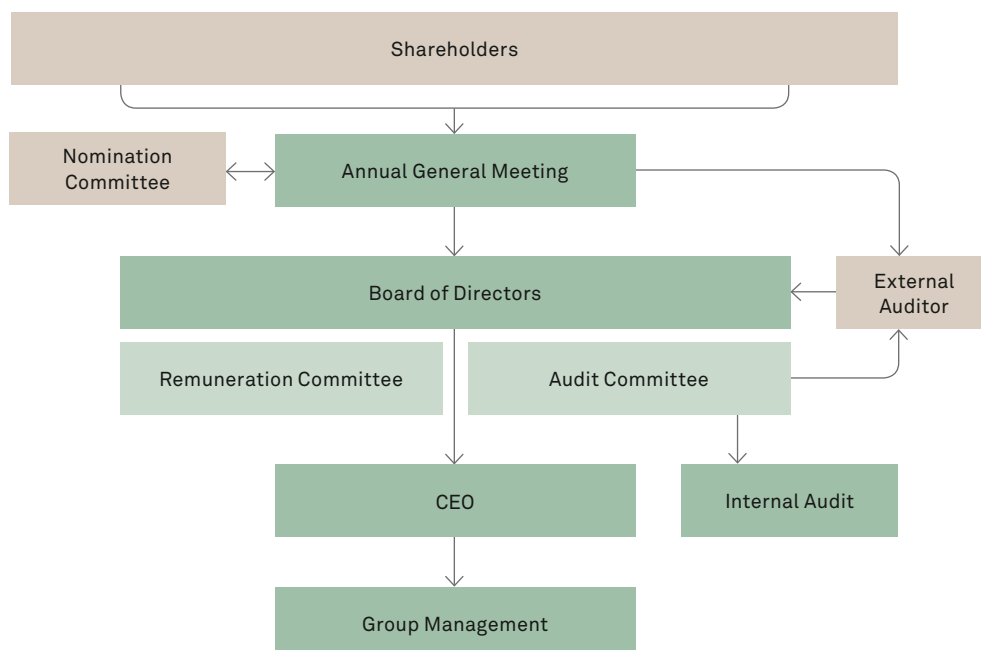
#### THE CODE

All companies whose shares or depository receipts are listed for trading on Nasdaq Stockholm or another regulated market in Sweden, irrespective of market value, must apply the Code. The Code is based on the principle of "comply or explain", which means that a company may deviate from the Code's provisions without this constituting a breach of the Code, if in this particular instance it is considered to lead to better corporate governance. However, a company that does not apply a provision must provide a good explanation as to why it has chosen to do so. Effective corporate governance at Gränges can be summarised as a number of complementary components, as described below.

#### SHAREHOLDERS

The share capital in Gränges amounts to SEK 100 million, distributed among 74,639,386 shares which provide the right to an equal number of votes and an equal share in the company's assets and profits. The number of shareholders in Gränges amounted to 7,912 at 31 December 2015. Orkla Industriinvesteringar AB was the largest shareholder, followed by Lannebo Fonder, Fjärde AP-Fonden and AFA Försäkring. Of the shareholders, 61.6 % held 500 shares or less and the ten largest shareholders held 51.7 % of the total number of shares. The share of foreign ownership amounted to 39.0 %. A detailed table showing share ownership as of 31 December 2015 may be found on page 41. Shareholdings of Board members and the Group management are shown in the table on page 54–57.

One of the company's shareholders, Orkla Industriinvesteringar AB, have a shareholding equivalent to more than 10 % of the total number of shares and the total number of votes.



There are no limitations as regards how many votes each shareholder may cast at a general meeting of shareholders.

The Annual General Meeting of 4 May 2015 authorised the Board, on one or more occasions before the 2016 Annual General Meeting, to make a decision to issue new shares and/or convertible instruments equivalent to 10 % of the total number of shares outstanding in the company at the time of the resolution adopted by the Annual General Meeting, that is to say 7,463,938 shares in total.

#### ANNUAL GENERAL MEETING

The company's highest decision-making body is the Annual General Meeting (AGM), where the owners exercise their influence in the company. Shareholders entered in the register of shareholders on the record day and who have given notification in time are entitled to attend the AGM, in person or represented by another party. At the AGM, which is to be held within six months after the end of each financial year, the shareholders adopt resolutions on various matters, including the following:

- Adoption of the income statement and balance sheet, as well as the consolidated income statement and consolidated balance sheet.
- Appropriation of the company's profit.
- Discharge from liability for the Board and the CEO.
- Election of members of the Board, the Chairman of the Board and auditors.
- Guidelines for remuneration to the CEO and other senior executives, including any share-based incentive programme.

#### 2015 Annual general meeting

The AGM was held on 4 May 2015. At the meeting, 63.78 % of the shares in the company were represented.

At the AGM Anders G. Carlberg was re-elected as Chairman of the Board. In addition, Terje Andersen, Bertil Villard, Ragnhild Wiborg and Carina Andersson were re-elected as members of the Board. The auditing firm Ernst & Young AB was again appointed as auditor and the authorised public accountant Erik Sandström was appointed by Ernst & Young AB as the chief auditor.

Other resolutions were also adopted, amongst other things to:

- pay a dividend of SEK 1.50 per share to the shareholders
- authorise the Board to issue a maximum of 10 % of the number of shares at the time of the AGM in a new issue of shares and/or issue of convertible instruments,
- adopt a short-term annual incentive programme for senior executives and other key persons in the Group. This programme will be determined by a number of parameters, consisting of key financial figures for the Group, such as adjusted operating profit and capital employed, and by predetermined individual objectives. According to the resolution, remuneration (STI) for 2015 may amount to no more than 60 % of annual basic salary,
- adopt a long-term incentive programme for senior executives and certain key persons in the Group whereby an amount corresponding to the outcome from STI 2015 for each participant is set aside in a so-called LTI bank and, provided that the person is still employed at Gränges, a third of the amount will be paid each year during 2017, 2018 and 2019 adjusted for the total return of Gränges' share, and
- approve Board members' and the auditor's fees.

#### NOMINATION COMMITTEE

The duties of the Nomination Committee before the AGM consist of proposing the Chairman of the Board, Board members, the auditor, the chairman of the AGM, Board fees, fees for committee work and fees for the auditor. The Nomination Committee shall also propose a new Nomination Committee or criteria for its composition.

The result of the Board's annual evaluation of the work carried out by the Board shall be presented to the Nomination Committee in its entirety. In its assessment of the Board's evaluation and in its proposal concerning the composition of the Board, the Nomination Committee shall pay particular attention to the Code's demands regarding the diversity and breadth of the Board and with regard to trying to achieve an equal gender distribution.

The Nomination Committee for the 2016 Annual General Meeting was appointed in line with the resolution of the AGM held on 4 May 2015. According to the resolution, Gränges' Nomination Committee for the 2016 AGM shall comprise representatives for the company's three largest shareholders at 31 August 2015 together with the company Chairman of the Board. If one of these shareholders is no longer one of the three largest shareholders, its representative shall tender his/her resignation and the shareholder next in line shall be offered a seat on the Nomination Committee, if the Nomination Committee deems this necessary. The Chairman of the Nomination Committee shall be the committee member representing the largest shareholder, unless otherwise agreed by the Nomination Committee.

At 31 August 2015, Gränges' three largest shareholders were Orkla Industriinvesteringar AB, Lannebo Fonder and Fjärde AP-fonden, and they were given the opportunity to nominate candidates for the Nomination Committee. On 24 September 2015, it was announced on the company's website that the Nomination Committee for the 2016 Annual General Meeting had the following composition: Mikael Aru (Orkla Industriinvesteringar AB), Claes Murander (Lannebo Fonder), Jannis Kitsakis (Fjärde AP-fonden) and Anders G. Carlberg (Gränges' Chairman of the Board). The Chairman of the Nomination Committee is Mikael Aru.

#### Nomination Committee for the 2016 AGM

Appointed by/name	% of the votes 31 December 2015
Orkla Industriinvesteringar AB/Mikael Aru	16.0
Lannebo Fonder/Claes Murander	9.3
Fjärde AP-fonden/Jannis Kitsakis	8.4
Chairman of Gränges' Board of Directors/ Anders G. Carlberg	0.0 <sup>1)</sup>

1) For the Chairman of the Boards' share holding, see page 54.

Shareholders have until 31 January 2016 to submit proposals and viewpoints to the Nomination Committee. The Nomination Committee's proposal is published in the notice convening the AGM. In connection with the notice being issued, the Nomination Committee provided a reasoned statement concerning its proposal to the Board on [www.granges.com](http://www.granges.com) as well as an account of how the Nomination Committee's work was conducted.

**Work of the Nomination Committee ahead of the 2016 AGM**

The Nomination Committee has met five times since it was constituted in the autumn of 2015. The Chairman of the Board gave an account at the first meeting of the evaluation of the work of the Board that the Chairman had carried out during autumn 2015. The result of this evaluation was predominantly positive.

Ahead of the 2016 AGM the Nomination Committee has made an assessment of whether the composition of the present Board is appropriate regarding breadth, diversity and gender equality and meets the demands made of the Board given the company's present and future situation. The annual evaluation of the Board has been part of the basis for this assessment. The Nomination Committee works continually on the identification and evaluation of potential new Board members.

Pursuant to the instructions for the Nomination Committee adopted at the 2015 AGM, no fees shall be paid to the Nomination Committee.

**THE BOARD**

The overriding duty of the Board is to manage the affairs of the company in the interests of the company and all shareholders. The Board shall continually assess the financial situation of the company and the Group and ensure that the company's financial position can be satisfactorily verified. The Board shall also evaluate Group management. The Board decides on questions including the Group's strategic direction and organisation and resolves on important acquisitions, investments or disposals. Before each AGM, based on the proposal of the Remuneration Committee, the Board shall prepare proposed guidelines for determination of remuneration to the CEO and the other members of the Group's management. Each year the Board shall evaluate the work of the Board by means of a systematic and structured process, with a view to developing the Board's procedures and efficiency. During 2015 this was done under the leadership of the Chairman of the Board, who had all members and deputy members of the Board grade certain elements of the work of the Board and also gave the members of the Board the opportunity to submit proposals for improvement measures. The results of the evaluation were very positive throughout.

**Formal work plan of the Board of Directors**

Each year the Board adopts a formal work plan including instructions for the CEO, which amongst other things governs the division of work between the Board and the CEO.

The formal work plan governs how the Board's work should be divided among the Board's members, how often the Board should meet and how the work should be divided in the Board's committees. In addition, the formal work plan also states that there shall be a Remuneration Committee and an Audit Committee. Ahead of every Board meeting, the Board members receive the agenda and decision data. Each Board meeting includes a review of the current business situation and the Group's results, financial position and outlook. Other questions that are dealt with include the competitive and market situation. The Board regularly follows up the overall risk situation from various aspects and the health and safety work, including accident statistics, in the Group. The Board also has a system for continual follow-up of decisions and unresolved issues.

**Chairman of the Board**

The Chairman organises and leads the work of the Board, represents the company in ownership questions, is responsible for the evaluation of the Board's work and since the IPO and up until the end of 2015 was entrusted with a special responsibility in respect of communication with capital markets. In addition, the Chairman is responsible for the day-to-day contact with the CEO and for ensuring that the Board effectively meets its duties and obligations.

**Composition of the Board of Directors**

Under the Articles of Association, the Board shall be composed of not less than four and not more than eight members elected by the general meeting of shareholders, with not more than four deputy members. The Board constitutes a quorum when more than half of all Board members (including members appointed by the employees) are present. Taking into account the company's operations, phase of development, and circumstances in general, the Board shall have an appropriate composition characterised by diversity and breadth as regards the competence, experience and background of the members. Pursuant to the Act regarding representation on the Board for employees in the private sector, the employees are entitled to appoint two Board members and two deputy members to the Board. The employee organisations have utilised this entitlement.

**The work of the Board in 2015**

During 2015, eleven recorded meetings were held and there was a quorum at all meetings. The company's CEO and CFO were present at all meetings. The secretary to the Board is Gränges' General Counsel.

The Board held three telephone meetings regarding the decision to publish the interim reports. The other meetings were regular meetings and two of these eight meetings were held at Gränges' facilities in Finspång and Shanghai. At the meetings held on 19 February and 4 December, the Board had sessions where no one from the Group management participated.

**Remuneration Committee**

In addition to the Chairman of the Board, the Remuneration Committee shall consist of one or more Board members elected by the general meeting of shareholders, who shall be independent in relation to the company and the Group management. Members of the Remuneration Committee should have the requisite knowledge and experience in questions regarding remuneration to senior executives. The CEO shall participate in the Committee's meetings in a reporting capacity. The duties of the Remuneration Committee are set out in the formal work plan of the Board. The Remuneration Committee submits proposals to the Board regarding the CEO's salary and other terms of employment and prescribes the framework for the salaries and terms of employment of the other members of the Group management. The duties of the Remuneration Committee include preparing the Board's proposal on guidelines for principles of remuneration, preparing the Board's proposed guidelines for determination of salary and remuneration to the CEO and other members of Group management and also following and evaluating the application of these principles. The Remuneration Committee shall also follow and evaluate programmes for variable remuneration

of Group management. The CEO is co-opted to the Committee but does not participate in the discussion dealing with his own salary and terms of employment. The company's General Counsel is the secretary to the Committee.

During 2015 the work of the Remuneration Committee included drawing up the short-term and long-term incentive programmes for senior executives and other key persons, and in this connection a large number of different models were analysed. A proposal for a resolution concerning remuneration of the CEO, based on the short-term incentive programme, was also drawn up.

#### Audit Committee

According to the formal work plan of the Board, the Audit Committee should consist of at least three Board members elected by the general meeting of shareholders. The members may not be employees of the company. The majority of the members should be independent in relation to the company and Group management. The Committee elects a chairman from among its members, who may not be the Chairman of the Board. The duties of the Audit Committee are described in the formal work plan of the Board. The chairman of the Audit Committee is responsible for ensuring that the entire Board is continually informed about the Committee's work, and, if required, submits matters to the Board for resolution. The primary duty of the Audit Committee is to support the Board in its work of ensuring quality in the financial reporting. The Audit Committee monitors the company's financial reporting and, in this respect, the effectiveness of the company's internal control, internal auditing and risk management. The Committee continually meets the company's auditors and evaluates the auditing work. The company's CFO presents reports to the Committee and the General counsel is the secretary to the committee.

There is an established risk management process in the company that is based on operational processes and flows. The Audit Committee considers the risk areas that have been identified (both business risk and the risk of errors in the financial reporting) in this process. Based on the outcome, the focus and scope of the audit are analysed together with the company's auditors.

The Audit Committee adopts an annual internal audit plan, which amongst other things is based on the risks that have emerged in the risk management process.

During 2015 internal audit was performed in the operations in Shanghai. The outcome of this exercise was satisfactory.

The audit plan is discussed with the external auditors in order to improve the efficiency and quality of the day-to-day audit work. The Committee analyses and also highlights important accounting questions that affect the Group and assists the Nomination Committee in drawing up proposals for auditors and their remuneration.

During 2015 the Audit Committee performed review on the quarterly reports so as to always be able to ensure quality in the financial controls, and also worked on projects concerning currency hedging strategy, internal controls, inventory management, analysis of cash generating unit and the need for a new Enterprise Resource Planning system (ERP). The auditor attended all the meetings and he reported throughout the year on controls and audit plans.

#### AUDITOR

The company's internal auditing is reported to the Board and shall ensure that the company has sufficient control systems in place for the financial reporting. The external auditor's duty is to examine the company's annual accounts and bookkeeping, and to examine the Board's and the CEO's administration of the company.

According to the Articles of Association, Gränges AB should have not less than one and not more than two auditors. Registered

#### BOARD AND COMMITTEE ATTENDANCE

Namn	Independent inrelation to the company/ owners	Attendance Board meet- ings	Attendance Audit Commit- tee meetings	Attendance Remuneration Committee meetings	Directors' fees, SEK	Audit Commit- tee fees, SEK	Remuneration Committee fees, SEK	Total fees, SEK
Anders G. Carlberg	Yes	11/11		2/2	500,000		50,000	550,000
Terje Andersen	No	11/11	5/5	2/2	275,000	40,000	25,000	340,000
Carina Andersson	Yes	11/11			275,000			275,000
Bertil Villard	Yes	11/11	5/5	2/2	275,000	40,000	25,000	340,000
Ragnhild Wiborg	Yes	11/11	5/5		275,000	80,000		355,000
Øystein Larsen	Empl. rep.	11/11		2/2	40,000			40,000
Konny Svensson	Empl. rep.	11/11	5/5		40,000			40,000
Tommy Andersson	Dep. Empl. rep.	11/11			40,000			40,000
Claudi Martin Callizo	Dep. Empl. rep.	10/11			40,000			40,000
<b>Total fees, SEK</b>					<b>1,760,000</b>	<b>160,000</b>	<b>100,000</b>	<b>2,020,000</b>

auditing firms may be appointed as auditor. Ernst & Young AB was appointed as auditor at the general meeting of shareholders. Ernst & Young AB has informed the company that the authorised public accountant Erik Sandström is the chief auditor until the 2016 AGM.

The external audit of the parent company and Group accounts and of the administration of the Board and the CEO is conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. The company's chief auditor participates in all meetings of the Audit Committee and one Board meeting. Regarding fees to the auditor, please refer to Note 9.

#### GROUP MANAGEMENT

The Group management is responsible for designing and implementing the Group's overall strategies and handles questions such as product and customer strategies as well as acquisitions and divestments. These questions and major investments are prepared by the Group management for resolution by the Board.

The CEO is responsible for the day-to-day management of the company in accordance with the Board's guidelines and instructions. On 31 December 2015, the Group management consisted of eight people: the CEO, President Asia, President Europe, President Americas, CFO, CTO, General Counsel and Director Communications and Investor Relations.

The Group management holds monthly meetings in order to follow up the Group's results and financial position. Other questions dealt with at Group management meetings include strategic issues and the follow-up of budgets and forecasts. Subsidiaries are also followed up more directly by virtue of the fact that the CEO is Chairman of the two subsidiaries in Finspång and in Shanghai. Other members of the Group management and, as regards Sweden, employee representatives also serve on these Boards. The Boards of the subsidiaries monitor the day-to-day operations and approve the strategies and budgets of each subsidiary.

#### Remuneration of Group Management

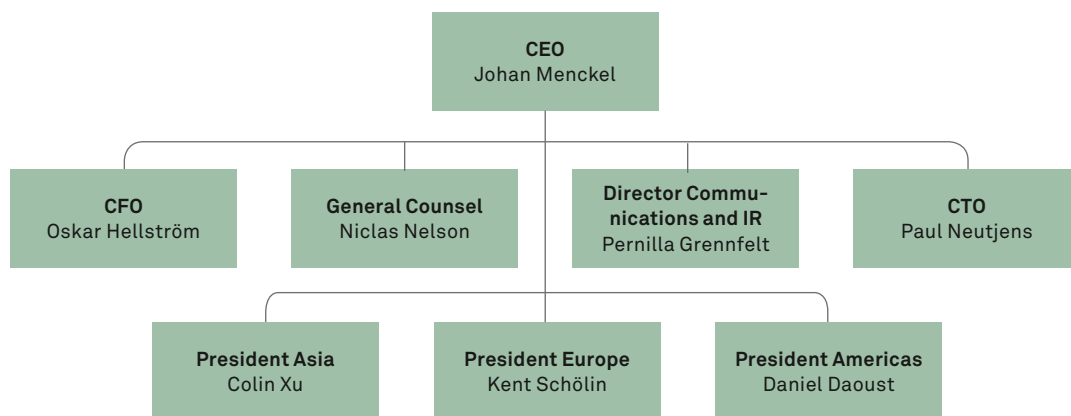
Guidelines for remuneration of senior executives were analysed and developed by the Remuneration Committee at the beginning of 2016. These are described on page 44 and will be presented in their entirety in the decision data for the AGM to be held on 28 April 2016.

#### The Board's description of internal control and risk management regarding financial reporting

Under the Swedish Companies' Act and the Code, it is the responsibility of Gränges AB's Board that the company has good internal control. Internal control shall ensure that the company's financial reporting is reliable and prepared in accordance with laws, applicable accounting standards and other requirements for listed companies.

#### Framework for internal control and risk management regarding financial reporting

Gränges complies with the established international framework, Internal Control Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In accordance with COSO, Gränges' process for internal control of financial reporting is based on five components. These five components are: the control environment, risk assessment, control activities, information and communication and monitoring. Gränges' internal control process is designed to ensure with reasonable certainty the quality and accuracy of the financial reporting and to ensure that the reporting is prepared in accordance with applicable laws and regulations, accounting standards and other requirements for listed companies in Sweden. This is dependent on a good control environment, reliable risk assessments and established control activities and on information, communication and monitoring working in a satisfactory manner.





### Control environment

The control environment is defined by the organisational structure, the Group management's working methods and values and other roles and responsibilities in the organisation. The Audit Committee assists the Board in relation to important accounting questions that the Group applies and monitors the internal control of financial reporting. In order to maintain an effective control environment and good internal control, the Board has delegated the day-to-day responsibility to the CEO, who in turn has assigned the responsibility to other members of the Group management.

Quality in the financial reporting is ensured through a number of different measures and routines. Continual work is ongoing to further develop joint Group policies and manuals. These policies and manuals include the Financial Management Directive, the Metal Management Directive, the Group Accounting Manual and the Instruction for Financial Reporting. Apart from the above, there are important joint Group steering documents such as the Information Policy, the Group's Authorisation Manual and the Code of Conduct (business ethics rules). Starting in 2014 and continuing during 2015, a large portion of the Group's employees participated in a web-based training course regarding the Code of Conduct. In addition, the General Counsel held a training course for certain specially defined groups in the Group regarding business ethics issues and related questions. To further strengthen internal control and risk management, the whistleblower function was developed during 2015, whereby serious irregularities and violations of the company's business ethics rules can be reported. The aim of this function is to guarantee safety in the work environment, to maintain good business ethics and to limit financial irregularities and thereby further improve the quality of Gränges' financial reporting for the benefit of the company's shareholders, owners, employees, customers and suppliers. The implementation of the whistleblower function in the Group has gone somewhat slower than estimated, and the company's internal control has shown that the function must be clarified and presented to broader groups. These improvement measures have been implemented in both the company's internal magazine "Exchange" and in the new intranet which was introduced during Spring 2016.

### Risk assessment

Gränges' organisation is exposed to internal and external risks. To reasonably ensure good internal control, risks that may affect the financial reporting are identified, measured and managed. This is an integral part of the day-to-day reporting to the Group management and Board, which forms the basis for the assessment of risk of errors in the financial reporting. Gränges' operations are defined by processes with established routines and systems. Risk assessment thus largely occurs within the framework of these processes. Managers in the Group identify, monitor and follow up these risks. This creates the basis for taking well-founded and correct business decisions at all levels. As a rule, financial risks such as currency, commodity, refinancing and counterparty risks in general and interest rate and credit risks are mainly handled by the parent company's Finance Department in accordance with the Financial Management Directive, the Metal Management Directive, the Group Accounting Manual and the Instruction for Financial Reporting. During 2015, the Group management carried out a risk study regarding corruption risks, which was followed up by an analysis of whether the company has the necessary tools and rules in place to minimise the risks of corruption.

### Control measures/activities

The main purpose of control activities is to prevent and discover material errors in the financial reporting at an early stage so that these errors can be managed and remedied. There are control

activities at both an overall level and at a more detailed level in the Group of a manual and automated character. Routines and activities have been designed to handle and remedy material risks that are related to the financial reporting and that were identified in the risk assessment. Depending on the character and type of control activity, corrective action, implementation, documentation and quality assurance occur at a Group or subsidiary level. As in the case of other processes, each manager is responsible for the completeness and accuracy of the control activities.

The Group has a common consolidation system, where the legal entities report, which provides good internal control of financial reporting. Most controls and processes are automated and authorisation to access IT systems is limited.

Control activities are performed at all levels in the Group. One example that can be mentioned is the established controller function, which analyses and follows up deviations and reports its findings to other parts of the Group. Monitoring by the Group management occurs, for example, through regular meetings with the heads of subsidiaries regarding operations, the financial position and results as well as financial and operating key ratios. The Board continually analyses reports on operations where the Group management gives an account of the previous period and comments on the Group's financial position and results. In this way, significant fluctuations and deviations are followed up, which limits the risk of errors in the financial reporting.

The closing of the books and the work on the annual accounts are processes where there is further risk that errors arise in the financial reporting. This work is quite naturally of a less repetitive nature and often involves a number of instances where estimates are made. Important control activities include ensuring that there is a well-functioning reporting structure where subsidiaries report according to standardised models and that important income statement and balance sheet items are specified and commented on.

### Information and communication

Gränges' financial reporting follows the Group guidelines and policies and is updated and communicated regularly by the Group management to all the employees concerned. The accounting function has operative responsibility for the day-to-day financial reporting and works to ensure that the Group's guidelines, policies and instructions are applied in a uniform manner in the Group. The accounting function is also tasked with identifying and communicating deficiencies in the financial reporting. All communication shall occur in accordance with Nasdaq Stockholm's rules for issuers and in conformity with other applicable regulations. The financial information should provide the capital and stock markets with a comprehensive and clear view of the company and its financial position, performance and strategy. All financial reports and press releases published on the company's website are simultaneously released to Nasdaq Stockholm and the Swedish Financial Supervisory Board.

### Monitoring

The Board's monitoring of internal control of financial reporting mainly occurs through the Audit Committee, including monitoring of the internal audit and through contacts with the external auditors and their work and reports. The external auditors monitor selected areas of the internal control on an annual basis within the framework of the statutory audit. The external auditors report the outcome of their audit to the Audit Committee and the Group management. Significant observations are also reported directly to the Board. As regards the audit for 2015, the auditors have monitored the internal control in selected key processes and have reported their findings to the Audit Committee and Group management.