



**CORPORATE GOVERNANCE REPORT 2016**



# CORPORATE GOVERNANCE

*Odd Molly International AB is a publicly listed Swedish company and as such its corporate governance is based on Swedish rules and legislation, primarily the Swedish Companies Act, Nasdaq Stockholm's rules for issuers, the Swedish Code of Corporate Governance, the Articles of Association and other pertinent rules. Odd Molly has been listed on Nasdaq Stockholm since June 21, 2010 and since then has since fully applied the Swedish Code of Corporate Governance. In the event of any deviations, the principle of "comply or explain" is applied. The Board of Directors is responsible for continuously monitoring compliance with the code by the Board and management as well as the company otherwise.*

## **ANNUAL GENERAL MEETING**

*The shareholders exercise their decision-making authority at the Annual General Meeting (AGM), the company's highest decision-making body. Shareholders who are recorded in the share register and have notified the company have the right to attend the AGM and to vote their shares. Shareholders who are unable to be present in person may be represented by proxy.*

*Among the matters required to be dealt with at the AGM are the adoption of the consolidated balance sheet and income statement, the appropriation of the company's profit or loss, the remuneration principles for senior executives and the discharge of the Directors and CEO from liability. Based on a proposal from the Nomination Committee, the AGM elects the Directors until the conclusion of the next AGM.*

## **AMENDMENTS TO THE ARTICLE OF ASSOCIATION**

*Odd Molly's Articles of Association do not contain any provisions on amending the articles. Such changes are resolved in accordance with Swedish law, i.e., by the AGM.*

## **ANNUAL GENERAL MEETING 2017**

*Odd Molly's Annual General Meeting for the financial year 2016 will be held at 2 PM (CET) on May 11, 2017 in the company's showroom at Karlavägen 73 in Stockholm. Information on the time and location, how to notify the company to attend and how shareholders can have an issue brought before the meeting is available on the company's website, [www.oddmolly.com](http://www.oddmolly.com), and page 76 in the full Swedish report.*

## **NOMINATION COMMITTEE**

*The AGM 2009 resolved that the company should have a Nomination Committee. The Nomination Committee for the AGM on May 11, 2017 is comprised of Tom Wikström (Chairman), Christer Andersson and Rutger Arnhult. Prior to the AGM, the Nomination Committee held three meetings at which minutes were kept. No remuneration was paid for participation on the Nomination Committee. Tom Wikström is considered independent in relation to the company, management and major shareholders. Christer Andersson and Rutger Arnhult are considered independent in relation to the company and management, but not the major shareholders.*

## **BOARD OF DIRECTORS**

*Odd Molly's Board of Directors consists of six members elected by the AGM and no deputies. The Board of Directors is comprised of Patrik Tillman, (Chairman), Mia Arnhult, Lennart Björk, Kia Orback Pettersson, Elin Ryer and Nils Vinberg. None of the Directors are employed or have an employment-like relationship with the Group or any subsidiary.*

*Mia Arnhult, Lennart Björk and Patrik Tillman are considered independent in relation to the company and management, but not the major shareholders. Kia Orback Pettersson, Elin Ryer and Nils Vinberg are considered independent in relation to the company, management and major shareholders. For a more detailed presentation of Odd Molly's Board of Directors, see pages 70 – 71 in the full Swedish report.*

## BOARD REMUNERATION

The Chairman of the Board and other Directors received total remuneration of SEK 800 thousand (800) for 2016, in accordance with the resolution of the AGM. The Chairman receives SEK 175 thousand per year and the other five Directors each receive SEK 125 thousand per year.

## BOARD WORK

The duty of the Board of Directors is to manage the company's affairs on behalf of the shareholders. The Board's work is governed by the Companies Act, the Articles of Association and the current rules of procedure, including the instruction on the delegation between the Board and the CEO.

In 2016 the Board held ten meetings at which minutes were kept. During these meetings the Board discussed the financial results, balance sheet total, interim reports and annual report, as well as market and risk analyses, the direction of the business, organizational issues, strategy, the business plan and branding. The Board annually conducts an evaluation of Board work.

## APPOINTMENT AND DISMISSAL OF BOARD MEMBERS

According to Odd Molly's Articles of Association, the Board of Directors shall consist of three to ten members, who are elected annually by AGM for a term ending at the conclusion of the next AGM. Odd Molly's Articles of Association do not contain any provisions on the dismissal of Board members. The Board of Directors currently consists of six members. None of the Directors are employed by the Group.

## DELTAGANDE ANTAL MÖTEN

	2016	2015	2014	2013
Mia Arnhult	10	9	10	10
Lennart Björk	6	8	9	8
Kia Orback Pettersson	9	8	9	5
Elin Ryer	8	6	-	-
Patrik Tillman	10	9	10	10
Nils Vinberg	9	8	10	9
Total number of meetings	10	9	10	10

## AUDIT COMMITTEE

The Board of Directors has appointed an Audit Committee from among its members to prepare the Board's quality assurance of the financial reporting. The Audit Committee consists of Directors Mia Arnhult, (Chairman), Kia Orback Pettersson and Nils Vinberg. During the year the Audit Committee held three meetings at which minutes were kept, which the company's CFO and auditor also attended.

## REMUNERATION COMMITTEE

The Board of Directors has appointed a Remuneration Committee from among its members whose duty, within the framework of the remuneration guidelines for senior executives resolved by the AGM, is to prepare remuneration issues pertaining to the CEO and other senior executives. The Remuneration Committee consists of Directors Patrik Tillman (Chairman), Mia Arnhult and Elin Ryer. During the year the Remuneration Committee held two meetings at which minutes were kept.

## AUDITORS

The auditors are elected by the shareholders at the AGM. The auditors review the company's annual report, consolidated financial statements and accounting records, as well as the day-to-day administration of the Board and the CEO. Ernst & Young was elected as the company's auditor at the AGM 2007 and reelected at the AGM 2016 for another year. The chief auditor is Jonas Svensson. The external audit is conducted according to generally accepted accounting principles in Sweden. The auditors have submitted verbal and written reports to the Audit Committee and the Board of Directors on their audit and review of the internal control.

## AUDITORS' REMUNERATION

For 2016 the auditors' remuneration amounted to SEK 884 thousand as regards the Parent Company, of which SEK 495 thousand related to audit work. The corresponding amounts for the Group were SEK 1,218 thousand and SEK 743 thousand, respectively.

## CHIEF EXECUTIVE OFFICER (CEO) AND GROUP MANAGEMENT

The CEO manages the Group and its operations within the framework resolved by the Board. The CEO is responsible for keeping the Board informed of the company's development, reporting on significant deviations from established business plans and events that significantly impact the company's operations, and preparing the necessary background information for the Board, e.g., regarding the company's expansion, investments and other strategically important issues. Group Management, which is led by the CEO, consists of the managers of key operating areas within Odd Molly. Group Management holds monthly meetings where operational issues are discussed. Moreover, Group Management annually formulates a business plan that is adopted by the Board. Daily contact between the members of Group Management is critical to effective governance and management.

On December 31, 2016 Group Management consisted of Anna Attemark (CEO), Jennie Högstedt Björk, Kent-Jonas Lundqvist, Johanna Palm, Kristin Roos and Linn Thor. For a detailed presentation of Group Management, see pages 72 – 73 in the full Swedish report. The Chairman conducts an annual performance review of the CEO in accordance with the CEO's instructions.

## REMUNERATION TO THE CEO AND SENIOR EXECUTIVES

The CEO's base salary for 2016 was SEK 2,289 thousand (2,160). The CEO is entitled to a monthly pension provision corresponding to 30 percent of base salary. Pension expenses amounted to SEK 648 thousand (648) in 2016. The terms of the CEO's remuneration package are resolved by the Board. The company and the CEO have agreed to a term of notice of 12 months if she is terminated by the company and 6 months if she resigns.

Senior executives refer to five persons, who together with the CEO formed the Group Management in 2016. The number of senior executives increased in May, when the Head of Marketing and E-Commerce joined the management team. Her salary is included as of May in the total compensation figure for 2016. The new CFO took over in April 2016. During the first months of the year the position was filled by an acting CFO on a consulting basis. This remuneration is not included in the total compensation figure for 2016. The base salaries paid to senior executives, excluding the CEO, amounted to SEK 5,095 thousand (4,766) for 2016.

Odd Molly pays premiums to a defined-contribution pension plan corresponding to 16-23 percent of the total payroll expense. Pension expenses amounted to SEK 811 thousand (903) in 2016. Senior executives have a term of notice of 3 – 6 months.

Remuneration to the CEO and other senior executives has been paid exclusively by the Parent Company. Variable remuneration in the form of a bonus has been expensed for CEO Anna Attemark and Vice President Jennie Högstedt Björk in the total amount of SEK 1,314 thousand.

## INCENTIVE PROGRAMS

As of year-end Odd Molly had two outstanding incentive programs based on warrants in Odd Molly Sverige AB.

One warrant program, which was resolved by the Annual General Meeting 2014, issued 100,000 warrants to the wholly owned subsidiary Odd Molly Sverige AB for transfer to certain senior executives.

An Extraordinary General Meeting on February 24, 2016 approved a new warrant program when a previous incentive program for the CEO and Vice President expired. The meeting voted in accordance with the Board's proposal for an incentive program based on warrants in Odd Molly Sverige AB. The program issued 300,000 warrants to Odd Molly Sverige for transfer to the CEO and Vice President

## INTERNAL CONTROL

The Board of Directors is responsible for corporate governance and internal control. The overarching purpose is to protect the company's assets and the shareholders' investment. The Board is also responsible for ensuring that financial reporting is prepared in accordance with current laws. By reviewing all critical accounting issues and the financial reports issued by the company, the Board is able to assure the quality of Odd Molly's financial reporting. This requires the Board to treat issues of internal control, compliance, material uncertainties in reported values, any uncorrected inaccuracies, events after the balance sheet date, changes in estimates and assumptions, any verified irregularities and other conditions that affect the quality of the financial reports.

## **CONTROL ENVIRONMENT**

*An important part of the internal control is to formulate and establish a number of fundamental policies, guidelines and frameworks for the company's financial routines and financial reporting. The company's finance policy was established in 2013 and is adopted annually by the Board. The financial handbook, which is updated continuously, is an important tool to assure good internal control over the company's operations. Operations are monitored and governing documents are revised continuously and communicated to all affected employees. The Board continuously evaluates operations and results through a reporting package containing an income statement, balance sheet and key financial ratios as well as other essential operational and financial information.*

*The other policies and guidelines established by the Board that are important to the internal control are the communication policy, IT policy and gender equality policy. Further, the CEO decides on financial job descriptions, which are available to the finance department on the company's server. Odd Molly has a business area-based organizational structure where each business area is represented on the company's management team with responsibility for the performance of the business area. All of Odd Molly's business areas have the same structure, financial systems, chart of accounts and policies, which makes it easier to create effective routines and control systems.*

## **RISK ASSESSMENTS**

*Odd Molly works continuously and actively with risk analysis, risk assessment and risk management to ensure that the risks the company is exposed to are managed efficiently within the established framework. The risk assessment includes, among other things, the company's administrative routines for invoicing and order processing. Balance sheet and income statement items with a risk of material error are also reviewed continuously. Odd Molly uses prepayments when its credit analysis has a negative outcome or for new, smaller customers, as well as with active control of currency risks.*

## **CONTROL ACTIVITIES**

*Control structures are designed to manage the risks that the Board of Directors considers material to the internal control of financial*

*reporting. These control structures consist of an organization with clearly defined lines of authority, routines and job descriptions. Control activities include reporting on decision-making processes and procedures for important decisions (e.g., new major customers, investments, inventories, contracts, etc.) as well as reviews of all financial reports that are presented.*

*The financial handbook covers, among other things, control activities such as reconciliations, authorizations, financial systems and benchmarks. Authorization instructions are updated continuously. The right to authorize payments is also treated in this instruction. Approval is required from at least two persons jointly from the finance department or by the CEO and the CFO.*

## **INFORMATION AND COMMUNICATION**

*The company's governing documents in the form of policies, guidelines and manuals for internal and external communications are updated continuously and communicated internally through the appropriate channels such as internal meetings and internal mail. The company's communication policy, which contains guidelines on how information is released, applies to communications with outside parties. The purpose of the policy is to ensure that the company accurately and thoroughly meets all its information obligations according to current laws and regulations.*

## **MONITORING AND OVERSIGHT**

*The Board continuously monitors the effectiveness of the internal control based on the preparations by the Audit Committee. The Board makes certain that the company's auditors review the financial report for the third quarter. Lastly, the Board issues a brief report on how internal control was implemented during the year. To date the Board has not found reason to establish a separate internal audit unit, although it evaluates annually whether one is needed.*

## **ODD MOLLY SHARE AND OWNERSHIP STRUCTURE**

*Information on Odd Molly's share and ownership structure can be found in the section on Odd Molly's share in the annual report on pages 28 – 29 and in the section on the Odd Molly share and ownership structure in the Board of Directors' report.*

*The Board of Directors, March 27, 2017*

