

# CORPORATE GOVERNANCE REPORT

Com Hem applies the Swedish Corporate Governance Code (the Code), see <http://www.corporategovernanceboard.se/>. The Corporate Governance Report is submitted in accordance with the Swedish Annual Accounts Act and the Code.

In 2015, Com Hem did not deviate from any of the Code's provisions, nor breach the Nasdaq Stockholm's Rule Book for Issuers or the general accepted principles in the Securities Market.

Com Hem's corporate governance ensures that the company is managed sustainably, responsibly and as effectively as possible on behalf of its shareholders. Governance shall support the company's long-term strategy, while helping to maintain trust in Com Hem among all stakeholders: shareholders, customers, suppliers, capital markets, society and employees. Good corporate governance is not only about internal frameworks and efficient processes, a strong ethical approach is also required throughout the entire organisation.

## Shareholders and general meeting

Com Hem Holding AB is a Swedish public limited liability company, with shares traded on Nasdaq Stockholm. At year-end, the number of shareholders in Com Hem was 1,094. The largest single shareholder was NorCell S.à.r.l., with a total stake of 37.5% and the corresponding voting rights (excluding treasury shares). Foreign ownership was approximately 97%. For more information about the ownership structure, share capital and the share, see page 20.

## Nomination Committee

In accordance with the Nomination Committee's proposal, the Annual General Meeting (AGM) resolved that the Nomination Committee prior to the 2016 AGM would comprise representatives of the three largest identified shareholders on 30 September 2015, according to the register of shareholders maintained by Euroclear Sweden AB, plus the Chairman of the Board. Should one or more shareholders not wish to appoint a representative to the Nomination Committee, the next-largest shareholder will be contacted. The Chairman shall convene the first meeting of the Nomination Committee. The member representing the largest shareholder shall be appointed Chairman of the Nomination Committee. The Nomination Committee's instructions include procedures for changing the composition of the Nomination Committee as required should a member leave the Committee before their work is completed, or to reflect changes in the ownership structure.

The members of Com Hem's Nomination Committee ahead of the 2016 AGM are:

- Pierre Stemper, Chairman of the Nomination Committee, appointed by NorCell S.à.r.l., shareholding/votes 37.5%.
- Henry Guest, appointed by Adelphi Capital LLP shareholding/votes 5.4%.
- Erik Durhan, appointed by Nordea Fonder shareholding/votes 0.7%.
- Andrew Barron, Chairman of the Board of Com Hem Holding AB.

Information about how shareholders can submit proposals to the Nomination Committee has been published on [www.comhemgroup.com](http://www.comhemgroup.com), where the Nomination Committee's motivated opinion regarding its proposal to the AGM and a brief presentation of its work will also be published well in advance of the AGM on 19 May 2016.

## Board of Directors

According to the Articles of Association, the Board of Com Hem shall consist of a minimum of three and a maximum of ten AGM-elected members with no deputies. In addition, the Board comprises two employee representatives with two deputies.

Andrew Barron, Monica Caneman, Eva Lindqvist, Anders Nilsson (Com Hem's CEO), Joachim Ogland and Nikos Stathopoulos were re-elected to the Board of Directors in 2015. Andrew Barron was re-elected Chairman of the Board. The appointed employee representatives were Marianne Bolin

and Tomas Kadura, and their deputies Åsa Borgman and Mattias Östlund.

Information about the year of birth of the Board members, their educational background and professional experience, significant assignments outside the company, their holdings of shares or other financial instruments in the company or those of related party, as well as the year they were elected to the Board is presented in the table below.

#### Independence of the Board

In 2015, the Board of Com Hem complied with the Code's provision that the majority of AGM-elected members are to be independent in relation to the company and Executive Management, and that at least two of them also are to be independent in relation to the company's major shareholders (i.e. those with a holding exceeding 10%). Details of the Board members' independence are presented in the table below.

#### The work of the Board

During the year, the Board of Directors held 16 Board meetings, including statutory meetings and meetings by correspondence. Prior to each ordinary Board meeting, Board members receive a written agenda, based on the Board's established rules of procedure, and a complete set of documents for information and decision-making. Recurring items include the company's financial position, the market situation, investments and adoption of the financial statements.

Reports from the Audit and Remuneration Committees, as well as reports on internal control and financing activities are also regularly addressed. The CEO presents matters for discussion at the meetings, and the company's CFO and other members of management also participate and present specific matters. The General Counsel is the Board's secretary. The attendance of Board members at Board and committee meetings is presented in the table below.

Important issues addressed during the year include strategic issues, the 2016 budget process, forms for the distribution of capital to shareholders, refinancing activities and organisational issues.




#### Evaluation of the Board

The performance of the Board and the CEO is evaluated annually using a systematic and structured process. The aim is to obtain a sound basis for the Board's own development in terms of working methods and efficiency, and to present the results of the evaluation to the Nomination Committee as a basis for the nomination process. The Chairman of the Board is responsible for the evaluation, and for presenting the results to the Nomination Committee. In 2015, the evaluation was based on a questionnaire, interviews and discussions between the Chairman and Board members.

#### Audit Committee

In 2015, the Audit Committee consisted of Monica Caneman (Chairman), Eva Lindqvist and Joachim Ogland. During the

### Board of Directors and Committees

Board of Directors	Elected	Dependent <sup>1)</sup>	Committee		Board meetings	Attendance	
			Audit Committee	Remuneration Committee		Audit Committee	Remuneration Committee
Andrew Barron	2013				16/16		
Monica Caneman	2014		Chairman		15/16	5/5	
Eva Lindqvist	2014		x	x	14/16	5/5	7/7
Anders Nilsson, CEO <sup>2)</sup>	2014				16/16		
Joachim Ogland	2011		x	x	16/16	5/5	7/7
Nikos Stathopoulos	2011			Chairman	15/16		7/7
Marianne Bolin (E) <sup>3)</sup>	2013				16/16		
Tomas Kadura (E) <sup>3)</sup>	2013				16/16		
Åsa Borgman (E) deputy <sup>3)</sup>	2014				8/16		
Mattias Östlund (E) deputy <sup>3)</sup>	2013				9/16		

 = Dependent in relation to the company and Executive Management     = Dependent in relation to the company's majority shareholder, NorCell S.à.r.l.

<sup>1)</sup> According to the definition in the Swedish Corporate Governance Code.

<sup>2)</sup> The company's CEO owns 203,469 shares in the company, which is a shareholding of 0.1% and not classified as significant. The CEO has no co-ownership in companies that have significant business relationships with companies within the Group.

<sup>3)</sup> (E) = Employee representative.

year, the Committee held five meetings that were recorded and attached to the material for the Board. As part of its assignment to monitor financial reporting and the effectiveness of internal control, the Committee addressed relevant accounting issues, the scope and focus of the external audit, as well as observations made in connection with the auditors' review, observations made during internal reviews of the company's processes, risk and valuation issues, and the company's financial statements. The attendance of Board members at Audit Committee meetings is presented in the table on previous page.

#### **Remuneration Committee**

In 2015, the Remuneration Committee consisted of Nikos Stathopoulos (Chairman), Eva Lindqvist and Joachim Ogland. Seven meetings were held during the year and the work focused primarily on remuneration and other terms of employment for Executive Management. The attendance of Board members at Remuneration Committee meetings is presented in the table on previous page.

#### **External auditors**

At the 2015 AGM, KPMG AB was appointed auditing firm until the 2016 AGM. KPMG AB was represented by Thomas Thiel as the auditor in charge. Thomas Thiel has led the audit assignment for Com Hem since 2004. In 2015, the auditors participated in every meeting of the Audit Committee. At these meetings, the auditors presented the focus and scope of the

planned audit, and delivered verbal audit and review reports. The Board also held one meeting with the company's auditor at the beginning of 2016, without the attendance of the CEO or any other member of management.

The auditors reviewed Com Hem's interim report for the second quarter, and audited the annual financial statements. KPMG AB was also consulted in matters related to the share-savings incentive programme adopted by the 2015 AGM, as well as tax issues and various accounting and finance matters.

#### **CEO**

Anders Nilsson has been the CEO of Com Hem since 2014. Information about the CEO's year of birth, educational background and professional experience, significant assignments outside the company, holdings of shares or other financial instruments in the company or those of related party, is presented on page 40.

In consultation with the Chairman of the Board, the CEO prepares the information and documentation required as a basis for the work of the Board and in order to enable Board members to make well-informed decisions. The CEO is supported by the Management team.

The Board evaluates the performance of the CEO on a regular basis. The Board also held one meeting to evaluate the CEO's performance, without the attendance of the CEO or any other member of management.

# REMUNERATION TO EXECUTIVE MANAGEMENT AND THE BOARD

## Guidelines for remuneration to Executive Management

The 2015 AGM resolved to adopt guidelines for remuneration to Executive Management in Com Hem based on fixed salary, variable remuneration, other benefits and pension. The guidelines for 2015 and levels of remuneration paid during the year are presented in Note 6, while the Board's proposal to the 2016 AGM regarding guidelines for remuneration to Executive Management, as well as a deviation from the 2015 guidelines, are presented below.

At the 2015 AGM a long-term share savings incentive programme (LTIP) was adopted, based on the Total Shareholder Return of the Com Hem share, and cash flow over a three-year period. The programme requires a personal investment in Com Hem shares by all participants at the beginning of

the programme. Further details about outstanding long term incentive programmes may be found in Note 6.

## Remuneration to the Board

In accordance with the AGM's resolution, annual fees paid to the AGM-elected Board members amounted to a total of SEK 3,689,000, of which SEK 1,814,000 was paid to the Chairman of the Board, and SEK 350,000 to each of the four Board members who are not employed by the company. In addition, an annual fee of SEK 110,000 was paid to the Chairman of the Audit Committee, and SEK 80,000 to each of the other two members. An annual fee of SEK 85,000 was also paid to the Chairman of the Remuneration Committee, and SEK 60,000 to each of the other two members, refer also to Note 6.

## Proposed guidelines for remuneration to Executive Management to be approved at 2016 AGM

The Board of Directors of Com Hem Holding AB (publ) proposes that the 2016 Annual General Meeting resolves to adopt the following guidelines for remuneration to Executive Management in Com Hem.

The total amount of remuneration for a person with an Executive Management position in Com Hem shall correspond to market practice and shall be competitive in order to attract, motivate and retain key employees. The aim is to create incentives for Executive Management to execute strategic plans and deliver excellent operating results and to align such persons' interests with the interests of the shareholders.

Remuneration of the CEO and other Executive Management shall consist of a fixed salary, short-term incentives (STI) with variable remuneration paid annually in cash which are linked to achievement of financial targets for Com Hem and individual performance targets, and long-term incentives (LTIP) that are share based or share linked, in addition to pension and other customary benefits.

- The fixed salary shall be based on the Executive's respective competence and area of responsibility. The fixed salary shall form the basis for any STI. The fixed salary is to be reviewed annually.
- STIs shall be based on performance in relation to established targets. The targets shall be individual, measurable and linked to Com Hem's financial performance as well as to specific performances (individual targets). The CEO has an annual STI target of 75% of the fixed salary. Provided significant out-performance of the financial targets set in the budget, and of individual targets, and approval by the board of directors, the STI for the CEO can amount to a maximum of 169% of the fixed salary. Other members of Executive Management have an annual STI target of up to 50% of the fixed salary. Provided that the financial targets and the individual targets are significantly out-performed, the STI for other Executive Management may amount to a maximum of 113% of the fixed salary.

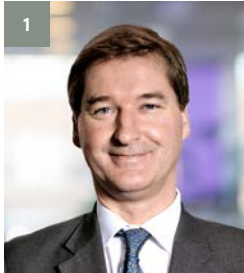
- The vesting period for LTIPs shall be at least three years. LTIPs shall always be based on shares or share linked instruments. LTIPs shall ensure a long-term commitment to the development of Com Hem. Any share based LTIP will be subject to shareholder approval before being launched.
- Other benefits may include a company car, health insurance and other customary benefits. Other benefits shall not constitute a significant part of the total remuneration.
- Executive Management shall be offered individual pension plans amounting to a maximum of 30% of the fixed salary or in accordance with ITP (collective agreed pension plans). Subject to approval by the board of directors, Executive Management residing abroad may be offered pension plans paid in cash corresponding to the premium that would otherwise be payable to insurance companies.
- In the event of termination of employment initiated by the company, the notice period for the CEO and other Executive Management shall be maximum 12 months.

If there are particular grounds for it in a specific case, the Board of Directors may deviate from the guidelines.

## Deviation from the guidelines that were approved at the 2015 Annual General Meeting

Under certain circumstances, the Board may deviate from the guidelines for remuneration to Executive Management that have been approved at the Annual General Meeting. In such instances, the rationale for the deviation must be disclosed at the following Annual General Meeting. In 2015, the Board resolved on a deviation from the guidelines approved at the Annual General Meeting held on 21 May 2015, to approve for the Company's COO, during three months in 2015, to receive a monthly, non-pensionable additional payment, corresponding to his monthly salary level as a result of an ongoing renegotiation of his employment contract.

# BOARD OF DIRECTORS



**Andrew Barron (1)**  
Chairman of the Board since May 2014, Board member since 2013.  
Bachelor's Degree, MBA  
**Born:** 1965  
**Principal occupation:** Chairman of the Board of Com Hem.  
**Other assignments:** None  
**Previous positions:** COO of Virgin Media and MTG, CEO of Chellomedia, Executive Vice President of Walt Disney Europe and management consultant at McKinsey & Co.  
**Shareholding<sup>1)</sup>:** 197,314  
**Warrants:** 2,011,434

**Monica Caneman (2)**  
Board member since 2014. Master's Degree in Finance  
**Born:** 1954  
**Principal occupation:** Board work.  
**Other assignments:** Chairman of the Board of BIG BAG Group AB, Arion Bank hf, Viva Media Group AB and Bravida Holding AB, and Board member of SAS AB, mySafety Group AB, Intermail AS and Nets AS.  
**Previous positions:** Several leading positions at SEB over a period of 30 years.  
**Shareholding<sup>1)</sup>:** –  
**Warrants:** 197,590



**Eva Lindqvist (3)**  
Board member since 2014. MSc Engineering Physics, MBA  
**Born:** 1958  
**Principal occupation:** Board work  
**Other assignments:** Member of the board of ASSA ABLOY AB (publ), Mycronic AB (publ), SWECO AB (publ), Alimak Hek, Caverion Oy and Bodycote plc. Elected member of the Royal Swedish Academy of Engineering Sciences.  
**Previous positions:** Senior Vice President of TeliaSonera's mobile operations, CEO of TeliaSonera International Carrier and senior positions at Ericsson.  
**Shareholding<sup>1)</sup>:** 400  
**Warrants:** 98,794

**Anders Nilsson (4)**  
Board member since 2014. Law studies  
**Born:** 1967  
**Principal occupation:** CEO of Com Hem since April 2014.  
**Other assignments:** None  
**Previous positions:** Executive Vice President of Commerce and Services at Millicom, 20 years of service at the MTG Group, in such positions as Executive Vice President



of Central European Broadcasting, COO of MTG and CEO of MTG Sweden.  
**Shareholding<sup>1)</sup>:** 203,469  
**Warrants:** 1,481,920

**Joachim Ogland (5)**  
Board member since 2011. BSc in Mechanical Engineering, MIT and MBA, Harvard Business School  
**Born:** 1972  
**Principal occupation:** Senior Partner at BC Partners Limited, responsible for the company's Nordic investments for 12 years.  
**Other assignments:** Chairman of the Board of Nipa Holding AS. Board member of Nille Acquisition SA, Nille Finance S.a r.l. and Per Aarskog AS, as well as deputy Board member of Jonas Ogland Holding AS.  
**Previous positions:** European leverage buy-out transactions for Morgan Stanley Capital Partners and management consultant at McKinsey & Co.  
**Shareholding<sup>1)</sup>:** –  
**Warrants:** –



**Nikos Stathopoulos (6)**  
Board member since 2011, Chairman of the Board 2011–2014.  
Degree in Business Administration, MBA, Harvard Business School  
**Born:** 1969  
**Principal occupation:** Managing Partner at BC Partners Limited.  
**Other assignments:** Member of the Executive Committee and the Investment Committee of BC Partners and Chairman of the Board of Gruppo Coin, the Mergermarket Group, Pharmathen, and Cigierre. Vice Chairman of Migros Turk, Board observer for Regency Entertainment and Board member of the Harvard Business School European Advisory, Board member of Trustees for Impetus-Private Equity Foundation and the Board of AUEB. Chairman of the Board of BC Partners Foundation.  
**Previous positions:** Partner at Apax Partners and management consultant at Boston Consulting Group.  
**Shareholding<sup>1)</sup>:** –  
**Warrants:** –



**Employee representatives**

**Marianne Bohlin (7)**  
Ordinary employee representative since 2013.  
**Born:** 1958  
**Shareholding<sup>1)</sup>:** 200

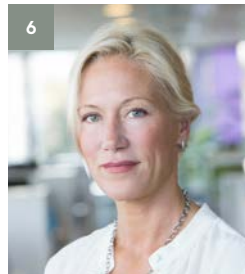
**Åsa Borgman (8)**  
Deputy employee representative since 2014.  
**Born:** 1970  
**Shareholding<sup>1)</sup>:** –

**Tomas Kadura (9)**  
Ordinary employee representative since 2014, deputy 2013–2014.  
**Born:** 1963  
**Shareholding<sup>1)</sup>:** 484

**Mattias Östlund (10)**  
Deputy employee representative since 2013.  
**Born:** 1969  
**Shareholding<sup>1)</sup>:** –

<sup>1)</sup> Own or related legal and/or physical person's shareholding at 31 March 2016.

# EXECUTIVE MANAGEMENT



## Anders Nilsson (1)

CEO of Com Hem since April 2014.

Law studies

**Born:** 1967

**Other assignments:** None  
**Previous positions:** Executive Vice President of Commerce and Services at Millicom, 20 years of service at the MTG Group, in such positions as Executive Vice President of Central European Broadcasting, COO of MTG and CEO of MTG Sweden.  
**Number of shares<sup>1)</sup>:** 203,469  
**Warrants:** 1,481,920

## Elisabeth Hellberg (2)

Director of Human Resources since September 2014.  
 International Business Administration

**Born:** 1957

**Other assignments:** None  
**Previous positions:** Senior Vice President Human Resources at Swedish Match and Head of HR & Recruitment at Modern Times Group MTG.  
**Number of shares<sup>1)</sup>:** 2,000  
**Warrants:** –

## Jon James (3)

Chief Operating Officer since February 2014.

Bachelor's Degree in Economics and History

**Born:** 1969

**Other assignments:** Board member of CTAM Europe  
**Previous positions:** Executive Director, Broadband and TV at Virgin Media, Group Strategy Director at Virgin Media, and Commercial Director at Flextech & UKTV.  
**Number of shares<sup>1)</sup>:** 184,521  
**Warrants:** 592,768

## Mikael Larsson (4)

CFO since May 2015  
 MBA, Uppsala University

**Born:** 1968

**Other assignments:** Board member of Transcom WorldWide AB  
**Previous positions:** CFO of Investment AB Kinnevik 2001-2015, Group Controller at Thomas Cook Northern Europe and audit and transaction advisory services at Arthur Andersen.  
**Number of shares<sup>1)</sup>:** 35,000  
**Warrants:** –

## Tobias Lennér (5)

CEO of Phonera Företag since November 2015  
 (Interim CEO since May 2015)  
 Bachelor of Arts

**Born:** 1968

**Other assignments:** None  
**Previous positions:** CEO of Phone House Sweden, CEO of SF Sverige and Head of Halebop, a business unit of TeliaSonera AB.  
**Number of shares<sup>1)</sup>:** 2,560  
**Warrants:** –

## Petra von Rohr (6)

Director of IR and Corporate Communications since March 2015.

Master's Degree in Economics, Stockholm School of Economics

**Born:** 1972

**Other assignments:** Board member of Novare  
**Previous positions:** Partner at Kreab, CEO of Remium, Head of Swedish operations for Burson-Marsteller and equity analyst at Cazenove & Co.  
**Number of shares<sup>1)</sup>:** 2,240  
**Warrants:** –

<sup>1)</sup> Own or related legal and/or physical person's shareholding at 31 March 2016.



# INTERNAL CONTROL OVER FINANCIAL REPORTING

## Control environment

Com Hem's internal control structure is based on a clear division of responsibilities between the Board of Directors and the CEO, and the bodies established by the Board, such as the Audit Committee. The Board's rules of procedure, which include instructions for the CEO and instructions for financial reporting, are updated and adopted annually by the Board, and specify the documents and the financial information to be presented to the Board and the committees for each ordinary meeting. The CEO is responsible for ensuring that the Board receives the reports that are required for the Board to assess the financial position of the company and the Group. This information includes a presentation and analyses of earnings growth, cash flow and financial position, as well as the budget and forecasts, and ongoing monitoring against these. Reports on the outcome of completed internal controls are submitted regularly to the Board, and the Board remains informed about measures related to internal control by, for example, meetings with the company's auditors. The Audit Committee is tasked with monitoring and assuring the quality of the company's financial reporting. The work focuses on assessing the effectiveness of the company's internal control and evaluating estimates and carrying amounts that may affect the quality of reporting. The Audit Committee remains informed about the reviews of interim reports, annual accounts and consolidated financial statements through the regular attendance of the company's auditors at Audit Committee meetings. Com Hem's CFO and Group Accounting Manager attend Audit Committee meetings, and Audit Committee members also maintain regular contact with these executives.

The control environment provides the basis for internal control and consists of the values and ethics that are communicated and incorporated by the Board, CEO and management, including a number of company-wide instructions, policies and guidelines. These include the Board's rules of procedure, the company's Code of Conduct, anti-corruption policy, whistleblower policy, guidelines for gifts, entertainment and hospitality, financial policy, authorisation policy and financial manual. These instructions and policies are updated regularly and communicated to the relevant employees.

The Code of Conduct outlines the company's overall values, which represent a long-term commitment and shared platform linked to the company's mission and strategies, which guide the employees in their daily routines.

## Risk assessment

The risk assessment of financial reporting aims to identify and evaluate material risks affecting internal control over financial reporting. To minimise these risks, a governance framework has been established for reporting, procedures and detailed schedules for monthly and year-end closing and forecasts. Com Hem's Board and management continually assess reporting from a risk perspective. In addition to assessing risks in financial reporting, the Board and management work to continually identify and manage material risks affecting Com Hem's operations from an operational and financial perspective.

The most significant risks are described in the 'Risks and risk management' section on page 33, and in Note 24.

## Control activities and monitoring

Control activities are designed to detect and prevent errors in financial reporting. These activities limit the risks identified and ensure accurate and reliable financial reporting. These include the monitoring of budget deviations, earnings trends and key ratios, account reconciliation, checklists, reviews of IT system logs, approval of business transactions and clear procedures for important decisions such as investments and the entering into agreements.

## Information and communication

One important component of internal control is the disclosure of information at all levels of the Group, and with relevant external stakeholders. Pertinent policies, guidelines and principles for accounting are available to all relevant employees, to ensure complete, accurate and timely financial reporting. Information about, and changes to accounting policies and reporting and information disclosure requirements are regularly communicated to the relevant employees. To ensure that the external information disclosure is accurate, complete and meets the requirements imposed on listed companies, the company has a communication policy outlining how, by whom and the manner in which external information is to be communicated. All communication should comply with Nasdaq Stockholm's Rule Book for Issuers and be communicated in a fair, open and transparent manner.

**Evaluation of need for special audit function**

The Board has decided not to establish a special audit function in the form of an internal audit within Com Hem. The company's CFO and the Group accounting function are jointly responsible for monitoring and evaluating the effectiveness of the company's risk management and internal control system, and performing internal audits either in-house or by engaging external expertise. The Finance Department continuously monitors compliance with the company's governance model, reporting principles and policies. The Finance Department also conducts regular analyses of Com Hem's financial reporting and financial results in order to assure quality and to identify areas for improvement and development. The effectiveness of internal controls performed by the Finance Department, Executive Management and the business managers is deemed sufficient in light of the existing Group structure and the fact that Com Hem only operates in Sweden, and that the Finance Department is centered at the head office in Stockholm.

**Activities in 2015**

In 2015, the company focused on further development of its internal control systems and on the preparation, and updates to existing, Group-wide policies. An internal control unit has been established within the Group accounting function, tasked with performing continuous reviews of relevant areas within the organisation to ensure effective management and control, and compliance with regulations and policies. Both internally performed and externally procured audits have been conducted in a number of areas, and reported to management and the Audit Committee. Group-wide policies have been prepared and implemented including a Code of Conduct, whistleblower policy and guidelines for gifts, entertainment and hospitality. The Purchasing and Approval policies, as well as related procedures, were updated in connection with a review of the purchasing function.