

# Corporate governance report

## Corporate Governance Report for the Group

Arise AB (publ) ("Arise") is a Swedish public limited liability company listed on the Nasdaq OMX Stockholm stock exchange. Arise therefore applies the Swedish Code of Corporate Governance (the "Code"). This corporate governance report has been established in accordance with the provisions included in the Code, Chapter 6, Sections 6–9 of the Swedish Annual Accounts Act and Chapter 9, Section 31 of the Swedish Companies Act and refers to the financial year 2015. Arise's articles of association and other information regarding corporate governance in Arise is available on our website, [www.arise.se](http://www.arise.se).

## Application of the Code

Corporate governance in Arise complies with the Code and is, therefore, based on the principles stated in applicable legislation, listing agreements, guidelines and good practice. Deviations from the Code are reported in the relevant sections of this Corporate Governance Report. In 2015, the Company did not contravene any regulations applied in the regulated market on which the Company's shares are quoted for trade, nor did it, in any other manner, deviate from accepted practice on the securities market.

## Shareholders

According to the shareholder register maintained by Euroclear Sweden AB, Arise had approximately 2,730 shareholders on 30 December 2015. The Company has one shareholder with a direct or indirect participation representing more than 10 % of the votes, which is Claesson & Anderzén with companies. Further information on major shareholders is also available from Arise's website, [www.arise.se](http://www.arise.se).

## Shares

The share capital in Arise as per 31 December 2015 amounted to SEK 2,674,245.60, distributed between 33,428,070 shares. All shares are of the same class and thus entitle the respective holders to equal rights to the Company's assets, profits and dividends.

## Annual General Meeting

Arise's highest decision-making body is the Annual General Meeting of shareholders. Notice of the Annual General Meeting, or an extraordinary general meeting at which potential changes in the articles of association are discussed, is given no earlier than six weeks and no later than four weeks prior to the meeting. All shareholders listed in the shareholder register, and who have announced their intention to participate before the registration period has elapsed, have the right to attend and vote at the meeting. The number of votes a shareholder is entitled to exercise is not restricted. Shareholders who are unable to attend the meeting in person may be represented by proxies. The Company does not apply special arrangements with regard to the function of the Annual General Meeting, either on the basis of regulations in the articles of association or, to the extent they are known to the Company, shareholder agreements. Furthermore, the articles of association do not include specific regulations relating to changes in the articles of association. The most recent Annual General Meeting took place on 5 May 2015 in Halmstad. At the Annual General Meeting, resolutions were passed to amend the articles of association in order to enable the issuance of preference shares, the establishment of a warrant programme and authorisation for the Board to resolve on issues of ordinary shares, preference shares and convertibles, repurchases of the Company's own shares and transfers of such shares. The minutes from the Annual General Meeting are available on Arise's website. The next Annual General Meeting will be held on 3 May 2016 in Halmstad. Shareholders wishing to add items to the agenda at the Annual General Meeting may send a written request to Arise AB (publ), F.a.o: Chairman of the Board, Box 808, SE-301 18 Halmstad. Such requests must reach the Board of Directors no later than seven weeks prior to the meeting, or at least in sufficient time so that the issue can, if required, be included in the notice of the meeting.

## Nomination Committee

The Annual General Meeting on 5 May 2015 resolved to establish procedures for the appointment of a Nomination Committee prior to the next elections and for the determination of remuneration. According to the resolution, the Nomination Committee is to comprise five regular members appointed by the Annual General Meeting 2015. The Nomination Committee prior to the Annual General Meeting 2015 consisted of Johan Claesson (CA and others) Bengt Hellström (Third Swedish National Pension Fund), Leif Jansson (L Energy Holding AB and NY Holding AB, etc.), Unni Hongstedt (Statkraft AS) and the Chairman of the Board Joachim Gahm. The majority of the Nomination Committee's members are independent in relation to the Company and management. No remuneration has been paid to the members of the Board for work in the Nomination Committee. According to the Code, the Nomination Committee's duties include preparatory work on issues regarding appointments and remuneration prior to the following Annual General Meeting. Prior to the Annual General Meeting on 3 May 2016, the Nomination Committee has proposed the re-election of the Board members Joachim Gahm, Maud Olofsson, Jon Brandsar and Peter Gyllenhammar. Furthermore, the Nomination Committee has proposed the re-election of Joachim Gahm as Chairman of the Board. Peter Nygren has declined re-election. The Nomination Committee will present a description of their activities at the Annual General Meeting on 3 May 2016. Shareholders wishing to submit proposals to the Nomination Committee are requested to contact the Chairman of the Nomination Committee: Arise AB (publ), F.a.o: Chairman of the Nomination Committee, Box 808, SE-301 18 Halmstad.

## THE BOARD OF DIRECTORS

### General information

The Board of Directors is responsible for the management of the Company's affairs and its organisation. The articles of association stipulate that the Board of Directors shall comprise no fewer than three and no more than nine Board members. The articles of association do not include any specific regulations regarding the appointment or dismissal of Board members. At the most recent Annual General Meeting, held on 5 May 2015, a Board was elected consisting of the members Joachim Gahm (Chairman), Maud Olofsson, Jon Brandsar, Peter Gyllenhammar and then-CEO Peter Nygren. No deputy Board members were appointed.

In accordance with the formal work plan for the Board of Directors, the Board is to hold at least six scheduled meetings between each Annual General Meeting. During the financial year 2015, the Board held eleven meetings, with minutes kept for each of them. The Board members' attendance at the meetings is presented in the table below. Two meetings have taken place thus far during the financial year 2016.

Descriptions of the members of the Board of Directors, including information on their other directorships, independence and relevant holdings of shares and warrants are provided on page 102. Remuneration and other benefits to the Board of Directors are described in Note 4 on page 67. All members of the Board, appointed by a general meeting, have been independent in relation to the Company and the management (refer also to page 102). All members of the Board are independent in relation to major shareholders. More information on the Board of Directors is provided on Arise's website, [www.arise.se](http://www.arise.se).

### Board members' attendance, financial year 2015

	Number of meetings	Present at	Attendance%
Joachim Gahm, Chairman	11	11	100
Maud Olofsson	11	11	100
Peter Nygren	11	11	100
Peter Gyllenhammar	11	11	100
Jon Brandsar	11	11	100

### The work of the Board

Meetings of the Board of Directors should ideally be held by physical attendance at Arise's head office. Additional meetings can, however, be conducted over the telephone. In 2015, a few of the Board meetings took the form of a conference call for practical reasons. The Chairman of the Board leads and organises the work of the Board. Legal counsel Jonas Frii has served as the Board's secretary. Prior to each meeting, a proposed agenda is sent out, along with the documents which are to be addressed in the meeting. The

proposed agenda is prepared by the CEO in consultation with the Chairman. Issues presented to the Board are for information, discussion or decision. Decisions are taken after discussions and after all members of the Board attending the meeting have had the opportunity to express their opinions. The Board's broad experience in various areas often results in a constructive and open discussion. During the year, no member of the Board expressed a reservation against any issue regarding which decisions were taken. Any objections are recorded in the minutes. Open questions are followed up on a continuous basis. The Board has not established a division of responsibilities among its members, other than that which is provided in the rules of procedure for the Board and its committees. The formal work plan for the Board, which is to be reviewed on an annual basis, regulates the division of duties among the Chairman, the Board and its committees. Among other things, the formal work plan stipulates, for example, the obligatory permanent items to be addressed at every scheduled meeting. During the year, the Chairman commissioned an evaluation of the Board of Directors to be undertaken by means of a survey. The results have been compiled on an anonymous basis and have been reported to the Board and the Nomination Committee by the Chairman.

### **Remuneration Committee**

Up to the Annual General Meeting 2016, the Remuneration Committee comprises the Board members Joachim Gahm (Chairman), Maud Olofsson, Jon Brandsar and Peter Gyllenhammar. The CEO normally participates in meetings of the Remuneration Committee, but has no say in matters pertaining to his own salary or benefits. The Remuneration Committee convened two times during 2015. The Committee prepares issues regarding remuneration and other terms of employment to the CEO and other senior executives, as well as issues regarding any variable remuneration programmes or warrant programmes within the Group. All members of the Committee are independent in relation to Arise and its senior executives. The Committee's work is based on the resolutions passed at the most recent Annual General Meeting, regarding the guidelines for remuneration to senior executives.

### **Audit Committee**

Up to the Annual General Meeting 2016, the Audit Committee consists of the Board members Maud Olofsson (Chairman), Joachim Gahm and Peter Gyllenhammar. The Company's CFO Linus Hägg also has some input in the Committee. The Audit Committee held five meetings in 2015 and each meeting was attended by all members. The Audit Committee addresses matters concerning, for example, financial reporting, risks, governing documents, KPIs, accounting rules and internal control. The Audit Committee also maintains a continuous dialogue with the auditor.

### **Group management**

Arise's Group management and the Group management's holdings of shares and warrants are described on page 103.

### **Appointment of auditors**

At the Annual General Meeting 2015, Öhrlings PricewaterhouseCoopers AB was appointed as the auditor, with Authorised Public Accountant, Magnus Willfors, as Auditor-in-Charge for the period up to the next Annual General Meeting. The appointment of auditors will therefore be on the agenda at the forthcoming Annual General Meeting.

### **Internal control**

The objective of the internal financial control in Arise is to establish an effective decision-making process in which requirements, objectives and limits are clearly defined. The Company and management apply the internal control system to monitor the operations and the Group's financial position.

## **Control environment**

The control environment forms the basis for internal control. Arise's control environment comprises, for example, sound core values, integrity, competence, leadership philosophy, organisational structure, responsibility and authorities. Arise's internal work plans, instructions, policies, guidelines and manuals provide guidance to the employees. In Arise, a clear division of roles and responsibilities for the effective management of operational risks is ensured through such things as formal work plans for the Board of Directors and committees, as well as through terms of reference to the CEO. In the day-to-day operations, the CEO is responsible for the system of internal controls required for the creation of a control environment for significant risks. Arise also has guidelines and policies regarding financial governance and monitoring, communication issues and business ethics. All companies in the Group employ the same reporting system, and the same chart of accounts.

The Board has appointed an Audit Committee, which is responsible for, among other things, ensuring compliance with adopted policies for financial reporting and internal control. The CEO or CFO reports the results of their work on internal control to the Audit Committee. The results of the work of the Audit Committee, in the form of observations, recommendations and proposals for decisions and measures, are reported to the Board on an on-going basis.

To summarise, Arise's internal control environment is based on the division of work between the Company organs, reporting to the Board of Directors, adopted policies and guidelines and on employees' compliance with the policies and guidelines.

## **Internal control regarding financial reporting**

Internal control regarding financial reporting is part of the internal control within Arise and aims, among other things, to provide reasonable assurance in the external financial reporting in the form of interim reports, annual reports and year-end reports, and to ensure that the external financial reporting is prepared in accordance with laws, applicable accounting standards and other requirements for listed companies.

## **Risk assessment and control activities**

Arise regularly performs risk analyses in order to identify potential sources of errors in the financial reporting. Relevant procedures are documented so as to increase trace-ability in the financial reporting. Normal control activities include reconciliation of accounts and supporting controls. The purpose of all control activities is to prevent, detect and remedy any errors or deviations in financial reporting. The most significant risks regarding financial reporting identified through the Group's internal control activities are managed through control structures which are primarily based on reports on deviations from established goals or norms regarding, for example, currencies and hedging.

## **Follow-up**

On an on-going basis, the Board of Directors evaluates the information provided by Company management. In the activities of the Board of Directors and the Audit Committee, great importance is attached to the work on following up the effectiveness of internal control. The activities include, for example, ensuring that measures are taken regarding any proposals for actions arising in the external audit. The reports provided by management to the Board of Directors and the Audit Committee include a follow up of the Company's positions pursuant to the finance policy, and any deviations. The activities implemented by the Board of Directors in its follow up of internal control regarding the financial reporting include assigning management to report on the outcome of any issues related to the financial reporting.

## **Information and communication**

The dissemination of correct information, both internally and externally, implies that all parts of the operations are able to exchange and report relevant and significant information about the business in an effective manner. In order to achieve this, Arise has issued policies and guidelines regarding the management of information in the financial processes, which has been communicated to the employees by the management group. Furthermore, for communication with external parties, there is a policy stating guidelines for the form such

communication is to take. The ultimate purpose of the aforementioned policies is to ensure that the disclosure requirements are complied with and that the investors receive the correct information in a timely fashion.

### Internal audit

The size of the Company, in combination with the Audit Committee's work, and the fact that good control procedures have been prepared and applied, implies that the Board of Directors has not regarded it necessary to establish a separate internal audit function. The matter of whether a specific internal audit function is required will, however, be addressed on an annual basis.

### Activities in 2015

The focus during the year was on matters related to financing, investments and discussions regarding divestitures.

Halmstad, 22 March 2016

**Joachim Gahm**

*Chairman*

**Peter Nygren**

*Board Member*

**Jon G Brandsar**

*Board Member*

**Maud Olofsson**

*Board Member*

**Daniel Johansson**

*CEO*

**Peter Gyllenhammar**

*Board Member*

### AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

The Board of Directors is responsible for the Corporate Governance Report for the year 2015 on pages 96–99 and for ensuring that the Corporate Governance Report is prepared in accordance with the Annual Accounts Act.

We have reviewed the Corporate Governance Report, and we believe that this review, in conjunction with our knowledge of the Company and the Group, provides a reasonable basis for our opinion. This implies that our statutory review of the Corporate Governance Report has a different focus and is substantially more limited in scope than an audit conducted in accordance with *International Standards on Auditing* and other generally accepted auditing standards in Sweden.

We are of the opinion that a Corporate Governance Report has been prepared, and the statutory information contained therein is consistent with the other parts of the annual accounts and consolidated financial statements.

Malmö, 22 March 2016

Öhrlings PricewaterhouseCoopers AB

**Magnus Willfors**

*Authorised Public Accountant*