

Corporate Governance report 2013



Catalysts for Profitability and Growth

2013 Corporate Governance Report

BTS Group AB is a public limited liability company based in Stockholm, Sweden, and listed on NASDAQ OMX Stockholm. Consequently the BTS Group's corporate governance is based on Swedish legislation and regulations such as the Companies Act, the listing agreement, the Swedish Code of Corporate Governance, and the Company's own articles of association.

The Swedish Code of Corporate Governance (the Code) is a set of rules and regulations for listed companies and complements legislation, companies' own articles of association, and other rules by specifying a norm for good corporate governance. The Code deals with the systems and corporate and decision-making bodies through which owners directly or indirectly control their company and is intended to safeguard the investments of shareholders and the assets of a group as well as to insure that the financial information provided by a company is reliable. Any deviations from the Code are explained in the pertinent section.

This corporate governance report does not constitute a part of the formal financial statements and has not been reviewed by the Company's auditors.

Corporate governance structure

The corporate bodies of BTS Group AB comprise the following.

Annual General Meeting (AGM)	– highest decision-making body
Board of Directors	– has ultimate responsibility for the Company's organization and management
Chief Executive Officer (CEO)	– has responsibility for day-to-day management
Auditors	– audit the Board of Directors' and CEO's management at the request of the shareholders/Annual General Meeting.

Shareholders

The total number of shares outstanding is 18,589,870, consisting of 853,800 Class A and 17,736,070 Class B shares. Each Class A share entitles the holder to ten votes per share, each Class B one vote per share.

At December 31, 2013, BTS Group AB had approximately 682 shareholders. The ten largest shareholders had total shareholdings corresponding to 76,6% of shares and 83,4% of votes. A list of the largest shareholders is found on page 51 of the annual report.

Annual General Meeting

BTS's highest decision-making body is the Annual General Meeting (AGM). Notice of the AGM shall be published no earlier than six weeks and no later than four weeks before the AGM and shall appear in Post-och Inrikestidningar and Svenska Dagbladet. All shareholders entered in the share register on the record date who have notified the Company in time of their intention to participate in the AGM may do so.

Shareholders unable to attend can be represented by proxy.

The AGM elects the Company's Board and the Chairman of the Board. The business of the AGM includes

- adopting the income statement and balance sheet,
- determining the appropriation of the Company's earnings,
- determining whether to discharge the members of the Board and the CEO from liability to the Company,
- electing auditors, and
- determining fees to be paid to the Board and auditors.

2013 Annual General Meeting

The 2013 AGM was held on Tuesday, May 14, 2013, at the Company's offices in Stockholm. Nineteen shareholders attended, representing 77.1% of the number of shares outstanding and 83.9% of the votes. All members of the Board and the Company's auditor participated in the AGM. Decisions made included the following.

- The income statement and balance sheet and the consolidated income statement and balance sheet for fiscal 2013 were adopted.
- The proposed dividend of SEK 1.75 per share was approved.
- The Board of Directors and CEO were discharged from liability for management during the fiscal year as recommended by the auditors.
- A total of SEK 650,000 in fees was approved to be paid to members of the Board who receive no salary from the Company or any subsidiary, of which SEK 275,000 shall be paid to the Chairman and SEK 125,000 each to other members. For work on Board committees, fees totaling SEK 90,000 shall be paid.
- Auditors' fees were approved to be paid based on approved invoices.
- Mariana Burenstam Linder, Henrik Ekelund, Stefan Gardefjord, Michael Grindfors and Dag Sehlin were re-elected to the Board for the period until the next AGM. Michael Grindfors was re-elected Chairman of the Board.
- Instructions for the nominating committee, such that the committee be made up of representatives from the two shareholders controlling the most votes, based on Euroclear Sweden AB's data at September 30, 2013, and the Chairman of the Board.
- Guidelines for remuneration and other terms of employment for senior executives were determined.
- The Board of Directors was authorized to decide, during the period until the next AGM, whether to issue shares or convertible instruments that would result in a maximum of 1,200,000 Class B shares being issued for capital contributed in kind or as offsets. This authorization referred to corporate acquisitions.

Nominating committee

The nominating committee has the task of preparing and submitting proposals to the AGM concerning the following, when relevant.

- Election of a president for the AGM.
- Election of the Chairman of the Board and other members of the Board.

- Board fees: in total and divided among the Chairman and other members of the Board as well as compensation for work on committees, when relevant.
- Audit fees.
- Election of auditor and deputy auditor, when relevant.
- Adoption of a policy for appointing the nominating committee.

A nominating committee for BTS Group AB was appointed on October 24, 2013. BTS's two largest shareholders in consultation with Michael Grindfors, Chairman of the Board, appointed Anders Dahl (representing Henrik Ekelund), Stefan af Petersens, and Michael Grindfors to the committee. Anders Dahl was appointed chairman of the nominating committee.

Shareholders in BTS Group AB have been able to contact the nominating committee to propose candidates to the Board.

All of the nominating committee's candidates based on the above will be announced in the notice for the 2014 AGM. The nominating committee's statement supporting its proposal for the Board of Directors of BTS Group AB as well as the information about the candidates recruited by the committee will be published on BTS's web site when the proposal is announced.

Board of Directors

The Board of Directors has ultimate responsibility for the Company's organization and management and is appointed by the shareholders at each AGM for the period from that AGM until the end of the next. BTS's Board decides on issues such as strategic direction, acquisitions, investments, financing, and Group-wide policies. BTS's Board shall also insure proper disclosure to BTS's various stakeholders.

The articles of association specify that BTS's Board shall consist of no fewer than three and no more than eight members. The AGM held on May 14, 2013, decided that for the period until the next AGM the Board would consist of five members and no deputy members.

Once each fiscal year, the work of the Board is assessed, either by the Board alone or with external assistance, providing a basis for the Board's procedures in the future.

The Board is deemed to comply with the Nasdaq OMX Stockholm marketplace rules and the Swedish Code of Corporate Governance regarding requirements on independence of members of the Board in relation to the Company and Company management.

Information about the Board of Directors is to be found on page 94 in the Annual Report.

The work of the Board of Directors

In addition to legislation and recommendations, a written set of procedures adopted annually governs the work of the Board. The Board's set of procedures is intended to clarify and regulate the Board's tasks and how it works as well as the division of responsibilities among the Chairman, other Board members, and the CEO. According to these procedures, the Board shall normally hold a minimum of four ordinary meetings. At each of these meetings, the Board deals with issues of material significance to the Company. In addition, the Board receives reports from senior management about current business conditions in the Group's market segments.

Board meetings are held periodically in connection with the Company's financial reports. The Board deals with the year-end report and proposed appropriation of earnings in February, interim reports in April, August, and October–November, and the budget for the coming year in December. Occasionally, an issue is delegated to the Chairman of the Board and the CEO for joint deliberation. The Company's CFO serves as Board secretary. During the past year, ten meetings were held.

Every year the Board makes an evaluation of the work of the Board. The Nomination Committee has been informed of the contents in the 2013 evaluation. It is e.g. used as basic data when next year's work of the Board is planned.

Compensation to the Board

The AGM held on May 14, 2013, approved a total of SEK 650,000 in fees to be paid to those Board members who receive no salary from the Company or any of its subsidiaries, such that SEK 275,000 be paid to the Chairman and SEK 125,000 each to the members. The AGM also approved a total of SEK 90,000 in fees for work on Board committees.

Composition and independence of the 2013 Board

Member	Position	Elected	Committee work	Independent	Board meeting attendance
Michael Grindfors	Chairman of the Board	2009		Yes	10/10
Mariana Burenstam Linder	Member	2004		Yes	9/10
Henrik Ekelund	Member	1986		No ¹	10/10
Stefan Gardefjord	Member	2003	Audit Committee	Yes	9/10
Dag Sehlin	Member	2003	Audit Committee	Yes	10/10

¹ Henrik Ekelund is the largest shareholder and is President and CEO of BTS Group.

The AGM also determined that auditors' fees will be paid based on approved invoices.

Members of the Board in the Parent Company have received compensation only in the form of Board fees. The Members of the Board are not included in any incentive programs for Group employees that are based on shares or share prices.

Compensation committee

The compensation committee has the task of reviewing and recommending to the Board policies for compensation, including performance-based payments and pension benefits for the Company's senior executives. Issues concerning the CEO's terms of employment, compensation, and benefits are prepared by the compensation committee and decided by the Board. The duties of the compensation committee were performed during the year by the Board as a whole excluding the CEO.

The Board will propose policies for compensation and other terms of employment for the Company's senior executives for the approval of the AGM on May 13, 2014.

More information about compensation to senior executives is found in Note 7 of the annual report.

Audit committee

The task of the audit committee is to prepare the Board's work assuring the quality of the Company's financial reports. The audit committee also adopts guidelines on services other than auditing that the Company may purchase from the Company's auditors. The committee is also tasked with providing the nominating committee with an assessment of the audit work and of assisting the nominating committee in preparing the nominating committee's proposal to the AGM for the election of auditors as well as the size of the audit fee. The Company's CFO, also the Board secretary, prepared the business for the meetings.

Auditors

The auditors examine the management of the Company by the Board and CEO and the quality of the Company's accounts and they report the results of their audit to the shareholders through the audit report, which is submitted at the AGM. In addition, the auditor participates in the Board meeting when the final accounts are presented and submits a report on the audit of the Company's earnings, financial position, and internal control. The Company's auditor may also submit a statement of his/her findings directly to the Chairman of the Board, if deemed necessary.

The auditor is elected by the AGM for a period of four years. The 2013 AGM re-elected the registered public accounting firm Öhrlings PricewaterhouseCoopers and managing auditor Magnus Thorling for the period until the end of 2014 AGM.

More information about compensation to auditors is found in Note 4 of the annual report.

For 2013, the Company's auditors did not review BTS's semiannual report or the nine-month interim report, which deviates from the Code.

The Board has determined to date that the additional costs of such reviews have not been justifiable.

Senior executives

BTS's senior executives include:

Henrik Ekelund, President & CEO of BTS Group AB, Stefan Brown, CFO and Vice President of BTS Group AB, and Jonas Åkerman, President of BTS USA Inc.

More information about senior executives is found on page 96 of the annual report.

Guidelines for compensation and other terms of employment for senior executives

The AGM held on May 14, 2013, adopted policies for compensation to senior executives such that BTS shall employ persons on terms and at salaries commensurate with the market to be able to recruit and retain employees with excellent skills and of a high caliber to reach the Company's goals. When employing persons in different countries, the Company shall comply with each country's generally accepted forms of employment and good practice.

Forms of compensation are intended to achieve a consensus on the long-term view of operations by rewarding performance that benefits the Company and thus the shareholders. Compensation paid to individual employees will be based on their position and tasks, performance, skills, and experience. Compensation will normally consist of a fixed basic salary and defined-contribution pension benefits, the latter no more than 30% of the fixed basic salary. When deemed appropriate, the basic salary and pension benefit can be augmented by variable compensation, other benefits, and participation in incentive programs. Only the CEO in the Parent Company is entitled to a severance package, corresponding to 12 months' salary if the Company terminates his employment contract.

The Board is entitled to deviate from the principles above in individual cases under special circumstances.

Information and communication

The overall goal of BTS's communication is to provide shareholders and employees, actors in the market, and other stakeholders with an up-to-date, true, and fair view of the Company and its business operations. Communication shall be correct, credible, characterized by close relationships with the Company's stakeholders, and based on frequent contact, clarity, and good ethics. BTS believes that high-quality communication efforts actively help bolster confidence in the Company and management, making it easier to achieve business objectives.

BTS publishes up-to-date information about the Company on its web site. Interim reports and annual reports are published in Swedish and English. Events that could be expected to affect the share price are announced in press releases. In addition, the Company communicates with mass media, capital markets, and shareholders when interim reports are published and also participates in other activities on an ongoing basis.

The Board of Directors' description of internal control concerning financial reports

Good corporate governance is about organization and routine, the proper handling of financial information, and minimizing risk. A good control environment is also based on an organizational structure with explicit and documented delegation of decision-making authority, straightforward guidelines and policies, and a corporate culture with common values.

Control environment

Internal control at BTS is based on a control environment embracing the organization, lines of decision-making, authority, and responsibility. The Board of Directors has a written set of procedures that clarifies the Board's responsibility and regulates how Board tasks are delegated. The set of procedures also specifies which issues are submitted to the Board for a decision. How roles are divided between the Board and the CEO is described in the Board's set of procedures and its instructions to the CEO. The CEO also manages the business with reference to the Companies Act, other laws and regulations, rules and regulations for stock market companies, and the Code, for example.

The Company has established policies in areas such as financial reporting, IT and IT security, and human resources (compensation to senior executives, the work environment, equal opportunity). The Board's instructions to the CEO specify financial responsibilities and authority, as do procedures adopted for signing off. To limit and control financial risk, the Board has adopted a financial policy.

The Company's operating organization is communicated through an organization chart augmented by the assignment of roles and responsibilities.

The Board of Directors follows up to insure that policies adopted for financial reporting and internal control are adhered to and maintains appropriate relationships with the Company's auditors. Company management is responsible for the system of internal controls required for managing significant risks in operating activities.

Risk assessment and control activities

The Board of Directors has ultimate responsibility for risk management. A well-defined organization and decision-making procedure are intended to foster prudent risk taking and good awareness of risk among employees. To insure that internal routines and controls have worked adequately and uniformly, the most important processes have procedural descriptions. Built-in checkpoints also minimize the risk of errors in accounting. Likewise, procedures for the Company's accounting and consolidation systems have been documented. Ongoing activities aim at maintaining good internal control, thus avoiding and detecting risks.

Information and communication

Significant guidelines, manuals, and such that affect financial reporting are updated and communicated on an ongoing basis to personnel in the Group affected. Formal as well as informal channels to Company management and the Board exist to transmit significant information from employees. For external communication, the Company follows the governing regulations discussed above.

Follow-up

The Board of Directors continuously evaluates the information provided by Company management. The work of the Board includes insuring that actions are taken concerning any deficiencies or proposals for corrective action arising from external audits.

BTS has no internal audit unit of its own, based on the assessment that there are no special circumstances in operating activities according to Group size, organization and reporting structure or other conditions to justify such a unit.

Auditor's report on the corporate governance report

To the annual meeting of the shareholders of BTS Group AB (publ)
corporate identity number 556566-7119

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2013 on pages 90–93 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, April 10, 2014
Öhrlings PricewaterhouseCoopers AB

Magnus Thorling
Authorized Public Accountant

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