

clas ohlson

A woman with blonde hair, wearing a blue checkered shirt and a name tag that reads "Julia clas ohlson", is smiling and holding a blue handheld device. She is looking towards a man in a white shirt and glasses who is partially visible on the right. The background shows a warehouse or store with shelves of products.

Corporate governance 2013/14

Extract from Annual Report 2012/13

Corporate governance

Good corporate governance is a prerequisite for maintaining confidence among shareholders, customers and other external stakeholders and is built on the company's strategies, targets and values permeating the entire organisation.

The governance of Clas Ohlson is based upon Swedish legislation, primarily the Companies Act, the listing agreement with the Nasdaq OMX Nordic Exchange Stockholm and the Swedish Corporate Governance Code (the Code). In addition, governance follows the Articles of Association, internal instructions and policies, and recommendations issued by relevant organisations. The corporate governance report has been prepared in accordance with the Code.

The Swedish Corporate Governance Code

The Swedish Corporate Governance Code is applicable to all companies listed on the Nasdaq OMX Nordic Exchange Stockholm. The aim is to improve corporate governance in listed companies and foster trust in companies among the general public and in the capital market. The Code is based on the "comply or explain" principle, which means that it is possible to deviate from the Code if an explanation is provided as to why the deviation has been made. Clas Ohlson had the following deviations from the Swedish Corporate Governance Code during the financial year.

Board member Edgar Rosenberger received a consultant's fee of 0.5 MSEK during the financial year and, consequently, was deemed by the Nomination Committee to be dependent in relation to the company and executive management. Edgar Rosenberger's participation in the Remuneration Committee is a deviation from regulation 9.2 of the Code since he was deemed to be dependent in relation to the company and executive management. In the Board's opinion, Edgar Rosenberger's knowledge of remuneration principles, his international perspective and experience of remuneration structures in the retail sector in general are highly valuable contributions to the Committee's overall ability to appropriate and rationally address remuneration issues. Accordingly, the Board has made the assessment that the value of Edgar Rosenberger's

participation in the Remuneration Committee outweighs any disadvantages of him not being deemed to be independent in relation to the company and executive management. On these grounds, the Board believes that the deviation from regulation 9.2 of the Code can be justified.

Compliance with applicable regulations for stock exchange trading

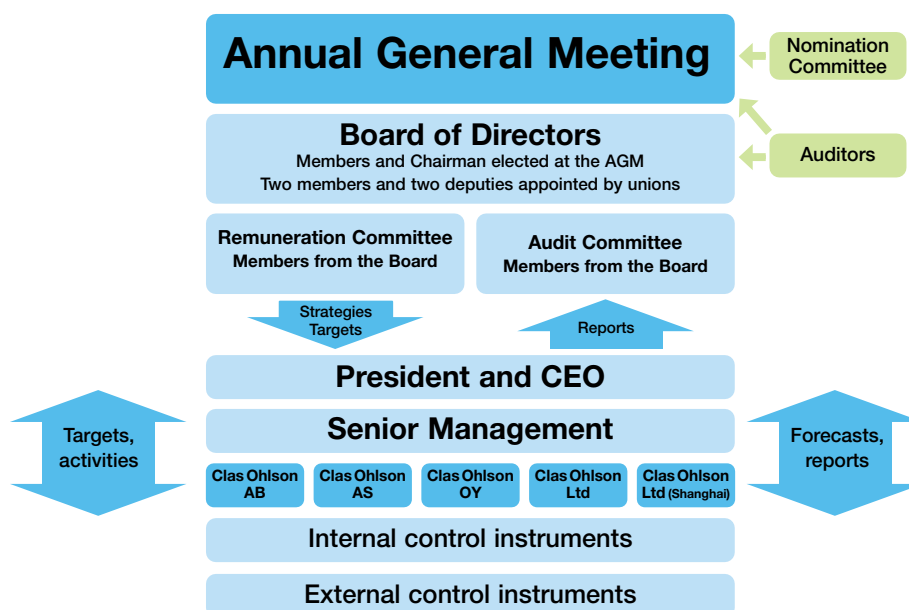
Neither the Swedish Securities Council nor the Stockholm Stock Exchange's Disciplinary Committee reported infringements of good stock exchange practices or of the application of stock exchange regulations.

Annual General Meeting

Shareholders exercise their influence through participation in the company's Annual General Meeting (the ordinary annual general meeting). The Annual General Meeting is the ultimate decision-making body and since the initial public offering in 1999, has always been held in Insjön, Sweden, on a Saturday in early September. The Notification of the AGM, which is normally prepared about four weeks prior to the Meeting is published in Post- och Inrikes Tidningar, as well as on the company's website. All shareholders who are registered in the share register on the fifth day prior to the AGM and registered in time are entitled to participate. Registration can be made by telephone, e-mail or letter. Each year, the AGM appoints the Board, the Chairman of the Board and the auditors for Clas Ohlson. In addition, the Annual General Meeting decides how profits are to be appropriated. Other issues that arise are mandatory items under the Companies Act and Clas Ohlson's Articles of Association (the full text can be found at about.clasohlson.com). Clas Ohlson's AGMs are very well attended, and the latest one attracted about 1,800 participants, making it one of the largest in Sweden.

On 30 April 2014, the company's largest shareholders, each representing at least 10 per cent of the votes, were Helena Ek Tidstrand (16.9 per cent), Johan Tidstrand (12.7 per cent), Björn Haid (12.6 per cent), Peter Haid (11.8 per cent) and Claus-Toni Haid (11.8 per cent).

Corporate governance in Clas Ohlson



Nomination Committee

The Nomination Committee's task is to submit proposals for Board members or auditors, as well as fees to Board members (including committee work) and fees to auditors, to the next Annual General Meeting at which the Board or auditors are due to be elected. The Nomination Committee also proposes the Chairman of the AGM.

At Clas Ohlson, a nomination process is applied for electing the Nomination Committee. The Chairman of the Board is a member of the Nomination Committee, along with representatives for the four largest registered shareholders or otherwise known shareholders (record date 30 September). If a shareholder does not elect a member, the next largest shareholder will be asked. The Nomination Committee elects a Chairman from within the Committee, which, according to the Swedish Corporate Governance Code, shall not be the Chairman of the Board or other Board members.

The Nomination Committee fulfils the guidelines pertaining to independence as stated in the Swedish Corporate Governance Code. The Nomination Committee represents broad experience of work in boards of directors and nominating procedures.

Nomination Committee prior to the 2014 Annual General Meeting

Prior to the Annual General Meeting held on 13 September 2014, a Nomination Committee was elected comprising Johan Held, Chairman (representing AFA Försäkring), Anders Moberg (Chairman of the Board of Clas Ohlson), Carl von Schantz (representing the owner-family Haid), Göran Sundström (representing the owner-family Tidstrand) and Ricard Wennerklint (representing If Skadeförsäkring).

The basis of the Nomination Committee's work is that the Board is to have the expertise, experience and background required by the assignment. Particular emphasis was placed on the company's strategies and targets, as well as on the demands that the company's future focus will place on the Board. The Nomination Committee also discussed the Board's long-term composition on the basis of future competency requirements, diversity and succession.

The Group worked on the nominating procedure for Clas Ohlson's Annual General Meeting and held seven meetings that were recorded, where the Board's composition was evaluated, considered and discussed.

The Nomination Committee's work during the mandate period included the following:

- Interviews with Board members to gain an in-depth picture of the functioning of the Board work
- Report on the Board's work from the Chairman of the Board
- Evaluation of the Board's work
- Nomination of the Chairman of the Board and Board members
- Position concerning the independence of Board members and candidates
- Preparation of proposals for fees to the Board and committees
- Preparation of proposals for the Chairman of the AGM
- Nomination of auditors

The Nomination Committee's complete proposals are presented at the latest in connection with the publication of the Notification of the Annual General Meeting.

Auditors

The Annual General Meeting appoints auditors for the Parent Company each year. The Annual General Meeting held on 7 September 2013 appointed Deloitte the new auditors of the company, with Kent Åkerlund as Auditor in Charge. Kent Åkerlund is an Authorised Public Accountant at Deloitte. Deloitte was elected up to the 2014 Annual General Meeting. Payment for audit engagements in the Group in the past three years totalled 2.7 MSEK, 2.4 MSEK and 2.9 MSEK, respectively. Remuneration for other assignments in the past three years totalled 0.7 MSEK, 0.8 MSEK and 0.2 MSEK, respectively. Work in addition to auditing relates primarily to issues pertaining to consultation on tax issues and IFRS accounting rules. The independent position of the auditors is ensured firstly by the internal policies of the auditing firm and secondly by the Board's guidelines indicating what engagements the auditing firm may undertake in addition to auditing.

Board of Directors

Clas Ohlson's shareholders elect the Board of Directors annually at the Annual General Meeting. The Board comprises nine members, including the CEO, who are elected by the AGM. In addition to these members, the Board includes two representatives and two deputies for the trade-union organisations in the company. These individuals are elected by their own organisations.

The Board fulfils the independence requirement of the Code. All members, with the exception of Björn Haid, Edgar Rosenberger and Klas Balkow, are deemed independent in relation to the company, executive management and major shareholders. Clas Ohlson strives towards diversity, comprising to over time have an equal distribution of men and women on the Board. Gender distribution on the Board among the members elected by the AGM in the past financial year was six men (66.7 per cent) and three women (33.3 per cent). In the preceding year, the corresponding distribution was five men (62.5 per cent) and three women (37.5 per cent). Kenneth Bengtsson and Katarina Sjögren Petrini were elected to the Board of Directors at the 2013 AGM after Lottie Svedenstedt declined re-election.

 [Read more about Clas Ohlson's Board of Directors on pages 46–47](#)

Board meetings

Immediately following the AGM, the statutory Board meeting is held, at which the rules of procedure for the Board and instructions to the company's CEO are approved. The members of the Board's Audit and Remuneration Committees and authorised signatories for the company are also appointed at this meeting. In addition to this meeting, the Board holds at least seven further meetings during the year. These are held quarterly in conjunction with the publication of the company's financial reports, once in June prior to concluding the Annual Report, once in connection with the Annual General Meeting and once during the autumn for strategic discussions. The strategy meeting usually takes place over two days, while other meetings are held on one day. The strategy meeting mainly discusses issues relating to the Group's goals and strategies, product range, store establishment strategy, major investments and so forth. Other meetings primarily deal with the usual Board issues, the company's reports and reporting by the Board committees. The company's auditors attend two of the Board meetings to report on what has emerged during

the audit. The Board meets the auditors once annually without the presence of executive management. The Board held eight Board meetings during the financial year, of which one was a strategy meeting. The Board assesses its work annually.

How the Board works

The rules of procedure for the Board of Directors stipulate which items on the agenda are to be fixed and which may vary. Each Board meeting is normally to be devoted to a specific topic so that the Board can gain more in-depth knowledge and understanding of the various parts of the company's operations. There are also presentations on these topics by employees of the company.

The issues that the Board dealt with during the year included strategic direction, monitoring of the business plan, a review of risk management, significant business processes, development of current markets and future expansion.

The work of the Board's committees is an important element of the Board's work. The Board has prepared instructions for the committees' work. The Remuneration Committee and Audit Committee discuss issues that fall within the committees' remit. Issues that have been addressed in the committee meetings are minuted and notified to the other Board members at the Board meetings.

The rules of procedure also state that the Board must meet with the company's auditors at least twice per year. In addition, the rules of procedure also regulate certain formal matters, such as rules for the notification of meetings and secrecy.

Audit Committee

At its first meeting following the AGM, the Board established an Audit Committee comprising Urban Jansson, Chairman, Cecilia Marlow and Katarina Sjögren Petrini. The Board has issued instructions for the committee work. The Audit Committee fulfils the guidelines regarding independence in the Swedish Corporate Governance Code. The Audit Committee is responsible for the quality assurance of financial reporting. In addition, the Audit Committee is responsible for supervising the effectiveness of risk management and internal control of the financial reporting. The members of the Audit Committee met the auditors on two occasions during the financial year to learn about the focus of the audit and discuss views on the risks faced by the company. In addition, the auditors attended several

of the committee's other meetings. Important tasks for the Audit Committee are to serve as a communication link, between the Board and the company's auditors and to establish what services over and beyond auditing can be procured from the company's auditors. The auditing effort is evaluated annually, after which information is passed to the Nomination Committee on the outcome.

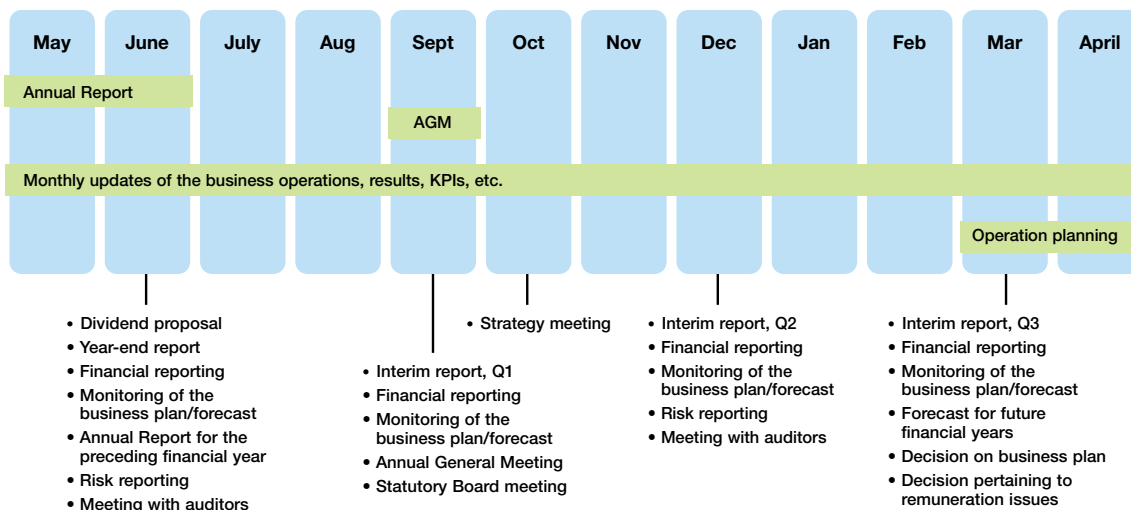
The Audit Committee held eight meetings during the financial year. Attendance is shown in the table on page 43. The meetings are minuted and reported at the next Board meeting. Representatives of the company's management and the company's internal controller attended the committee's meetings as co-opted members. The meeting also addressed issues aimed at quality assuring risk management and internal control of the financial reporting. Moreover, the Audit Committee dealt with issues regarding the company's interim reports, annual report, accounting, liquidity and other issues.

Remuneration Committee

A specific Remuneration Committee was appointed by the Board comprising the Chairman of the Board Anders Moberg and three other Board members, Sanna Suvanto-Harsaae, Björn Haid and Edgar Rosenberger. The Board has issued instructions for the committee work. Board member Edgar Rosenberger received a consultant's fee of 0.5 MSEK during the financial year and, consequently, was deemed by the Nomination Committee to be dependent in relation to the company and executive management. Consequently, Edgar Rosenberger's participation in the Remuneration Committee is a deviation from regulation 9.2 of the Code since he was deemed to be dependent in relation to the company and executive management. In the Board's opinion, Edgar Rosenberger's knowledge of remuneration principles, his international perspective and experience of remuneration structures in the retail sector in general are highly valuable contributions to the Committee's overall ability to appropriate and rationally address remuneration issues. Accordingly, the Board has made the assessment that the value of Edgar Rosenberger's participation in the Remuneration Committee outweighs any disadvantages of him not being deemed to be independent in relation to the company and executive management. On these grounds, the Board believes that the deviation from regulation 9.2 of the Code can be justified.

The Remuneration Committee submits proposals for guidelines pertaining to basic salary and variable remuneration for senior executives. The process regarding

The Board's working schedule



variable remuneration for all staff works in a similar way. The Committee met nine times during the financial year. Attendance is shown in the table on page 43. The meetings are minuted and reported at the next Board meeting. The Remuneration Committee addressed such issues as fixed and variable remuneration, and evaluated the current long-term incentive programme (LTI).

Distribution of work between the Board and CEO

The Board appoints the CEO of the company. The distribution of work between the Board and CEO is indicated in the Board's rules of procedure and in the instructions to the CEO. These state that the Board is responsible for the governance, supervision, organisation, strategies, internal control, forecasts and policies of the company. In addition, the Board decides on major investments and matters of principle relating to the governance of subsidiaries, as well as the election of Board members and the CEO. The Board is also responsible for the quality of the financial reporting. The CEO in turn is responsible for ensuring that the company is managed in accordance with Board's guidelines and instructions. In addition, the CEO is responsible for forecasting and planning the company's operations so that specified goals are attained. The CEO ensures that the control environment is favourable and that the Group's risk-taking at any time is compatible with the Board's guidelines. Any deviations have to be reported to the Board. The Board also receives regular information from the CEO through a monthly report.

CEO and Senior Management

Clas Ohlson's CEO leads the Senior Management's work and makes decisions pertaining to the operations in consultation with others in the Senior Management. At the end of the financial year, Senior Management comprised ten individuals and meetings were held monthly and as otherwise necessary. The meetings focus primarily on strategic and operative monitoring and development, as well as results follow-up. In addition to these meetings, there is close daily cooperation within management.

Governance of subsidiaries

The five wholly owned subsidiaries Clas Ohlson AS in Norway, Clas Ohlson OY in Finland, Clas Ohlson Ltd

in the UK, Clas Ohlson GmbH in Germany and Clas Ohlson Ltd (Shanghai) in China are governed by their own boards in the country concerned, principally consisting of representatives of Clas Ohlson AB in Sweden. The Board in Sweden receives continuous information about the subsidiaries through the President's monthly reports on the subsidiaries. These reports also include the results of operations and financial position of the company concerned.

External and internal control instruments

Clas Ohlson's governance occurs within the framework for external control instruments, such as Nasdaq OMX Nordic Exchange Stockholm's rules and regulations, the Swedish Companies Act and the Swedish Annual Accounts Act.

Furthermore, there are internal control instruments consisting of the Articles of Association, the Board's rules of procedure, instructions for the CEO, policies, guidelines, as well as Clas Ohlson's values and corporate culture.

Clas Ohlson's corporate culture

The core of Clas Ohlson's corporate culture is salesmanship. The company's corporate culture is based on drive, warmth, innovation and commitment. These common values permeate the daily work.

→ Read more about Clas Ohlson's values on page 19

Remuneration

Fees paid to the Board during the financial year totalled 3.3 MSEK, in accordance with the resolution by the AGM. Of the fees paid, 0.6 MSEK pertained to remuneration for work on the Board's Remuneration and Audit Committees. Of the Board's total fee, 0.7 MSEK was paid to the Chairman of the Board. In 2013, the Board decided on a consultant's fee for Edgar Rosenberger's company Retail Brand Services for work performed on behalf of the company associated with the establishment in Germany, an area in which Edgar Rosenberger possesses extensive experience and expertise. The consultant's fee amounting to 0.5 MSEK was paid in accordance with the opportunities stipulated in the guidelines for remuneration of senior executives, approved by the 2013 Annual General Meeting, to deviate from these guidelines where warranted by specific reasons. No fee is paid to Board members who are employees of the company.

Composition of the Board and attendance during the financial year¹

Member ^{2,3}	Elected	Independent ⁴	Independent ⁵	Board meetings	Audit Committee	Remuneration committee
Anders Moberg	2003	Yes	Yes	8/8 ⁶		9/9 ⁶
Klas Balkow	2007	No ⁷	Yes	8/8		
Kenneth Bengtsson	2013	Yes	Yes	4/4 ⁸		
Björn Haid	1990	Yes	No ⁹	7/8		9/9
Urban Jansson	2005	Yes	Yes	8/8	8/8 ⁶	
Cecilia Marlow	2007	Yes	Yes	8/8	8/8	
Katarina Sjögren Petrini	2013	Yes	Yes	4/4 ⁸	4/4 ⁸	
Edgar Rosenberger	2009	No ¹⁰	Yes	8/8		9/9
Sanna Suvanto-Harsaee	2010	Yes	Yes	7/8		9/9
Lottie Svedenstedt	2004	Yes	Yes	3/4 ⁸	2/4 ⁸	

¹ The trade-union organisations have had two representatives on the Board.

For further information on Board members, see pages 46–47. The work of the Board and its committees is described on pages 41–42.

² For information on date of birth, work experience, assignments and shareholdings, see pages 46–47.

³ Remuneration of Board members is stated in Note 6, see page 58.

⁴ Independent in relation to the company and executive management according to the Swedish Corporate Governance Code.

⁵ Independent in relation to major shareholders of the company according to the Swedish Corporate Governance Code.

⁶ Chairman.

⁷ President and CEO.

⁸ Kenneth Bengtsson and Katarina Sjögren Petrini were elected to the Board of Directors at the 2013 AGM after Lottie Svedenstedt declined re-election.

⁹ Major shareholder, see pages 71–73.

¹⁰ Performed consultancy services and received remuneration of 0.5 MSEK during the financial year.

No remuneration is paid to members of the Nomination Committee.

The company's CEO received pay totalling 6.9 MSEK during the financial year, of which 2.2 MSEK was in the form of variable remuneration (STI refer to Note 6). Variable remuneration of 0.9 MSEK pertaining to an expensed but not definitive portion of long-term incentive programmes (LTI 2011, LTI 2012 and LTI 2013) was calculated for the CEO. Remuneration to the other nine senior executives totalled 18.3 MSEK, of which 4.1 MSEK was in the form of variable remuneration. Variable remuneration pertaining to the expensed but not definite portion of the long-term incentive programmes was calculated at 2.2 MSEK. All of Senior Management receive the additional benefit of a company car. The 2013 Annual General Meeting decided on guidelines for remuneration to senior management pertaining to the 2013/14 financial year.

Severance pay

Under the contract of employment with the CEO, the mutual period of notice is six months. Twelve months' salary is payable in the event of termination by the company. Applicable basic salary, variable remuneration and benefits are payable during the period of notice.

Pension

The members of the Board do not receive any pension benefits for their Board engagements.

The retirement age for the CEO and for other Senior Management is 65. The CEO has a defined-contribution pension into which 1.7 MSEK was paid during the year. Other members of Senior Management receive pension entitlements based on their applicable ITP plan, which also covers other salaried staff in Sweden.

Remuneration principles

The general principles of remuneration for senior executives are to be based on the position held, individual performance, the Group's financial results and the remuneration being competitive in the country of employment. The combined remuneration of senior executives is to consist of basic salary, variable salary in the form of a short-term incentive based on annual performance objectives, long-term incentives based on multi-year performance, pension and other benefits. The principles also regulate the terms and conditions for termination of employment and for severance pay.

Clas Ohlson strives to offer a competitive total level of remuneration, focusing on payments based on performance. This means that variable remuneration may comprise a significant portion of the total remuneration.

The aim is for basic remuneration to be in line with the median of the comparable market, while total remuneration, when Clas Ohlson meets or exceeds its objectives, is to be in the upper quartile of the market.

➔ Read more about remuneration in Note 6 on page 58

Risk management

The Board has overall responsibility for the Group's risk effort. The risk situation in the Clas Ohlson Group is updated and analysed regularly. This is done by means of a systematic process in which risks are identified, valued, assessed, managed, monitored and reported. Using an overall assessment, priority is given to those risks whose impact and probability are deemed to represent the most negative effect. A key aspect in this work is the measures undertaken to avoid (control activities), reduce or shift the risk to another party (insurance). The risks are entered in risk maps in order to clarify the overall risk exposure. Mapping is done at the Group level and represents a tool for operational and strategic governance by the Board and the company's executive management. By means of risk mapping, the focus can be aimed at reducing the company's risk exposure and reducing the consequences of any risks emerging. The Risk Committee pursues the work involved in compiling, monitoring and developing risk programmes. Reporting of the Group's overall risk status is made internally to the Audit Committee and the Board twice annually.

➔ Read more about risk management on pages 38–39 and in Note 2 on page 57.

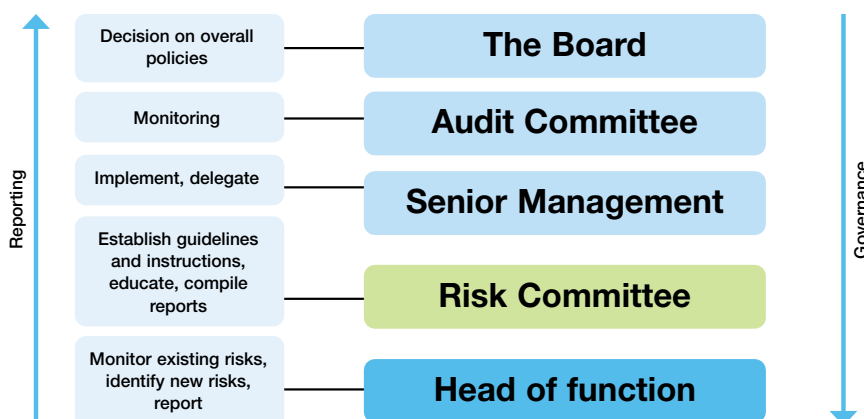
Sustainability

For Clas Ohlson, it is important to protect and assume responsibility for people and the environment impacted by our operation. The sustainability effort is an integrated part of Clas Ohlson's operation, which must permeate the entire organisation. The company's sustainability programmes are led by the CSR forum comprising the CEO, representatives from Senior Management and various specialists within the relevant areas. The CSR forum makes decisions pertaining to goals, strategies and activities for the entire Group's sustainability programmes and monitors whether the company is working effectively toward its set goals.

In sustainability work, the Code of Conduct is the basis of the work to monitor and improve the supplier chain. Clas Ohlson's Code of Conduct contains the requirements we place on ourselves, our manufacturers and suppliers with respect to the work environment, working conditions, environmental impact and anti-corruption.

➔ Read more in Clas Ohlson's sustainability report on about.clasohlson.com

Risk management



Internal control of the financial reporting

The Board has overall responsibility for the company's systems pertaining to internal control. The responsibility is regulated by the Swedish Companies Act, which also states that the Audit Committee has a specific responsibility for monitoring quality assurance in risk management and internal control of the financial reporting.

The company's work on internal control follows the framework developed by The Committee of Sponsoring Organisations of the Treadway Commission (COSO). The framework consists of five individual areas: control environment, risk assessment, control activities, information and communication and follow-up.

Control environment

The control environment comprises the organisational structure and the values, guidelines, policies, instructions and so on, according to which the organisation works. Effective Board work forms the basis of good internal control, and the Board of Clas Ohlson has established rules of procedure and clear instructions for its work. This includes the Board's Remuneration and Audit Committees.

Part of the Board's work involves drawing up and approving the policies that govern the Group's work on internal control. Another part involves creating the necessary conditions for an organisational structure with clear roles and responsibilities, leading to effective management of the risks in the operation.

The Group has regulations governing decision-making and authorisation levels that parallel the Group's organisational structure. The focus is on clarifying who has a mandate to decide on investments, activities, signing of contracts and so forth in each function and the limits in terms of the amounts involved. In the event that the amount exceeds the function's mandate, the decision is assigned to the next level in the organisation. This has been done in order to further improve the corporate governance and awareness at the various levels in the organisation. The regulations governing decision-making and authorisation constitute the basis for decision-making at Clas Ohlson.

The executive management is responsible for implementing guidelines for the maintenance of good internal control. An ongoing work is being done in developing and improving internal control. The executive management and the Audit Committee report continuously to the Board according to approved procedures.

All activity is undertaken in accordance with the ethical guidelines drawn up in the Group's Code of Conduct.

Risk assessment and control activities

A model has been devised in the company to assess the risk of errors in financial reporting. The purpose of the model is to identify a number of items in the income statement and balance sheet and processes for preparation of financial information where the risk of errors is judged to be elevated.

The Group's income consists of 98 per cent of sales in stores where payment is principally made by credit card or in cash. This income is documented in its entirety in bank accounts which are reconciled daily. The risk of errors in the reporting of income is limited. Group expenses primarily comprise goods-related expenses, freights, salaries and social security contributions, rental expenses and marketing. Forecasts pertaining to income and expenses have been distributed to each store and department. The outcome is checked monthly against both the forecast and the preceding year. Deviations are reviewed by the immediate superior.

More than 80 per cent of Clas Ohlson's assets consist of inventories and non-current assets. Accordingly, particular

emphasis has been placed on preventing and detecting deficiencies in these areas when designing internal controls. The processes and the control structure are documented in a separate financial manual, which is updated regularly. Work is continuously in progress to evaluate the most essential processes in the Group. The greatest risks in each process are analysed. An assessment is then made of whether the controls that take place are adequate. If there is a need, further compensatory controls are introduced to reduce the risk to an acceptable level.

The subsidiaries have accounting managers and controllers who ensure that financial reporting is correct and complete. In addition, they ensure that legislation is observed and that financial reporting is completed within the time frames to executive management and to the Group accounting function. Moreover, there are controllers at major Group functions and on the Group finance function with equivalent working tasks. The Group finance function has a close and well-functioning cooperation with subsidiaries as regards reporting and closing accounts. Each month, all subsidiaries report complete closing accounts, which constitute the Group's consolidated financial reporting.

Information and communication

Major policies, guidelines, instructions and manuals that are of significance to internal control are regularly updated and communicated to employees concerned. General guidelines and instructions are also available on the company's intranet. There are both formal and informal information channels to the Senior Management and the Board for information from staff. The Board receives regular feedback from the operations on questions that relate to internal control through the Audit Committee. For external communication, there are guidelines that support the requirement to provide the equities market with correct information.

Follow-up of internal control

Senior Management and the Audit Committee regularly report to the Board on the basis of established procedures. The Board receives regular information from the CEO every month through a monthly report for the Group. This monthly report also contains information on the results and financial positions of the subsidiaries.

Each interim report is analysed by the Audit Committee with regard to the correctness of the financial information. The Audit Committee also plays a key role in monitoring to ensure that there are sufficient control activities for the most essential areas of risk pertaining to the financial reporting and communicating material issues to the Senior Management, Board and auditors. An important aspect is to ensure that any viewpoints from the auditors are rectified.

Twice a year, the entire Board meets the company's auditors to be informed of the external audit and discuss relevant issues. On the basis of the auditors' reporting, the Board forms a picture of the internal control and the correctness of the financial information. The CEO does not take part in any issues that relate to company management.

Internal audit

Following evaluations in the financial year and preceding years, the Board has not found it necessary to date to establish an internal audit function. The company's Group-wide controller function has instead been adapted to also deal with work on the company's internal control. The question of whether to establish a separate internal audit function is re-examined annually. Furthermore, the company has a Risk Committee that continuously evaluates material risks and control activities.

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