



CORPORATE  
GOVERNANCE  
REPORT

2017

**STRAX**

# CORPORATE GOVERNANCE REPORT

Corporate governance defines the decision-making systems and structure through which owners directly or indirectly control a company. Good corporate governance means that effective decision-making processes are defined and are characterized by openness towards company owners so that they can monitor how the company develops.

STRAX belongs to the category of companies that applies the Swedish Code of Corporate Governance from July 1, 2008. In accordance with the Code, STRAX is hereby presenting its Corporate Governance Report, explaining how corporate governance work has been conducted at STRAX during the financial year 2017. The report has been subject to review by the STRAX auditor. The auditors report is on page 108.

## STRAX operations

STRAX is a market-leading global company specializing in mobile accessories and connected devices. STRAX has built a House of Brands to complement its value-added customer-specific solutions and services.

STRAX House of Brands includes proprietary brands: XQISIT, GEAR4, Urbanista, THOR, avo+, FLAVR, Eule and licensed brands: adidas and bugatti.

In addition STRAX represents over 40 major mobile accessory brands. STRAX sells into all key channels ranging from telecom operators, mass merchants and consumer electronics to lifestyle retailers and direct to consumers online.

STRAX was founded in Miami and Hong Kong in 1995 and has since grown across the world. Today, STRAX has over 200 employees across 13 countries with its operational HQ and logistics center based in Germany. STRAX is listed on the Nasdaq Stockholm Stock Exchange.

## Corporate governance at STRAX

STRAX corporate governance practices are primarily regulated by Swedish legislation, in particular the Swedish Companies Act, the Swedish Code of Corporate Governance and the Nasdaq Stockholm Rule Book for Issuers. Furthermore, STRAX follows the resolutions laid out in the STRAX Articles of Association.

In addition to legislation, regulations and recommendations, the company's Articles of Association constitute a central document for the company's governance. The Articles of Association establish, for example, the company's name, where the Board is registered, the focus of STRAX operations and information concerning share capital.

The company's highest decision-authority is the Annual General Meeting (AGM), at which STRAX shareholders exercise their influence over the business. The AGM is convened

no less than once a year to decide how the Nomination Committee is to be appointed, among other matters. The Nomination Committee proposes, for example, the composition of the Board for resolution by the AGM. On behalf of STRAX owners the Board oversees management of the company. STRAX Board is headed by Chairman Bertil Villard. The Board appoints the company's CEO, who is responsible for the day-to-day management of the company in accordance with directions from the Board. The division of responsibilities between the Board and the CEO is detailed clearly in instructions and procedural plans that have been approved by the Board.

Internal policies and guidelines constitute important control documents in all parts of the company, since they clarify responsibilities and powers of authorization in particular areas, such as information security, compliance and risk.

External auditors, appointed by the AGM for a mandate period of one year, audit the Board's and the CEO's administration of the company, as well as the company's financial reports.

Information about STRAX corporate governance is published and updated on a regular basis on the company's website ([www.strax.com](http://www.strax.com)).

### Annual General Meeting

STRAX AGM is held in Stockholm during the first half of the year. The time and venue of the meeting are announced publicly no later than to coincide with the release of the company's third-quarter report. At this time, shareholders are also informed about their right to have issues addressed at the AGM and the deadline for submitting requests to this effect to the company so that such business may be included in the notice to the AGM.

The AGM notice is published no earlier than six weeks and no later than four weeks before the date of the AGM. The notice includes information on how to register in order to participate and vote in the AGM, as well as an itemized agenda listing the matters that are to be addressed at the AGM, the proposed disposition of earnings and the key content of other proposals being addressed at the meeting. Shareholders or their appointed proxies are entitled to vote for the full number of shares that they own or represent.

The business of the AGM is to report on the company's development over the past financial year and to make decisions on a number of central issues, such as changes to the company's Articles of Association, the election of auditors, discharging the Board from liability for the financial year, remuneration for the Board and auditors, approval of the Board for the period up to the next AGM and the approval of remuneration guidelines for Senior Executives.

STRAX 2017 AGM was held on May 23, 2017 at the offices of Advokatfirman Vinge in Stockholm. The meeting was attended by seven shareholders, representing 57.68 percent of the number of outstanding shares and votes. At the AGM, shareholders voted to discharge the Board and Managing Director from liability for the 2016 financial year.

STRAX 2018 AGM is planned for May 24, 2018 at the offices of Advokatfirman Vinge in Stockholm. Shareholders have had the opportunity to deliver their proposals on issues they wish to be addressed at the meeting to the Chairman of the Board of STRAX, as well as the opportunity to deliver proposed nominations to the Nomination Committee. Information about the AGM is available on STRAX website ([www.strax.com](http://www.strax.com)).

Presence, votes and capital represented at five previous AGMs

Year	Percentage of capital and votes
2017	57.68 %
2016	72.04 %
2015	52.66 %
2014	63.73 %
2013	61.41 %

Further information on presence, votes and capital represented can be found on page 40.

### Nomination committee

The AGM decides how the Nomination Committee will be appointed. At the 2017 AGM it was decided that STRAX shall have a Nomination Committee consisting of one representative from each of the three shareholders or groups of shareholders controlling the largest number of votes, plus the Chairman of the Board. The composition of the Nomination Committee is based on the register of recorded shareholders from Euroclear Sweden AB as of the last

business day in August 2017 and other reliable shareholder information that has been provided to the company at such time. The Nomination Committee consists of Bertil Villard in his capacity as Chairman, shareholders Gudmundur Palmason, Ingvi T. Tomasson, and Per Åhlgren representing GoMobile Nu AB.

The role of the Nomination Committee is to prepare and present proposals for submission to the 2018 AGM regarding the following: Board and Chairman of the Board, Board remuneration apportioned among the Chairman and other Board members, auditor, audit fees and proposals for rules concerning the nomination process for the 2019 AGM.

### Diversity

STRAX believes workplace diversity contributes to the divergence and exchange of ideas, which is critical to STRAX innovation process and contributes to a healthy management environment. STRAX has a zero-tolerance policy for all forms of discrimination and harassment. We are committed to provide an inclusive and welcoming environment at all levels in the company and for all parties engaged in one way or another in doing business with STRAX. For more information on diversity and equality we make reference to the sustainability report on page 49.

The Chairman of the Board of Directors conduct a yearly evaluation of the work within

### Independence of Board members, presence, etc.

Name	Position	Elected	Independent in relation to the company and management	Independent in relation to larger shareholders	Shareholding <sup>(1)</sup>	Present	Percent
Bertil Villard	Chairman	2003	Yes	Yes	406 670	(12/13)	92%
Gudmundur Palmason	Board Member/ CEO	2016	No	No	31 398 031	(13/13)	100%
Ingvi T. Tomasson	Board Member	2016	No	No	31 198 079	(13/13)	100%
Michel Bracké	Board Member	2016	Yes	Yes	10 000	(13/13)	100%
Anders Lönnqvist	Board Member	2000	Yes	Yes	1 294 663	(13/13)	100%

### Work of the Board of Directors

February 22, 2017	Year-end Report 2016, Budget 2017
March 16, 2017	Compensation and incentive structure
April 20, 2017	Notice to the Annual General Meeting
April 25, 2017	Annual report 2016, Strategic, tactical & operational review
April 28, 2017	Audit review 2016
May 2, 2017	Approval Annual report 2016
May 22, 2017	Q1 2017 Interim report
May 23, 2017	AGM: Statutory board meeting
August 22, 2017	Q2 2017 Interim report, Strategic, tactical & operational review, Mandate/Acquisitions
November 27, 2017	Q3 2017 Interim report
December 5, 2017	Financial & Audit 2017, Strategic, tactical & operational review, Employee option allocation
December 12, 2017	Issue of new shares in kind, partial payment acquisition of TLF
December 12, 2017	Allotment of shares

<sup>(1)</sup> Where relevant, including shares held by family members and holdings through companies as at December 31, 2017.

the Board of Directors. The outcome of this survey is shared with the Nomination Committee to give insight in areas that can be strengthened. The Nomination Committee for the AGM 2018 has been focusing on strengthening “know how” in e-commerce, retail and HR, and the appointment of a female representative on the Board of considerable importance.

### Board of Directors

The Board members are elected by the shareholders to serve a mandate period beginning at the AGM and ending at the close of the AGM the following year. There are no rules concerning the length of time a person may remain on the Board of Directors. Nominations are processed by the Nomination Committee.

STRAX current Board consists of five members elected by the AGM. The Chairman plans and leads the work of the Board of Directors. The CEO, Gudmundur Palmason is a member of the board and together with Ingvi T. Tomasson the only board members who work operatively in the day-to-day running of the company. The Board convened for thirteen meetings during 2017. Between meetings of the Board continuous contact has been maintained between the company, the Chairman of the Board and other Board members. Board members were also continuously provided with written information of importance regarding the company. STRAX Board complies and adopts a procedural plan for the Board every year, which includes the following stipulations:

- ▶ The Board of Directors shall meet at least five times a year;
- ▶ Members of the Board shall receive documentation regarding matters to be dealt with at Board meetings in good time prior to the meeting and be provided with a monthly report of the company's operations;
- ▶ In order to ensure that the Board maintains a dialogue with the auditors, the company's auditor shall participate in at least one board meeting annually and report on his or her observations from the annual auditing work.

The procedural plan also includes a description of matters to be dealt with at each board meeting and the specific resolutions to be passed at the statutory meeting. The procedural plan also provides instructions for the CEO. On behalf of shareholders, the Board of

Directors administers the company by establishing goals and strategies, evaluating the operational management and ensuring that systems are in place for monitoring and control of established goals.

Since the 2017 AGM, the Board of Directors has consisted of five members, Bertil Villard, Gudmundur Palmason, Ingvi T. Tomasson, Anders Lönnqvist and Michel Bracké. Bertil Villard was appointed Chairman by the AGM. More detailed information about Board members including age, education and other assignments is provided on pages 44-45.

### Audit related questions

No Audit Committee is elected and audit related questions are addressed by the Board of Directors as a whole at the ordinary board meetings, which means no committee meetings have been held separately. During the auditor's review of the company's accounts, the CEO and any other member of management attending the meeting leaves the room to give the Board the opportunity for private deliberation with the auditor. In addition, all Board members have the possibility to contact the auditor directly.

### Remuneration related questions

No Remuneration Committee is elected and remuneration related questions are addressed by the Board of Directors as a whole at the ordinary board meetings, which means no committee meetings have been held separately. It is therefore the Board of Directors who prepare and propose remuneration and other compensation concerning the CEO and other employees who report directly to the CEO.

### CEO

The CEO, Gudmundur Palmason, is responsible for STRAX day-to-day operations. The CEO's responsibilities cover ongoing business activities including; personnel, finance and accounting issues, regular contact with the company's stakeholders (such as public authorities and the financial markets) and ensuring that the Board receives the information it needs to make well-founded decisions. The CEO reports to the Board.

### Auditors

The company's auditors are appointed by the AGM annually. At the AGM in 2017, the registered firm of accountants KPMG AB was appointed, with authorized public accountant Mårten Asplund as head auditor. The task of

the auditors is, on behalf of the shareholders, to audit the company's annual accounts, accounting records and the administration by the Board and CEO. The auditors also present an audit report to the AGM. The shareholders are welcome to put questions to the auditor at the AGM.

### Remuneration to the Board and senior management

Remuneration to the Board for the coming year is decided each year by the AGM. The 2017 AGM approved the proposed guidelines for remuneration and other compensation for senior management. In order to achieve long-term solid growth in shareholder value, STRAX remuneration policy aims to offer total remuneration in line with the market to enable the right senior management and other personnel to be recruited and retained.

### Variable and share-based remuneration to key employees

In addition to the fixed monthly salary STRAX offers variable-remuneration based on goals met tailored to the role of the individual. At the AGM in 2017 it was further decided to implement a share-based incentive program in the form of three-year warrants. Following the decision at the AGM this program was rolled out and assigned in 2017 and ultimately subscribed by a group of 48 key employees in January 2018. The warrants were not offered to the Board of Directors, however Gudmundur Palmason participated due to his capacity as CEO.

### Internal control with regard to financial reporting

This report on internal controls is prepared in compliance with the Swedish Code of Corporate Governance and is thereby limited to internal controls in respect of financial reporting, internally with regard to the Board of Directors and externally in the form of interim reports, annual accounts and annual reports.

Pursuant to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for the internal control. Internal control and risk management comprise a part of the Board's and management's governance and follow-up of business operations. Internal control is intended to ensure the appropriate and efficient management of operations, the reliability of financial reporting and compliance with laws, ordinances and internal regulations.

Internal control and risk management are an integral part of all processes at STRAX. The system of internal control and risk management with regard to financial reporting is designed to manage risks in the processes related to financial reporting and to achieve high reliability in external reporting.

### Control environment

An effective control environment forms the foundation for the effectiveness of a company's internal control system. It is built on an organization with clear decision-ma-

### Overview of Corporate Governance

The company's highest decision making authority is the Annual General Meeting. The AGM is convened no less than once a year and has a predetermined agenda published in the Articles of Association, as well as any other matters submitted by shareholders to be addressed at the meeting.

Main items on the AGM agenda include submission of the annual report and the auditors' audit report and report on the administration of the Board and CEO for the period encompassed by the annual report. The AGM determines whether or not to discharge of the members of the Board of Directors and the CEO from liability.

Prior to the AGM the Nomination Committee

prepares a proposal for the composition of the Board of Directors to serve a mandate period beginning at the AGM and ending at the close of the AGM the following year. The committee also proposes remuneration for the Chairman of the Board and other Board members. It is also the Nomination Committee's task, where appropriate, to propose auditors.

All shareholders or proxies present at the meeting having registered their participation as described in the notice have the right to vote for the full number of shares they own or represent. Shareholders also have the opportunity to put questions to the Board, CEO and Auditor.

The AGM elects a Board of Directors for a mandate period of one year. The Board appoints a CEO responsible for the day-to-day operations of the com-

king channels, powers of authorization and responsibilities that are defined by clear guidelines.

STRAX has policies, guidelines and detailed process descriptions for the various phases of each business flow, from transaction management to bookkeeping and the preparation of external reports, stipulating who is responsible for specific tasks. These governing documents are updated as needed to ensure they always reflect current legislation and regulations and changes in processes.

**Risk assessment**

Risk assessment, i.e. the identification and evaluation of the company’s risks is an annual process at STRAX. Risk assessment is done in the form of self-evaluation and also includes establishing action plans to mitigate identified risks. The primary risks present in STRAX business activities are commercial risk, operative risk, financial risk relating to outstanding receivables, obsolete inventory and currency risk. Other risks that impact the company’s financial operations are liquidity, interest rate and credit risk. The company is to some extent dependent on a key number of senior executives and other key personnel and consultants in order to run its operations, and is dependent on a functioning distribution chain, logistics and warehousing. A more detailed description of risks is available in Note 2, Risks.

**Control activities**

To ensure that the company’s business is conducted efficiently and that financial reporting gives a true and fair picture at any one time, STRAX operations incorporate a number of control activities. These involve regular monitoring of risk exposure and monthly follow up of results, as well as regular monitoring of STRAX IT environment, security and functionality.

**Information and communication**

Guidelines are in place at STRAX to govern how financial information is communicated. One condition for accurate distribution of information is that effective procedures for information security must be in place.

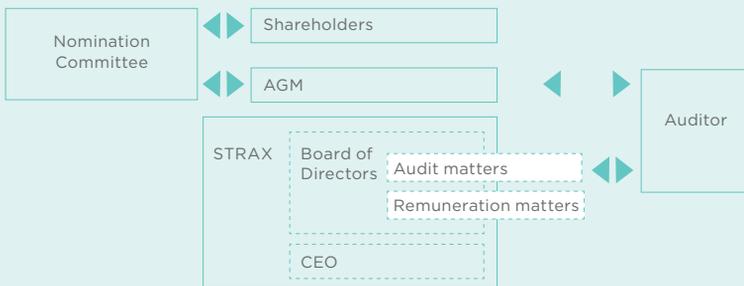
**Follow-up**

Both the Board and management regularly follow up on the compliance and effectiveness of the company’s internal control processes to ensure the quality of its processes. STRAX financial situation and strategy regarding the company’s financial position are discussed at every board meeting. The company’s internal controls are audited by external auditors and no internal audit is carried out due to the size of the company.

pany. The division of responsibilities between the Board and the CEO is clearly detailed in instructions and formal work plans that have been approved by the Board. The entire board is both the remuneration committee and audit committee which is why

questions in these areas are discussed at the regular meeting sessions.

The 2018 AGM will take place on May 24, 2018. More detailed information about the AGM is presented on page 120.



## AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

**To the general meeting of the shareholders in STRAX AB, corporate identity number 555539-7709**

### Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2017 on pages 27 - 32 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm May 21, 2018  
KPMG AB

**Mårten Asplund**

*Authorized Public Accountant*