

# Corporate governance

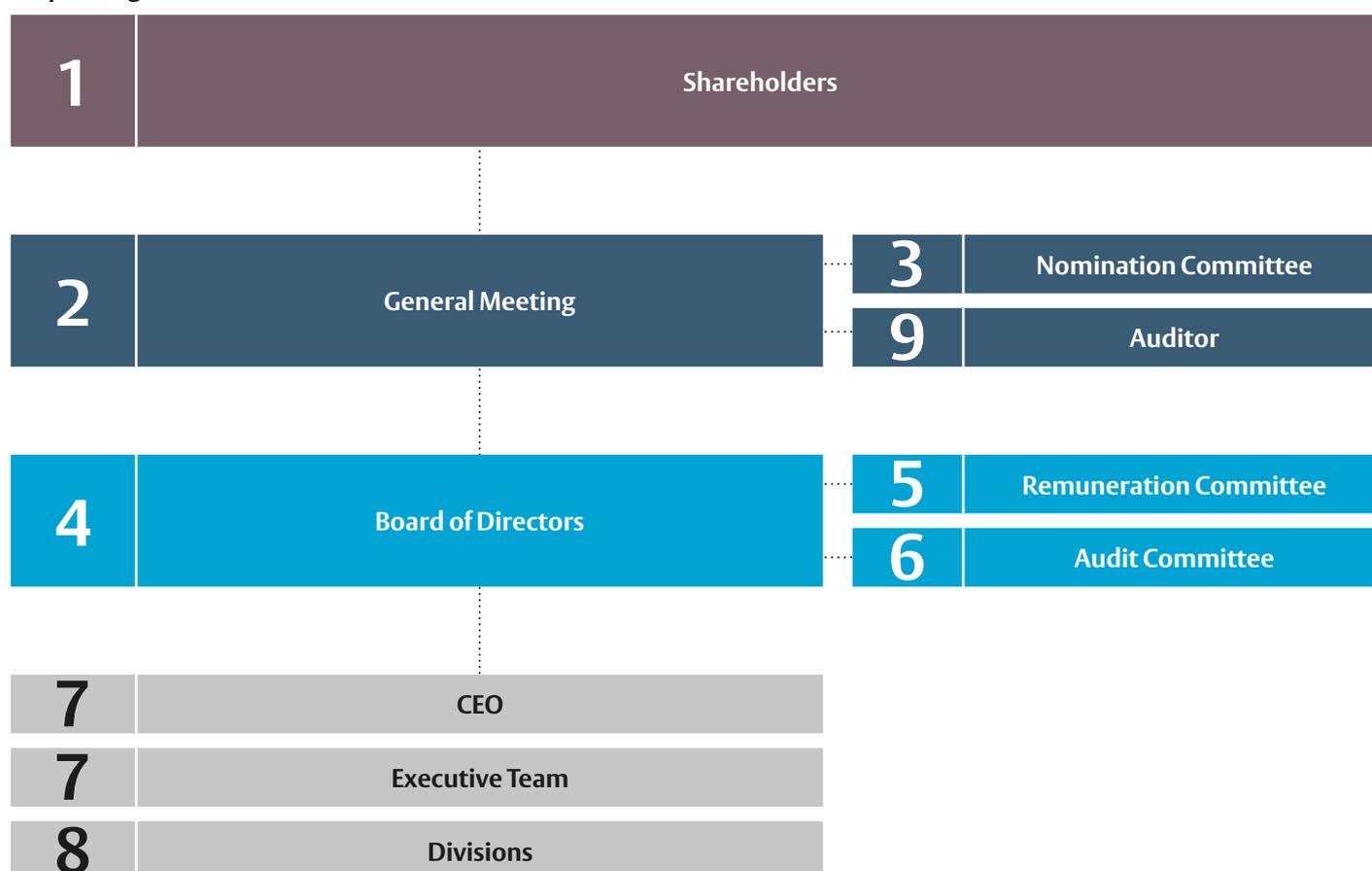
ASSA ABLOY is a Swedish public limited liability company with registered office in Stockholm, Sweden, whose Series B share is listed on the Nasdaq Stockholm.

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 Corporate Governance Code, as well as other applicable external laws, rules and regulations, and internal rules and regulations.

This Corporate Governance Report has been prepared as part of ASSA ABLOY's application of the Swedish Corporate Governance Code. 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.

## Corporate governance structure



### Important external rules and regulations

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

## 1 Shareholders

At the end of 2017, ASSA ABLOY had 33,811 shareholders (27,638). 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 66.6 percent (64.0) of the share capital and 45.4 percent (43.7) of the votes. The ten largest shareholders accounted for 40.3 percent (39.5) of the share capital and 59.3 percent (58.7) of the votes. For further information on shareholders, see page 105.

ASSA ABLOY's Articles of Association contains a pre-emption clause for owners of Series A shares regarding Series A shares. 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.

### Share capital and voting rights

ASSA ABLOY's share capital at the end of 2017 amounted to SEK 370,858,778 distributed among a total of 1,112,576,334 shares, comprising 57,525,969 Series A shares and 1,055,050,365 Series B shares. The total number of votes amounted to 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 2017 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 2017.

### Share and dividend policy

ASSA ABLOY's Series B share is listed on the Nasdaq Stockholm Large Cap list. At the end of 2017, ASSA ABLOY's market capitalization amounted to SEK 189,276 M, calculated based on shares of both Series A and Series B. 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.

### 2017 Annual General Meeting

The Annual General Meeting in April 2017 was attended by shareholders representing 55.3 percent of the share capital and 69.6 percent of the votes.

The Annual General Meeting's resolutions included the following.

- Dividend of SEK 3.00 per share.
- Lars Renström, Carl Douglas, Ulf Ewaldsson, Eva Karlsson, Birgitta Klasén, Eva Lindqvist, Johan Molin and Jan Svensson were re-elected as members of the Board of Directors and Sofia Schörling Högberg was elected as new member of the Board of Directors. Further, Lars Renström was re-elected as Chairman of the Board of Directors, and Carl Douglas was re-elected as Vice Chairman.
- PricewaterhouseCoopers AB (PwC) was re-appointed as the company's auditor.
- Remuneration of the Board of Directors.
- Remuneration guidelines for senior management.
- Authorization to the Board of Directors regarding repurchase and transfers of own Series B shares.
- A long-term incentive program for senior executives and other key staff in the Group (LTI 2017).
- Members of the Nomination Committee prior to the 2018 Annual General Meeting and determination of the assignment of the Nomination Committee.

For more information about the Annual General Meeting, including the minutes, please see [www.assaabloy.com](http://www.assaabloy.com).

## 3 Nomination Committee

The Nomination Committee prior to the 2018 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). 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 Corporate Governance Code in that the Vice Chairman of the Board of Directors is Chairman of the Nomination Committee. The reason for this deviation is that the major shareholders consider it to be 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 2018 Annual General Meeting.

The Nomination Committee has the task of preparing and recommending, on behalf of the shareholders, proposals for the election of the Chairman of the Annual General Meeting, the election of the Chairman, the Vice Chairman and other members of the Board of Directors, the appointment of the auditor, resolution on fees to the auditor and to the Board of Directors (including division between the Chairman, Vice Chairman and other members of the Board of Directors, as well as remuneration for committee work), as well as the appointment of members to the Nomination Committee and determination of the assignment of the Nomination Committee. The Audit Committee assists the Nomination Committee in work associated with the proposal regarding the appointment of the auditor.

Prior to the 2018 Annual General Meeting, the Nomination Committee makes an assessment of whether the current Board of Directors is appropriately composed and fulfills the requirements imposed 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. Moreover, the Nomination Committee has applied ASSA ABLOY's diversity policy for the Board of Directors, which is based on Rule 4.1

# Corporate governance

of the Swedish Corporate Governance Code, when preparing its proposal for election of members of the Board of Directors. 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).

The Nomination Committee's proposals for the 2018 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 21 March 2018.

## 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 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 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.

Each year, the Board of Directors reviews and adopts the Board of Directors' rules of procedure, which is the document that governs the work of the Board and the distribution of duties between the Board of Directors and the CEO. The rules of procedure include instructions for the CEO, instructions relating to financial reporting and internal control, and instructions to the Remuneration Committee and the Audit Committee.

Included in the rules of procedure is a description of the role of the Chairman of the Board. In addition to organizing 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, consulting with the CEO on strategic issues, representing the company in matters

concerning the ownership structure, ensuring that the Board receives satisfactory information and data on which to base decisions and ensuring that Board decisions are implemented. In addition, the Chairman should ensure that the work of the Board of Directors is evaluated annually.

The Board of Directors has at least four ordinary meetings and one statutory meeting per year. An ordinary 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 operations, 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.

### 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 has consisted of nine elected members and two employee representatives since the 2017 Annual General Meeting. 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.

The diversity policy that ASSA ABLOY applies with respect to the company's Board of Directors is based on Rule 4.1 of the Swedish Corporate Governance Code. The objective is that the composition of the Board of Directors, taking into account the company's operations, phase of development and other circumstances, shall be appropriate, characterized by versatility and breadth regarding qualifications, experience and background of the elected members, and strive to achieve gender equality. In 2017 the Nomination Committee has taken the diversity policy into account when preparing its proposal for election of members of the Board of Directors prior to the 2017 Annual General Meeting, which resulted in the current Board, which in the opinion of the Nomination Committee is essentially appropriate for the purpose with respect to both the diversity policy and the company's operations, phase of development and other circumstances. After the election at the 2017 Annual General Meeting, four of nine elected members of the Board of Directors are women. In addition, in-depth reviews of operations were conducted during the year at selected divisions and the Group's common development center, Shared Technologies, in order to broaden the expertise of the Board of Directors within ASSA ABLOY. As a result of the Board's evaluation, the Board will complete training at Shared Technologies in early 2018 to gain further understanding of ASSA ABLOY's new technological solutions.

### SUMMARY OF BOARD OF DIRECTORS' WORK AND COMMITTEE MEETINGS IN 2017

#### Ordinary board meeting

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

#### Ordinary board meeting

Interim Report Q1  
Acquisitions  
Presentation Entrance Systems

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		Extraordinary board meeting Acquisitions

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

### Board of Directors' work in 2017

The Board of Directors held twelve meetings during the year. At the ordinary 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 recruiting a new CEO, a number of acquisitions, including Arjo Systems, August Home and Mercury Security, and the divestment of business operations of AdvanDe. During the year, the Board of Directors also conducted in-depth reviews of the Group's operations in the Entrance Systems division, Americas division, EMEA division, and Global Technologies division's HID Global business unit, and visited the EMEA division's operations in Birmingham, England. 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. The 2017 evaluation focused on the field of skills development for the Board of Directors within ASSA ABLOY's areas of operation. A summary of the results is reported to the Board of Directors at the board meeting in November. Board members who wish to 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 2017 the Remuneration Committee comprised Lars Renström (Chairman) and Jan 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 2018 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 2017. 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 2018. Remuneration Committee meetings are minuted; a copy of the minutes is enclosed with the materials provided to the Board and a verbal report is given at board meetings.

### 6 Audit Committee

From the 2017 Annual General Meeting, the Audit Committee has consisted of Jan Svensson (Chairman), Birgitta Klasén and Sofia Schörling Högberg.

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, including the focus and scope of the audit. The Audit Committee is also responsible for evaluating the audit assignment and obtaining the results of the Swedish Inspectorate of Auditors' quality control of the auditor, as well as informing the Board of Directors of the results

of the evaluation. The Audit Committee also has the task of supporting the Nomination Committee in providing a proposal for the appointment of auditors. Furthermore, the Audit Committee shall review and monitor the impartiality and independence of the auditor, paying particular attention to whether the auditor provides the company with services other than auditing services. The Audit Committee establishes 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 2017, 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. Audit Committee meetings are minuted; a copy of the minutes is enclosed with the materials provided to the Board 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 2017 Annual General Meeting passed a resolution on board fees totaling SEK 6,450,000 (excluding remuneration for committee work) to be allocated between the members as follows: SEK 2,000,000 to the Chairman, SEK 850,000 to the Vice Chairman, and SEK 600,000 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 200,000 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 2017, see Note 33.

### Attendance 2017, Board of Directors and Committees

Name	Board of Directors	Audit Committee	Remuneration Committee
Lars Renström	12/12		2/2
Carl Douglas	12/12		
Ulf Ewaldsson	9/12		
Eva Karlsson	12/12		
Birgitta Klasén	12/12	4/4	
Eva Lindqvist	12/12		
Johan Molin	11/12		
Sofia Schörling Högberg	8/9	2/2	
Jan Svensson	12/12	4/4	2/2
Bert Arleros	3/3		
Rune Hjälms	9/9		
Mats Persson	11/12		

The maximum number of meetings varies due to appointment and resignation in 2017.

July	August	September	October	November	December
<b>Ordinary board meeting</b> Interim Report Q2 Acquisitions	<b>Ordinary board meeting</b> Presentation Americas Acquisitions		<b>Ordinary board meeting and visit to operations</b> Visit EMEA Presentation HID Acquisitions <b>Ordinary board meeting</b> Interim Report Q3	<b>Ordinary board meeting</b> Presentation Entrance Systems Evaluation Board of Directors work Acquisitions	<b>Extraordinary board meetings</b> CEO recruitment
<b>Audit Committee meeting</b>			<b>Audit Committee meeting</b>	<b>Remuneration Committee meeting</b>	

# Board of Directors

## Board members elected by the 2017 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 Head of Business Area Digital Services at Ericsson since 1 April 2017. Various managerial positions within the Ericsson Group since 1990, including Chief Technology Officer, Head of Strategy and Head of Group Function Strategy and Technology (September 2016–March 2017), Chief Technology Officer and Head of Group Function Technology (2012–September 2016), and Head of Product Area Radio within Business unit Networks (2007–2012). Ulf has worked internationally for over 11 years (China, Japan and Eastern Europe).

*Other appointments:* Chairman of KTH Royal Institute of Technology. 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 and degree in Business and Economics.

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.

*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 Caverion Oy, Sweco AB, Com Hem, Alimak Group AB, Mr Green & Co AB, Keller group plc 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):* 2,000,000 Series B shares.

Appointments and shareholdings as at 31 December 2017.

## Board members appointed by employee organizations



Sofia Schörling Högberg



Jan Svensson



Rune Hjälms



Mats Persson



Bjarne Johansson



Nadja Wikström

### Sofia Schörling Högberg

Board member since 2017.

Born 1978.

BSc (Bachelor of Science) in Business Administration.

**Other appointments:** Board member of Melker Schörling AB, Securitas AB and Hexagon AB.

**Shareholdings (including through companies and related natural parties):** 15,930,240 Series A shares and 26,882,608 Series B shares through Melker Schörling AB and 514,500 Series B shares through Edeby-Ripsa Skogsförvaltning Aktiebolag.

### 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, Troax Group AB and Tomra Systems ASA. Board member of Loomis AB, Oxeon AB, Alimak Group AB and Investment AB Latour.

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

### Rune Hjälms

Board member since 2017.

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):** –

### Mats Persson

Board member since 1994.

Born 1955.

Employee representative, IF Metall.

**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):** –

### Nadja Wikström

Deputy board member since 2017.

Born 1959.

Employee representative, Unionen.

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

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

## 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	–
Sofia Schörling Högberg	Board member	Yes	No
Jan 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
Ulf Ewaldsson	Board member	2016	1965	–	–	–	–
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	–	–	–	2,000,000
Sofia Schörling Högberg	Board member	2017	1978	–	Member	15,930,240	27,397,108
Jan Svensson	Board member	2012	1956	Member	Chairman	–	6,000
Rune Hjälms	Board member, employee representative	2017	1964	–	–	–	–
Mats Persson	Board member, employee representative	1994	1955	–	–	–	–
Bjarne Johansson	Deputy, employee representative	2015	1966	–	–	–	–
Nadja Wikström	Deputy, employee representative	2017	1959	–	–	–	–

<sup>1</sup> Shareholdings through companies and related natural parties.

# Executive Team

## Executive Team



Johan Molin



Carolina Dybeck Happe



Mogens Jensen



Anders Maltesen

### 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):* 2,000,000 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:* 21,360 Series B shares.

### Mogens Jensen

Executive Vice President and Head of Entrance Systems division since 1 January 2018.

Born 1958.

Master of Science in Mechanical Engineering, MBA.

*Previous positions:* Various positions in the ASSA ABLOY Group, including BA President Industrial Door and Docking

Solutions, Entrance Systems division 2016–2017, Market Region Manager Scandinavia, EMEA division 2006–2016 and Managing Director Ruko A/S Denmark. Previously various Managing Director positions.

*Shareholdings:* 12,439 Series B shares.

### Anders Maltesen

Executive Vice President and Head of Asia Pacific division since 1 September 2017.

Born 1965.

Bachelor's degree in Marketing and Bachelor's degree in Financial and Management Accounting.

*Previous positions:* Regional General Manager och President, Asia Pacific, GE Energy, Power Services 2015–2017, Managing Director, Asia Pacific, Alstom Thermal Services 2014–2015, Vice President, East Asia, Alstom Thermal Services 2011–2014, General Manager, board member, Tianjin Alstom Hydro Co., Ltd. 2003–2011. Previously various positions within Alstom.

*Shareholdings:* –

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### 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.

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### 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, data protection 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 individu-



Thanasis Molokotos



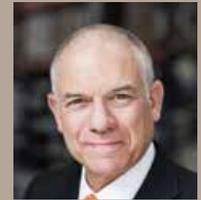
Christophe Sut



Ulf Södergren



Stefan Widing



Tzachi Wiesenfeld

### 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:* 169,010 Series B shares.

### 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:* 3,498 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.

*Other appointments:* Board member of Mantex AB.

*Shareholdings:* 133,630 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:* 10,082 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 at Mul-T-Lock 1990–2000.

*Shareholdings:* 50,962 Series B shares.

#### Changes in the Executive Team

Nico Delvaux has been appointed to serve as new President and CEO for ASSA ABLOY with effect from 15 March 2018. He succeeds Johan Molin, who has requested to leave the position.

Thanasis Molokotos, Executive Vice President and Head of Americas division has announced that he will leave ASSA ABLOY during 2018. Recruitment of a successor has begun.

Chris Bone has been appointed Executive Vice President and CTO with effect from 1 March 2018. He succeeds Ulf Södergren, who retires in 2018.

In 2017 Magnus Kagevik and Juan Vargues left the Executive Team.

Appointments and shareholdings as at 31 December 2017.

als in managerial 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.

ASSA ABLOY had adopted a Code of Conduct for employees and a separate ASSA ABLOY Code of Conduct for business partners. 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 working conditions, as well as the environment, health and safety. ASSA ABLOY has also adopted an anti-bribery policy and an export control policy that apply to the whole Group. In 2017 ASSA ABLOY adopted a new data protection policy that applies to the entire Group.

## 9 Auditor

At the 2017 Annual General Meeting, PricewaterhouseCoopers (PwC) was re-appointed as the company's external auditor up to the end of the 2018 Annual General Meeting. In connection with the 2017 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), and generally accepted auditing standards in Sweden. 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 2016, 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.

### 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. A major focus has been on auditing the reconciliation between local accounts and consolidated reporting in recent years. 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 Commit-

tee. The results of the financial evaluations are submitted to the Audit Committee and the auditors.

In 2017 ASSA ABLOY strengthened the internal audit and internal control functions in terms of staffing, which in turn has resulted in an expanded number of audits at the division level. Each division will employ full-time internal auditors who will audit the companies and monitor internal control.

### 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 regular 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 focused on concrete measures was implemented a few years ago to further improve basic processes with an impact on the company's financial position.