

# 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 27,638 shareholders (22,232). 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 (64) of the share capital and around 44 percent (44) of the votes. The ten largest shareholders accounted for around 40 percent (38) of the share capital and 59 percent (58) of the votes. For further information on shareholders, see page 105.

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.bolagsstyning.se](http://www.bolagsstyning.se))

### Important internal rules and regulations

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

### *Share capital and voting rights*

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 Series B shares. The aim has been, among other things, to secure the company's undertakings in connection with its long-term incentive programs (LTI). The 2016 Annual General Meeting authorized the Board of Directors to acquire, 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) 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 2016.

### *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 187,832 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; election 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.

### *2016 Annual General Meeting*

The Annual General Meeting in April 2016 was attended by shareholders representing 55.9 percent of the share capital and 70 percent of the votes.

At the Annual General Meeting, Lars Renström, Carl Douglas, Eva Karlsson, Birgitta Klasén, Eva Lindqvist, Johan Molin, Jan Svensson and Ulrik Svensson were re-elected as members of the Board of Directors. Ulf Ewaldsson 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. The Annual General Meeting re-elected PricewaterhouseCoopers AB (PwC) as the company's auditor up to the end of the 2017 Annual General Meeting.

The Annual General Meeting approved a dividend of SEK 2.65 per share, in accordance with the proposal of the Board of Directors. 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 2016), as well as elected members of the Nomination Committee up to and including the 2017 Annual General Meeting.

## **3** **Nomination Committee**

Up to and including the 2017 Annual General Meeting, the Nomination Committee 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). 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 2017 Annual General Meeting.

The Nomination Committee has the task of, on behalf of the shareholders, preparing and submitting proposals for; election of Chairman of the Annual General Meeting, election of Chairman, Vice Chairman and other members of the Board of Directors, election of auditor, determination of fees to the auditor and the Board of Directors (including distribution of fees among the Chairman, Vice Chairman and the other members of the Board of Directors and remuneration for committee work) as well as election of members of the Nomination Committee and determination of the assignment of the Nomination Committee.

Prior to the 2017 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 and its work 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).

# Corporate governance

The Nomination Committee's proposals for the 2017 Annual General Meeting are published at the latest in conjunction with the formal notification of the Annual General Meeting, which is expected to be published around 22 March 2017.

## 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. Acquisitions and divestments with a value (on a debt-free basis) exceeding SEK 200 M are decided by the Board of Directors. This amount presumes that the matter relates to acquisitions or divestments in accordance with the strategy agreed by the Board of Directors. The Board of Directors approves the Annual Report and Interim Reports, proposes 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 ongoing duties include:

- appointing, evaluating and if necessary dismissing the CEO,
- approving the CEO's significant assignments outside the company,
- establishing appropriate guidelines to govern the company's conduct in society with the aim of ensuring long-term value-creating capability.
- ensuring that appropriate systems are in place for monitoring and control of the company's operations and the risks for the company associated with its operations,
- 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
- ensuring that external information provided by the company is transparent, accurate, relevant and reliable.

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

In addition to organising and leading the work of the Board of Directors, the Chairman's duties include maintaining contact with the CEO to continuously monitor the Group's operations and development. 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 Board receives satisfactory information and documentation to enable it to conduct its work, and ensure that Board decisions are implemented. In addition, 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 provided 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 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. In 2016 the Board of Directors consisted of nine elected members and two employee representatives<sup>1</sup>. 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 2016

During the year the Board of Directors held nine meetings (seven scheduled meetings, one statutory meeting and one extraordinary meeting). At the scheduled board meetings the CEO reported on the Group's performance and financial

<sup>1</sup> Ulrik Svensson left his position as board member of ASSA ABLOY AB at year-end 2016 in connection with his resignation as CEO of Melker Schörling AB.

## SUMMARY OF BOARD OF DIRECTORS' WORK AND COMMITTEE MEETINGS IN 2016

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 and significant policies Signatory powers		
			Scheduled board meeting Year-end results Proposed distribution of earnings Approval Annual Report Final audit report Proposals to Annual General Meeting Evaluation Executive Team Acquisitions		
			Scheduled board meeting Interim Report Q1 Acquisitions Presentation Entrance Systems		

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

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 divestment of the car locks business to Japanese ALPHA Corporation, as well as a number of acquisitions, including Trojan, Lighthouse and Bluision. During the year, the Board of Directors conducted in-depth reviews of the Group's operations in the Entrance Systems division, APAC division, and Global Technologies division's Hospitality business unit, and visited the Americas division's operations in New Haven, Connecticut, in the US. The Board of Directors' work is summarized in the timeline on pages 48–49.

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 November. 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

In 2016 the Remuneration Committee comprised Lars Renström (Chairman), Jan Svensson and Ulrik Svensson.

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 2017 Annual General Meeting is set out on page 55.

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 has no decision-making powers.

The Committee held two meetings in 2016. 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 2017. Committee meetings are minuted and a verbal report is given at board meetings.

## 6 Audit Committee

In 2016 the Audit Committee comprised Ulrik Svensson (Chairman), Birgitta Klasén and Jan Svensson. The duties of the Audit Committee include continuous monitoring and 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 also has the task of supporting the Nomination Committee by providing proposals for the appointment of auditors and auditor fees. The Audit Committee sets guidelines for procurement of services other than audit services from the company's auditor, but otherwise, the Committee has no decision-making powers.

The Audit Committee held four meetings in 2016, 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 2016 Annual General Meeting passed a resolution on board fees at a total of SEK 5,950,000 (excluding remuneration for committee work) to be allocated between the members as follows: SEK 1,850,000 to the Chairman, SEK 800,000 to the Vice Chairman, and SEK 550,000 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 150,000, members of the Audit Committee (except the Chairman) SEK 125,000 each, and members of the Remuneration Committee (except the Chairman) SEK 75,000 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 2016, see Note 33.

## Attendance 2016, Board of Directors and Committees

Name	Board of Directors	Audit Committee	Remuneration Committee
Lars Renström	9/9		2/2
Carl Douglas	7/9		
Ulf Ewaldsson	6/6		
Eva Karlsson	9/9		
Birgitta Klasén	9/9	4/4	
Eva Lindqvist	9/9		
Johan Molin	9/9		
Jan Svensson	9/9	4/4	2/2
Ulrik Svensson	8/9	4/4	2/2
Bert Arleros	8/9		
Mats Persson	9/9		

The maximum number of meetings varies due to appointment in 2016.

July	August	September	October	November	December
Scheduled board meeting Interim Report Q2 Acquisitions	Scheduled board meeting Presentation APAC Acquisitions	Scheduled board meeting and visit to operations Visit Americas Acquisitions	Scheduled board meeting Interim Report Q3	Scheduled board meeting Presentation Hospitality Acquisitions	
Audit committee meeting	Remuneration committee meeting		Audit committee meeting		

# Board of Directors

*Elected by the 2016 Annual General Meeting*



Lars Renström



Carl Douglas



Ulf Ewaldsson



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 2004–2016. 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:* Chairman of Tetra Laval Group.

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

## **Ulf Ewaldsson**

Board member since 2016.

Born 1965.

Master of Science in Engineering and Business Management. Senior Vice President and Chief Technology Officer at Ericsson Group since 2012 as well as of 2016 Head of Strategy. Various managerial positions within the Ericsson Group since 1990, including Head of Product Area Radio. Ulf has worked internationally for over 11 years (China, Japan and Eastern Europe).

*Other appointments:* Board member of KTH Royal Institute of Technology and Telecom Management Forum. Various telecom advisory assignments within EU, member of the Royal Swedish Academy of Engineering Sciences (IVA).

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

## **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 through companies and related natural parties):* –

## **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 Avanza AB.

*Shareholdings (including through companies and related natural parties):* 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 TeliaSonera 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 Caverion Oy, Sweco AB and Bodycote plc. Member of the Royal Swedish Academy of Engineering Sciences (IVA).

*Shareholdings (including through companies and related natural parties):* 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 through companies and related natural parties):* 1,932,382 Series B shares.

Appointments and shareholdings as at 31 December 2016. This information is updated regularly at [www.assaabloy.com](http://www.assaabloy.com).



## Appointed by employee organizations



Jan Svensson



Ulrik Svensson



Bert Arleros



Mats Persson



Rune Hjälml



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, Tomra Systems ASA, and Troax Group AB.

Board member of Loomis AB and Investment AB Latour.

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

### Ulrik Svensson<sup>1</sup>

Board member since 2008.

Born 1961.

Master of Science in Business and Economics.

CEO of Melker Schörling AB 2006–2016. CFO of Swiss

International Airlines Ltd. 2003–2006. CFO of Esselte AB

2000–2003, and Controller/CFO of the Stenbeck Group's

foreign telecom 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 through companies and related natural parties):** 9,000 Series B shares.

### Bert Arleros

Board member since 2015.

Born 1954.

Employee representative, IF Metall.

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

### Mats Persson

Board member since 1994.

Born 1955.

Employee representative, IF Metall.

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

### Rune Hjälml

Deputy board member since 2005.

Born 1964.

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

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

### Bjarne Johansson

Deputy board member since 2015.

Born 1966.

Employee representative, IF Metall.

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

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
Ulf Ewaldsson	Board member	Yes	Yes
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 <sup>1</sup>	Board member	Yes	No

## The Board of Directors' composition and shareholdings

Name	Position	Elected	Born	Remuneration Committee	Audit Committee	Series A shares <sup>2</sup>	Series B shares <sup>2</sup>
Lars Renström	Chairman	2008	1951	Chairman	–	–	30,000
Carl Douglas	Vice Chairman	2004	1965	–	–	41,595,729	63,900,000
Ulf Ewaldsson	Board member	2016	1965	–	–	–	–
Eva Karlsson	Board member	2015	1966	–	–	–	–
Birgitta Klasén	Board member	2008	1949	–	Board member	–	21,000
Eva Lindqvist	Board member	2008	1958	–	–	–	7,650
Johan Molin	Board member, President and CEO	2006	1959	–	–	–	1,932,382
Jan Svensson	Board member	2012	1956	Board member	Board member	–	6,000
Ulrik Svensson <sup>1</sup>	Board member	2008	1961	Board member	Chairman	–	9,000
Bert Arleros	Board member, employee representative	2015	1954	–	–	–	–
Mats Persson	Board member, employee representative	1994	1955	–	–	–	–
Rune Hjälml	Deputy, employee representative	2005	1964	–	–	–	–
Bjarne Johansson	Deputy, employee representative	2015	1966	–	–	–	–

<sup>1</sup> Ulrik Svensson left his position as board member of ASSA ABLOY AB at year-end 2016 in connection with his resignation as CEO of Melker Schörling AB.

<sup>2</sup> Shareholdings through companies and related natural parties.

Appointments and shareholdings as at 31 December 2016. 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 through companies and related natural parties):* 1,932,382 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. Previous to that various positions in finance at EF Education First.

*Other appointments:* Member of the Supervisory Board of E.ON.

*Shareholdings:* 17,550 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:* 48,741 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:* 143,571 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 52–53.

## 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 50 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 include financial control, communication issues, insider 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 information is provided at the right time and in compliance with applicable rules and regulations. ASSA ABLOY has adopted an insider policy to complement applicable insider legislation. This policy applies to individuals in



Christophe Sut



Ulf Södergren



Juan Vargues



Stefan Widing



Tzachi Wiesenfeld

### Christophe Sut

Executive Vice President and Head of Global Technologies business unit ASSA ABLOY Hospitality since 2016. Born 1973.

Master of Science in Business and Marketing, Bachelor of Science in Language and Mathematics.

*Previous positions:* Various positions in the ASSA ABLOY Group, 2001–2010 and 2012–2014, including CTO and Vice President Business Development ASSA ABLOY Hospitality and Platform Director for ASSA ABLOY AB. Niscayah Group 2010–2012. SPIT France (ITW group) 1999–2001 and SAM Outillage 1997–1999.

*Shareholdings:* 1,539 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:* 112,567 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:* 232,926 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:* 4,776 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 positions in Mul-T-Lock 1990–2000.

*Shareholdings:* 20,694 Series B shares.

Appointments and shareholdings as at 31 December 2016. This information is updated regularly at [www.assaabloy.com](http://www.assaabloy.com).

leading positions at 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.

In 2016 ASSA ABLOY's Code of Conduct for employees was revised and a separate ASSA ABLOY Code of Conduct for business partners was adopted. The Codes, which are based on a set of internationally accepted conventions, define the values and guidelines that should apply both within the Group and for ASSA ABLOY's business partners with regard to business ethics, human rights and labor standards, environment, as well as health and safety. ASSA ABLOY has also adopted an anti-corruption policy and an export control policy that apply to the whole Group.

## 9 Auditor

At the 2016 Annual General Meeting, PricewaterhouseCoopers (PwC) was re-elected as the company's external auditor up to the end of the 2017 Annual General Meeting. In connection with the 2016 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 2015, 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 and good internal control.

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 most recently reviewed and updated in 2016, 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.

In 2016 a special review of financial reporting and internal control was conducted for parts of the Chinese operation in the Asia Pacific division due to deficiencies discovered in compliance and internal controls, as well as errors in financial reporting.

### 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-assessments and in some cases a second opinion from external auditors. An action plan was implemented in 2015 to further improve basic processes with an impact on the company's financial position.