

# Corporate governance

ASSA ABLOY is a Swedish public limited liability company with registered office in Stockholm, Sweden, whose Series B share is listed on the Nasdaq Stockholm.

The Group's corporate governance is based on the Swedish Companies Act, the Annual Accounts Act, the Nasdaq Stockholm Rule Book for Issuers and the Swedish Code of Corporate Governance, as well as other applicable external laws, regulations and recommendations, and internal rules and regulations.

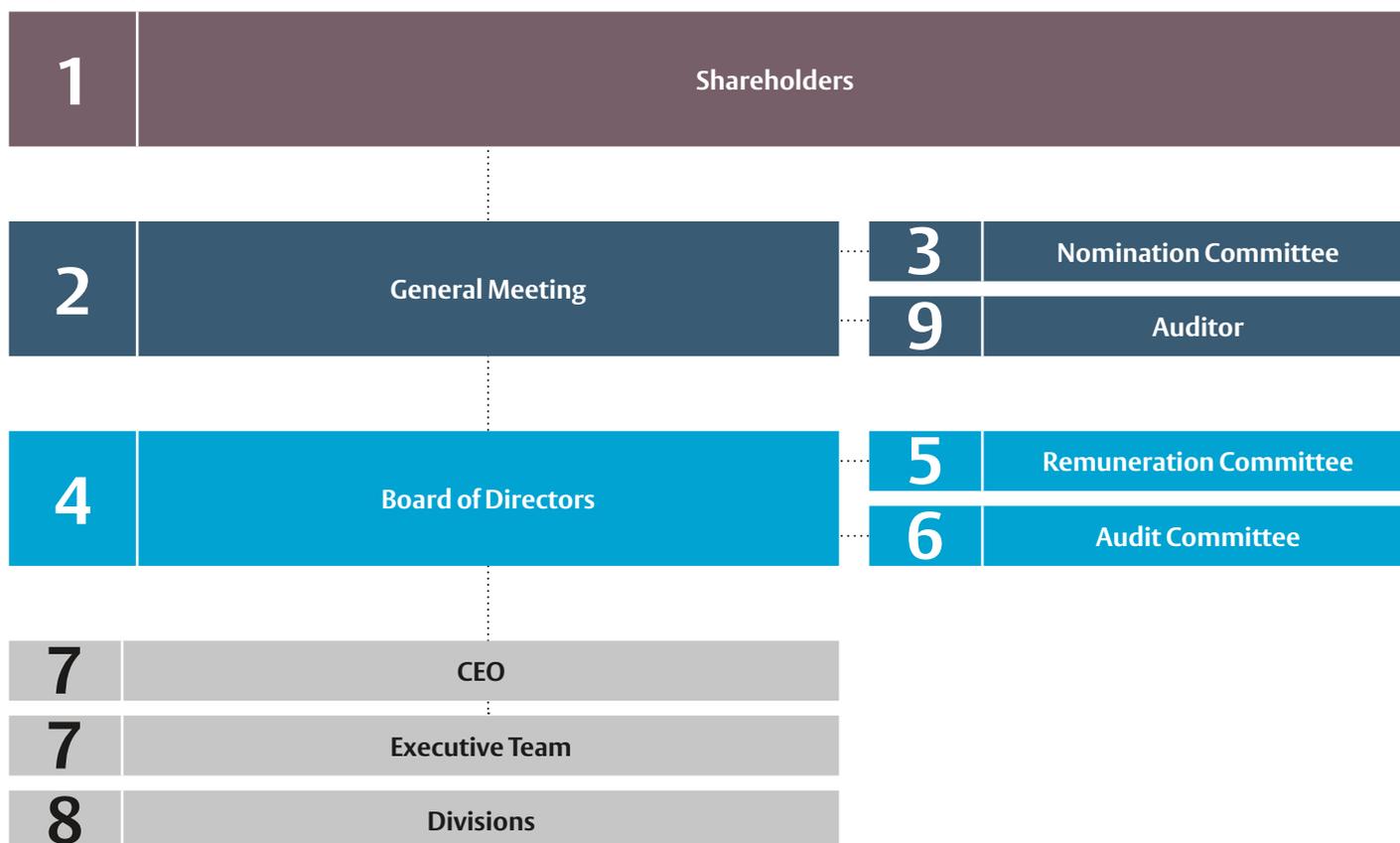
This Corporate Governance Report has been prepared as part of ASSA ABLOY's application of the Swedish Code of Corporate Governance. The report is audited by ASSA ABLOY's auditor.

ASSA ABLOY's objective is that its activities should generate good long-term returns for its shareholders and other stakeholders. An effective scheme of corporate governance for ASSA ABLOY can be summarized in a number of interacting components, which are described below.

**1 Shareholders**  
At year-end, ASSA ABLOY had 22,232 shareholders (17,720). The principal shareholders are Investment AB Latour (9.5 percent of the share capital and 29.5 percent of the votes) and Melker Schörling AB (3.9 percent of the share capital and 11.4 percent of the votes). Foreign shareholders accounted for around 64 percent (65) of the share capital and around 44 percent (44) of the votes. The ten largest shareholders accounted for around 38 percent (35) of the share capital and 58 percent (56) of the votes. For further information on shareholders, see page 123.

A shareholders' agreement exists between Gustaf Douglas, Melker Schörling and related companies and includes an agreement on right of first refusal if any party disposes of Series A shares. The Board of Directors of ASSA ABLOY is not aware of any other shareholders' agreements or other agreements between shareholders in ASSA ABLOY.

## Corporate governance structure



### Important external rules and regulations

- Swedish Companies Act
- Annual Accounts Act
- Nasdaq Stockholm Rule Book for Issuers
- Swedish Code of Corporate Governance ([www.bolagsstyrning.se](http://www.bolagsstyrning.se))

### Important internal rules and regulations

- Articles of Association
- Board of Directors' rules of procedure
- Financial Policy
- Accounting Manual
- Communication Policy
- Insider Trading Policy
- Internal control procedures
- Code of Conduct and Anti-Corruption Policy

### Share capital and voting rights

At the Annual General Meeting in May 2015, it was resolved to increase the number of shares in the company by dividing each share, irrespective of series, into three shares of the same series (stock split 3:1). ASSA ABLOY's share capital amounted at year-end to SEK 370,858,778 distributed among 57,525,969 Series A shares and 1,055,050,365 Series B shares. The total number of votes was 1,630,310,055. Each Series A share carries ten votes and each Series B share one vote. All shares have a par value of around SEK 0.33 and give shareholders equal rights to the company's assets and earnings.

### Repurchase of own shares

Since 2010, the Board of Directors has requested and received a mandate from the Annual General Meeting to repurchase and transfer ASSA ABLOY shares. The aim has, among other things, been to secure the company's undertakings in connection with its long-term incentive programs (LTI). The 2015 Annual General Meeting authorized the Board of Directors to repurchase, during the period until the next Annual General Meeting, a maximum number of Series B shares so that after each repurchase ASSA ABLOY holds a maximum 10 percent of the total number of shares in the company.

ASSA ABLOY holds a total of 1,800,000 (1,800,000)<sup>1</sup> Series B shares after repurchase. These shares account for around 0.2 percent (0.2) of the share capital and each share has a par value of around SEK 0.33. The purchase consideration amounted to SEK 103 M (103). No shares were repurchased in 2015.

### Share and dividend policy

ASSA ABLOY's Series B share is listed on the Nasdaq Stockholm Large Cap list. At year-end, ASSA ABLOY's market capitalization amounted to SEK 197,718 M. The Board of Directors' objective is that, in the long term, the dividend should be equivalent to 33–50 percent of income after standard tax, but always taking into account ASSA ABLOY's long-term financing requirements.

## 2 General Meeting

Shareholders' rights to decide on the affairs of ASSA ABLOY are exercised at the General Meeting. Shareholders who are registered in the share register on the record date and have duly notified their intent to attend are entitled to take part in the General Meeting, either in person or by proxy. Resolutions at the General Meeting are normally passed by simple majority. For certain matters, however, the Swedish Companies Act prescribes that a proposal should be supported by a higher majority. Individual shareholders who wish to submit a matter for consideration at the General Meeting can send such request to ASSA ABLOY's Board of Directors at a special address published on the company's website well before the Meeting.

The Annual General Meeting should be held within six months of the end of the company's financial year. Matters considered at the Annual General Meeting include: dividend; adoption of the income statement and balance sheet; discharge of the Board of Directors and the CEO from liability; election of members of the Board of Directors and Chairman of the Board of Directors; appointment of the Nomination Committee and auditors; and determination of remuneration guidelines for senior management and fees for the Board of Directors and auditors. An Extraordinary General Meeting may be held if the Board of Directors considers this necessary or if ASSA ABLOY's auditors or shareholders holding at least 10 percent of the shares so request.

### 2015 Annual General Meeting

The Annual General Meeting in May 2015 was attended by shareholders representing 56.1 percent of the share capital and 70.1 percent of the votes.

At the Annual General Meeting, Lars Renström, Carl Douglas, Birgitta Klasén, Eva Lindqvist, Johan Molin, Jan Svensson and Ulrik Svensson were re-elected as members of the Board of Directors. Eva Karlsson was elected a new member of the Board of Directors. Further, Lars Renström was re-elected as Chairman of the Board of Directors, and Carl Douglas as Vice Chairman. After 14 years as a board member, Sven-Christer Nilsson chose to leave the Board of Directors at the Annual General Meeting.

The 2015 Annual General Meeting approved a dividend of SEK 6.50 per share, in accordance with the proposal of the Board of Directors and the CEO. In addition, the Annual General Meeting passed resolutions on fees payable to the Board of Directors, remuneration guidelines for senior management, authorization of the Board of Directors regarding repurchase and transfers of own Series B shares, implementation of a long-term incentive program for senior management and other key staff in the Group (LTI 2015), a stock split (3:1), and amendment of the Articles of Association to adjust the limits for the number of shares, as well as appointing members of the Nomination Committee prior to the 2016 Annual General Meeting.

## 3 Nomination Committee

The Nomination Committee prior to the 2016 Annual General Meeting comprises Carl Douglas (Investment AB Latour), Mikael Ekdahl (Melker Schörling AB), Liselott Ledin (Alecta), Marianne Nilsson (Swedbank Robur fonder) and Anders Oscarsson (AMF and AMF fonder). On 4 November 2015, it was announced that Carl Douglas had replaced Gustaf Douglas as Investment AB Latour's representative on the Nomination Committee.

Carl Douglas is Chairman of the Nomination Committee. Carl Douglas is also Vice Chairman of ASSA ABLOY's Board of Directors. The Nomination Committee thus deviates from the Swedish Code of Corporate Governance in that the Vice Chairman of the Board of Directors is Chairman of the Nomination Committee. The reason for this deviation is that the Nomination Committee considers it important to have the representative from the largest shareholder as Chairman of the Nomination Committee.

If a shareholder represented by one of the members of the Nomination Committee ceases to be among the major shareholders in ASSA ABLOY, the Committee has the right to appoint another representative of one of the major shareholders to replace such a member. The same applies if a member of the Nomination Committee ceases to be employed by such a shareholder or leaves the Nomination Committee before the 2016 Annual General Meeting.

The Nomination Committee has the task of preparing, on behalf of the shareholders, resolutions on the election of the Chairman, the Vice Chairman and other members of the Board of Directors, the appointment of the auditor, the election of the Chairman of the Annual General Meeting, the appointment of the Nomination Committee prior to the Annual General Meeting, and fees and associated matters.

Prior to the 2016 Annual General Meeting, the Nomination Committee makes an assessment of whether the current Board of Directors is appropriately composed and fulfills the demands made on the Board of Directors by the company's present situation and future direction. The annual evaluation of the Board of Directors is part of the basis for this assessment. The search for suitable board members is carried on throughout the year and proposals for new board members are based in each individual case on a profile of requirements established by the Nomination Committee.

Shareholders wishing to submit proposals to the Nomination Committee can do so by e-mailing: [nominationcommittee@assaabloy.com](mailto:nominationcommittee@assaabloy.com).

<sup>1</sup> Adjusted for stock split (3:1).

# Corporate governance

The Nomination Committee's proposals for the 2016 Annual General Meeting are published at the latest in conjunction with the formal notification of the Annual General Meeting, which is expected to be issued around 23 March 2016.

## 4 Board of Directors

In accordance with the Swedish Companies Act, the Board of Directors is responsible for the organization and administration of the Group and for ensuring satisfactory control of bookkeeping, asset management and other financial circumstances. The Board of Directors decides on the Group's overall objectives, strategies, significant policies, acquisitions and divestments as well as investments of major importance. All acquisitions and divestments with a value (on a debt-free basis) exceeding SEK 100 M are decided by the Board of Directors. This amount presumes that the matter relates to acquisitions or divestments within the framework of the strategy agreed by the Board of Directors. The Board of Directors approves the Annual Report and Interim Reports, proposes a dividend and remuneration guidelines for senior management to the Annual General Meeting, and makes decisions concerning the Group's financial structure.

The Board of Directors' other duties include:

- continuously evaluating the company's operational management, including the work of the CEO,
- ensuring that appropriate systems are in place for monitoring and control of the company's operations and the risks associated with the company's operations,
- ensuring that external information provided by the company is transparent, accurate, relevant and reliable,
- ensuring that there is satisfactory control of the company's compliance with laws and other regulations relevant to the company's operations, and its compliance with internal guidelines, and
- establishing appropriate guidelines to govern the company's conduct in society with the aim of ensuring long-term value-creating capability.

The Board of Directors' rules of procedure, including instructions relating to the allocation of work between the Board of Directors and the CEO as well as financial reporting and internal control, are updated and adopted at least once a year.

In addition to leading the work of the Board of Directors, the Chairman should continuously monitor the Group's operations and development through contact with the CEO. The Chairman should consult the CEO on strategic issues and represent the company in matters concerning the ownership structure. The Chairman should also, when necessary, take

part in particularly important external discussions and, in consultation with the CEO, in other matters of particular significance. The Chairman should ensure that the work of the Board of Directors is evaluated annually, and that new members of the Board of Directors receive appropriate training.

The Board of Directors has at least four scheduled meetings and one statutory meeting per year. A scheduled meeting is always held in connection with the company's publication of its Year-end Report and Interim Reports. At least once a year the Board of Directors visits one of the Group's businesses, combined with a board meeting. In addition, extraordinary board meetings are held when necessary. All meetings follow an approved agenda. Prior to each meeting, a draft agenda, including documentation, is distributed to all members of the Board of Directors.

The Board of Directors has a Remuneration Committee and an Audit Committee. The purpose of these Committees is to deepen and streamline the work of the Board of Directors and to prepare matters in these areas. The Committees have no decision-making powers. The members of the Committees are appointed annually by the Board of Directors at the statutory board meeting. Instructions for the Committees are included in the Board of Directors' rules of procedure.

### Board of Directors' composition

The Board of Directors is elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting and shall, according to the Articles of Association, comprise a minimum of six and a maximum of ten members elected by the Meeting. Two of the members are appointed by the employee organizations in accordance with Swedish law. The employee organizations also appoint two deputies. The Board of Directors currently consists of eight elected members and two employee representatives. With the exception of the CEO, none of the board members are members of the Executive Team. The CEO has no significant shareholdings or partnerships in companies with significant business relationships with ASSA ABLOY.

### Board of Directors' work in 2015

During the year the Board of Directors held ten meetings (six scheduled meetings, one statutory meeting and three extraordinary meetings). At the scheduled board meetings, the CEO reported on the Group's performance and financial position, including the outlook for the coming quarters. Acquisitions and divestments were also discussed to the extent they arose.

More important matters dealt with by the Board of Directors during the year comprised a number of acquisitions,

## SUMMARY OF BOARD OF DIRECTORS' WORK AND COMMITTEE MEETINGS IN 2015

### Scheduled board meeting

Year-end results  
Proposed distribution of earnings  
Approval Annual Report  
Final audit report  
Proposals to Annual General Meeting  
Evaluation Board of Directors  
Evaluation Executive Team  
Acquisitions

### Scheduled board meeting

Interim Report Q1  
Acquisitions

January	February	March	April	May	June
Remuneration committee meeting	Audit committee meeting	Extraordinary board meeting Notice Annual General Meeting	Audit committee meeting	Statutory board meeting Appointment committee members Adoption Board of Directors' rules of procedure Signatory powers	Extraordinary board meeting Adoption record date stock split (3:1)

At the scheduled board meetings the CEO also reported on the Group's performance and financial position, including the outlook for the coming quarters.

including Quantum Secure, Flexim, Papaiz, Udinese, CEDES and Nergeco. During the year, the Board of Directors conducted in-depth reviews of the Group's operations in Americas division and APAC division, and visited EMEA division's and Entrance Systems division's operations in Gothenburg, Sweden. The Board of Directors' work is summarized in the timeline on pages 72–73.

An evaluation of the Board of Directors' work is conducted annually in the form of a web-based survey, which each board member responds to individually. A summary of the results is reported to the Board of Directors at the board meeting in February. Board members who wish can access the complete results of the evaluation. The Secretary to the Board of Directors presents the complete results of the evaluation to the Nomination Committee.

## 5 Remuneration Committee

The Remuneration Committee comprises Lars Renström (Chairman), Jan Svensson and Ulrik Svensson. Ulrik Svensson replaced Sven-Christer Nilsson as a member of the Remuneration Committee at the statutory board meeting.

The Remuneration Committee has the task of drawing up remuneration guidelines for senior management, which the Board of Directors proposes to the Annual General Meeting for resolution. The Board of Directors' proposal for guidelines prior to the 2016 Annual General Meeting is set out on page 79.

The Remuneration Committee also prepares, negotiates and evaluates matters regarding salaries, bonus, pension, severance pay and incentive programs for the CEO and other senior executives.

The Committee held one meeting in 2015. Its work included preparing a proposal for the remuneration of the Executive Team, evaluating existing incentive programs, and preparing a proposal for a long-term incentive program for 2016. Committee meetings are minuted and a verbal report is given at board meetings.

## 6 Audit Committee

The Audit Committee comprises Ulrik Svensson (Chairman), Birgitta Klasén and Jan Svensson.

The duties of the Audit Committee include continuous quality assurance of ASSA ABLOY's financial reporting. Regular communication is maintained with the company's auditor on matters including the focus and scope of the audit. The Audit Committee is also responsible for evaluating the audit assignment and informing the Board of Directors and the Nomination Committee of the results, as well as continuously

monitoring the current risk status of legal risks in the operations.

The Audit Committee held four meetings in 2015, which were attended by committee members, the company's auditor and representatives of senior management. More important matters dealt with by the Audit Committee during the year included internal control, financial statements and valuation matters, tax matters, insurance and risk management matters, IT security, and legal risk areas. Committee meetings are minuted and a verbal report is given at board meetings.

## Remuneration of the Board of Directors

The Annual General Meeting passes a resolution on the remuneration to be paid to board members. The 2015 Annual General Meeting passed a resolution on board fees totaling SEK 5,100,000 (excluding remuneration for committee work) to be allocated between the members as follows: SEK 1,850,000 to the Chairman, SEK 750,000 to the Vice Chairman, and SEK 500,000 to each of the other members elected by the Annual General Meeting and not employed by the company. As remuneration for committee work, the Chairman of the Audit Committee is to receive SEK 250,000, the Chairman of the Remuneration Committee SEK 100,000, members of the Audit Committee (except the Chairman) SEK 125,000 each, and members of the Remuneration Committee (except the Chairman) SEK 50,000 each.

The Chairman and other board members have no pension benefits or severance pay agreements. The CEO and employee representatives do not receive board fees. For further information on the remuneration of board members in 2015, see Note 32.

## Attendance, Board of Directors and Committees

Name	Board of Directors	Audit Committee	Remuneration Committee
Lars Renström	10/10		1/1
Carl Douglas	10/10		
Eva Karlsson	7/7		
Birgitta Klasén	9/10	4/4	
Eva Lindqvist	10/10		
Johan Molin	10/10		
Sven-Christer Nilsson	2/3		1/1
Jan Svensson	10/10	4/4	1/1
Ulrik Svensson	9/10	4/4	0/0
Bert Arleros	7/7		
Mats Persson	10/10		

The maximum number of meetings varies due to appointment and resignation in 2015.

July	August	September	October	November	December
Scheduled board meeting Interim Report Q2	Scheduled board meeting Presentation Americas Acquisitions	Scheduled board meeting and visit to operations Visit EMEA and Entrances Systems Strategy	Scheduled board meeting Interim Report Q3 Presentation APAC Acquisitions Strategy		
Audit committee meeting			Audit committee meeting		Extraordinary board meeting Acquisitions

# Board of Directors

## Board members elected by the 2015 Annual General Meeting



Lars Renström



Carl Douglas



Eva Karlsson



Birgitta Klasén



Eva Lindqvist



Johan Molin

### Lars Renström

Chairman.

Board member since 2008.

Born 1951.

Master of Science in Engineering and Master of Science in Business and Economics.

President and CEO of Alfa Laval AB since 2004.<sup>1</sup> President and CEO of Seco Tools AB 2000–2004. President and Head of Division of Atlas Copco Rock Drilling Tools 1997–2000.

Previously a number of senior positions at ABB and Ericsson.

**Other appointments:** Board member of Alfa Laval AB and Tetra Laval Group.

**Shareholdings (including related parties and through companies):** 30,000 Series B shares.

### Carl Douglas

Vice Chairman.

Board member since 2004.

Born 1965.

BA (Bachelor of Arts) and D. Litt (h.c.) (Doctor of Letters).

Self-employed.

**Other appointments:** Vice Chairman of Securitas AB. Board member of Investment AB Latour.

**Shareholdings (including related parties and through companies):** 41,595,729 Series A shares and 63,900,000 Series B shares through Investment AB Latour.

### Eva Karlsson

Board member since 2015.

Born 1966.

Master of Science in Engineering.

President and CEO of Armatec AB since 2014. CEO of SKF Sverige AB and Global Manufacturing Manager 2011–2013, Director of Industrial Marketing & Product Development Industrial Market AB SKF 2005–2010, various positions in the SKF Group mainly in Manufacturing Management.

**Other appointments:** Board member of Bräcke diakoni.

**Shareholdings (including related parties and through companies):** –

### Birgitta Klasén

Board member since 2008.

Born 1949.

Master of Science in Engineering.

Independent IT consultant (Senior IT Advisor). CIO and Head of Information Management at EADS (European Aeronautics Defence and Space Company) 2004–2005. CIO and Senior Vice President at Pharmacia 1996–2001 and previously CIO at Telia. Various positions at IBM 1976–1994.

**Other appointments:** Board member of Acando AB, Avanza AB and IFS AB.

**Shareholdings (including related parties and through companies):** 21,000 Series B shares.

### Eva Lindqvist

Board member since 2008.

Born 1958.

Master of Science in Engineering and Master of Science in Business and Economics.

Senior Vice President of Mobile Business at TeliaSonera AB 2006–2007. Previously several senior positions at Telia-Sonera AB, including President and Head of Business Operation International Carrier, and various positions in the Ericsson Group 1981–1999.

**Other appointments:** Board member of companies including Tieto Oy, Sweco AB and Bodycote plc. Member of the Royal Swedish Academy of Engineering Sciences (IVA).

**Shareholdings (including related parties and through companies):** 7,650 Series B shares.

### Johan Molin

Board member since 2006.

Born 1959.

Master of Science in Business and Economics.

President and CEO of ASSA ABLOY AB since 2005. CEO of Nilfisk-Advance 2001–2005. Various positions mainly in Finance and Marketing, later divisional head in the Atlas Copco Group 1983–2001.

**Other appointments:** Chairman of Sandvik AB.

**Shareholdings (including related parties and through companies):** 1,830,537 Series B shares.

<sup>1</sup> Lars Renström will retire as President and CEO of Alfa Laval AB on 29 February 2016.

Shareholdings as at 31 December 2015. This information is updated regularly at [www.assaabloy.com](http://www.assaabloy.com).

## Board members appointed by employee organizations



Jan Svensson



Ulrik Svensson



Bert Arleros



Mats Persson



Rune Hjälms



Bjarne Johansson

### Jan Svensson

Board member since 2012.

Born 1956.

Degree in Mechanical Engineering and Master of Science in Business and Economics.

President and CEO of Investment AB Latour since 2003.

Previously CEO of AB Sigfrid Stenberg 1986–2002.

**Other appointments:** Chairman of AB Fagerhult, Nederman Holding AB, Oxeon AB and Tomra Systems ASA. Board member of Loomis AB, Investment AB Latour and Troax Group AB.

**Shareholdings (including related parties and through companies):** 6,000 Series B shares.

### Ulrik Svensson

Board member since 2008.

Born 1961.

Master of Science in Business and Economics.

CEO of Melker Schörling AB since 2006. CFO of Swiss International Airlines Ltd. 2003–2006. CFO of Esselte AB 2000–2003, and Controller/CFO of the Stenbeck Group's foreign telecoms ventures 1992–2000.

**Other appointments:** Board member of AAK AB, Loomis AB, Hexagon AB, Hexpol AB, Flughafen Zurich AG and Absolent Group AB.

**Shareholdings (including related parties and through companies):** 9,000 Series B shares.

### Bert Arleros

Board member since 2015.

Born 1954.

Employee representative, IF Metall

**Shareholdings (including related parties and through companies):** –

### Mats Persson

Board member since 1994.

Born 1955.

Employee representative, IF Metall.

**Shareholdings (including related parties and through companies):** –

### Rune Hjälms

Deputy board member since 2005.

Born 1964.

Employee representative, IF Metall, Chairman of European Works Council (EWC) in the ASSA ABLOY Group.

**Shareholdings (including related parties and through companies):** –

### Bjarne Johansson

Deputy board member since 2015.

Born 1966.

Employee representative, IF Metall.

**Shareholdings (including related parties and through companies):** –

ASSA ABLOY's Board of Directors fulfills the requirements for independence in accordance with the Swedish Code of Corporate Governance.

### Independence of the Board of Directors

Name	Position	Independent of the company and its management	Independent of the company's major shareholders
Lars Renström	Chairman	Yes	Yes
Carl Douglas	Vice Chairman	Yes	No
Eva Karlsson	Board member	Yes	Yes
Birgitta Klasén	Board member	Yes	Yes
Eva Lindqvist	Board member	Yes	Yes
Johan Molin	Board member, President and CEO	No	–
Jan Svensson	Board member	Yes	No
Ulrik Svensson	Board member	Yes	No

### The Board of Directors' composition and shareholdings

Name	Position	Elected	Born	Remuneration Committee	Audit Committee	Series A shares <sup>1</sup>	Series B shares <sup>1</sup>
Lars Renström	Chairman	2008	1951	Chairman	–	–	30,000
Carl Douglas	Vice Chairman	2004	1965	–	–	41,595,729	63,900,000
Eva Karlsson	Board member	2015	1966	–	–	–	–
Birgitta Klasén	Board member	2008	1949	–	Member	–	21,000
Eva Lindqvist	Board member	2008	1958	–	–	–	7,650
Johan Molin	Board member, President and CEO	2006	1959	–	–	–	1,830,537
Jan Svensson	Board member	2012	1956	Member	Member	–	6,000
Ulrik Svensson	Board member	2008	1961	Member	Chairman	–	9,000
Bert Arleros	Board member, employee representative	2015	1954	–	–	–	–
Mats Persson	Board member, employee representative	1994	1955	–	–	–	–
Rune Hjälms	Deputy, employee representative	2005	1964	–	–	–	–
Bjarne Johansson	Deputy, employee representative	2015	1966	–	–	–	–

<sup>1</sup> Including related parties and through companies. Shareholdings as at 31 December 2015. This information is updated regularly at [www.assaabloy.com](http://www.assaabloy.com).

# Executive Team

## Executive Team



Johan Molin



Carolina Dybeck Happe



Magnus Kagevik



Thanasis Molokotos

### Johan Molin

President and CEO since 2005 and Head of Global Technologies division since 2007.

Born 1959.

Master of Science in Business and Economics.

**Previous positions:** CEO of Nilfisk-Advance 2001–2005. Various positions mainly in Finance and Marketing, later divisional head in the Atlas Copco Group 1983–2001.

**Other appointments:** Chairman of Sandvik AB.

**Shareholdings (including related parties and through companies):** 1,830,537 Series B shares.

### Carolina Dybeck Happe

Executive Vice President and Chief Financial Officer (CFO) since 2012.

Born 1972.

Master of Science in Business and Economics.

**Previous positions:** CFO of Trelleborg AB 2011–2012. Previously various positions in the ASSA ABLOY Group, including CFO of ASSA ABLOY EMEA 2007–2011 and ASSA ABLOY Central Europe 2002–2006.

**Shareholdings:** 23,400 Series B shares.

### Magnus Kagevik

Executive Vice President and Head of Asia Pacific division since 2014.

Born 1967.

Master of Science in Mechanical Engineering.

**Previous positions:** Various positions in the ASSA ABLOY Group, including Head of East Europe EMEA 2011–2014 and Vice President Operations EMEA 2007–2011. Previously various positions in Whirlpool Corporation.

**Shareholdings:** 38,199 Series B shares.

### Thanasis Molokotos

Executive Vice President and Head of Americas division since 2004.

Born 1958.

Master of Science in Engineering.

**Previous positions:** President of ASSA ABLOY Architectural Hardware 2001–2004. Previously various positions and later President of Sargent Manufacturing 1993–2001.

**Shareholdings:** 99,198 Series B shares.

## 7

### Organization

#### CEO and Executive Team

The Executive Team consists of the CEO, the heads of the Group's divisions, the Chief Financial Officer and the Chief Technology Officer. For a presentation of the CEO and the other members of the Executive Team, see pages 76–77.

## 8

### Divisions – decentralized organization

ASSA ABLOY's operations are decentralized. Operations are organizationally divided into five divisions: EMEA, Americas, Asia Pacific, Global Technologies and Entrance Systems. The fundamental principle is that the divisions should be responsible, as far as possible, for business operations, while various functions at ASSA ABLOY's headquarters are responsible for coordination, monitoring, policies and guidelines at an overall level. Decentralization is a deliberate strategic choice based on the industry's local nature and a conviction of the benefits of a divisional control model. The Group's structure results in a geographical and strategic spread of responsibility ensuring short decision-making paths.

ASSA ABLOY's operating structure is designed to create maximum transparency, to facilitate financial and operational monitoring, and to promote the flow of information and communication across the Group. The five divisions are divided into around 40 business units. These consist in turn of a large number of sales and production units, depending on the structure of the business unit concerned. Apart from monitoring by unit, monitoring of products and markets is also carried out.

### Policies and guidelines

Significant policies and guidelines in the Group concern financial control, communication issues, insider trading issues, the Group's brands, environmental issues, business ethics and export control. ASSA ABLOY's financial policy and accounting manual provide the framework for financial control and monitoring. The Group's communication policy aims to ensure that essential information is provided at the right time and in compliance with applicable rules and regulations. ASSA ABLOY has adopted an insider trading policy to complement applicable Swedish insider trading legislation.



Tim Shea



Ulf Södergren



Juan Vargues



Stefan Widing



Tzachi Wiesenfeld

### Tim Shea

Executive Vice President since 2006 and Head of Global Technologies business unit ASSA ABLOY Hospitality since 2004.

Born 1959.

Bachelor of Science in Mechanical Engineering, MBA.

**Previous positions:** Executive Vice President USA, Service Operations, Schindler Elevator Company 2002–2003. Previously President of Millar Elevator Service Company 1998–2001 and prior to that various positions in Schindler Elevator Company. **Shareholdings:** 49,482 Series B shares.

### Ulf Södergren

Executive Vice President and Chief Technology Officer (CTO) since 2006. Born 1953.

Master of Science in Engineering and Master of Science in Business and Economics.

**Previous positions:** Various positions in the ASSA ABLOY Group, including Regional Manager of ASSA ABLOY Scandinavia 2003–2006 and COO and Senior Vice President ASSA ABLOY 2000–2003. Previously various senior positions in Electrolux 1984–2000.

**Shareholdings:** 87,544 Series B shares.

### Juan Vargues

Executive Vice President and Head of Entrance Systems division since 2006. Born 1959.

Degree in Mechanical Engineering, MBA.

**Previous positions:** Various positions in the Besam Group, including President and CEO of Besam 2004–2005, Executive Vice President and Head of Besam EMEA 1998–2003, and CEO of Besam Ibérica 1992–1997.

Previously various positions in the SKF Group 1982–1991.

**Shareholdings:** 187,422 Series B shares.

### Stefan Widing

Executive Vice President and Head of Global Technologies business unit HID Global since 2015. Born 1977.

Master of Science in Applied Physics and Electrical Engineering and Bachelor of Social Science in Business Administration.

**Previous positions:** Various positions in the ASSA ABLOY Group, including Director of Product Management and General Manager of Shared Technologies Unit 2006–2015. Previously various positions in the Saab Group 2001–2006.

**Shareholdings:** 1,647 Series B shares.

### Tzachi Wiesenfeld

Executive Vice President and Head of EMEA division since 2006.

Born 1958.

Bachelor of Science in Industrial Engineering, MBA.

**Previous positions:** Various positions in the ASSA ABLOY Group, including Market Region Manager and Managing Director ASSA ABLOY UK 2004–2006, and President and CEO of Mul-T-Lock Ltd. 2000–2003. Previously various senior posts in Mul-T-Lock 1990–2000.

**Shareholdings:** 23,274 Series B shares.

Shareholdings as at 31 December 2015. This information is updated regularly at [www.assaabloy.com](http://www.assaabloy.com).

This policy applies to all persons reported to the Swedish Financial Supervisory Authority as holding an insider position in ASSA ABLOY AB (including subsidiaries) as well as certain other categories of employees. Brand guidelines aim to protect and develop the major assets that the Group's brands represent.

ASSA ABLOY has adopted a Code of Conduct that applies to the whole Group. The Code, which is based on a set of internationally accepted conventions, defines the values and guidelines that should apply within the Group with regard to the environment, health and safety, business ethics, working conditions, human rights and social responsibility. Application of the Code of Conduct in the Group's different units is monitored regularly to ensure compliance and relevance. ASSA ABLOY has also adopted an anti-corruption policy and an export control policy that apply to the whole Group.

## 9 Auditor

At the 2015 Annual General Meeting, PricewaterhouseCoopers (PwC) was re-appointed as the company's external auditor up to the end of the 2016 Annual

General Meeting. In connection with the 2015 Annual General Meeting, PwC notified that the authorized public accountant Bo Karlsson would remain the auditor in charge. In addition to ASSA ABLOY, Bo Karlsson, born 1966, is responsible for auditing SKF, Scania and Investment AB Latour.

PwC has been the Group's auditor since its formation in 1994. PwC submits the audit report for ASSA ABLOY AB, the Group and a large majority of the subsidiaries worldwide. The audit of ASSA ABLOY AB also includes the administration by the Board of Directors and the CEO. The auditor in charge attends all Audit Committee meetings as well as the February board meeting, at which he reports his observations and recommendations concerning the Group audit for the year.

The external audit is conducted in accordance with International Standards in Auditing (ISA), which has been good auditing practice in Sweden since 2011. The audit of the financial statements for legal entities outside Sweden is conducted in accordance with statutory requirements and other applicable rules in each country. For information about the fees paid to auditors and other assignments carried out in the Group in the past three financial years, see Note 3 and the Annual Report for 2014, Note 3.

# Internal control – financial reporting

ASSA ABLOY's internal control process for financial reporting is designed to provide reasonable assurance of reliable financial reporting, which is in compliance with generally accepted accounting principles, applicable laws and regulations, and other requirements for listed companies. The process is inspired by the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

## Control environment

The Board of Directors is responsible for effective internal control and has therefore established fundamental documents of significance for financial reporting. These documents include the Board of Directors' rules of procedure and instructions to the CEO, the Code of Conduct, financial policy, and an annual financial evaluation plan. Regular meetings are held with the Audit Committee. The Group has an internal audit function whose primary objective is ensuring reliable financial reporting. ASSA ABLOY's effective decentralized organizational structure makes a substantial contribution to a good control environment.

All units in the Group apply uniform accounting and reporting instructions. Internal control guidelines have been established and are reviewed annually for all operating companies. These Group-wide guidelines have a relatively broad scope and concern various processes such as ordering, sourcing, financial statements, plant management, compliance with various policies, legal matters, and HR matters.

The Code of Conduct was previously reviewed and updated, and compliance is monitored systematically in operations.

## Risk assessment

Risk assessment includes identifying and evaluating the risk of material errors in accounting and financial reporting at Group, division and local levels. A number of previously established documents govern the procedures to be used for accounting, finalizing accounts, financial reporting and review. The entire Group uses a financial reporting system with pre-defined report templates.

## Control activities

The Group's controller and accounting organization at both central and division levels plays a significant role in ensuring reliable financial information. It is responsible for complete, accurate and timely financial reporting.

A global financial internal audit function has been established and carries out annual financial evaluations in accordance with the plan annually adopted by the Audit Committee. The results of the financial evaluations are submitted to the Audit Committee and the auditors. Group-wide internal control guidelines are reviewed annually.

## Information and communication

Reporting and accounting manuals as well as other financial reporting guidelines are available to all employees concerned on the Group's intranet. A regular review and analysis of financial outcomes is carried out at both business unit and division levels and as part of the Board of Directors' established operating structure. The Group also has established procedures for external communication of financial information, in accordance with the rules and regulations for listed companies.

## Review process

The Board of Directors and the Audit Committee evaluate and review the Annual Report and Interim Reports prior to publication. The Audit Committee monitors the financial reporting and other related issues, and regularly discusses these issues with the external auditors. All business units report their financial results monthly in accordance with the Group's accounting principles. This reporting serves as the basis for quarterly reports and a monthly legal and operating review. Operating reviews conform to a structure in which sales, earnings, cash flow, capital employed and other important key figures and trends for the Group are compiled, and form the basis for analysis and actions by management and controllers at different levels.

Financial reviews take place quarterly at divisional board meetings, monthly in the form of performance reviews and through more informal analysis. Other important Group-wide components of internal control are the annual business planning process and monthly and quarterly forecasts.

The Group-wide internal control guidelines are reviewed during the year in all operating companies through self-assessment and in some cases a second opinion from external auditors. An action plan was implemented during the year to further improve basic processes with an impact on the company's financial position. Each company shall implement improvement measures in various areas and processes such as ordering, sourcing, financial statements and policy compliance.