

Corporate governance report

This report describes Qliro Group AB's policies for corporate governance. Qliro Group is a Swedish public limited liability company. The company's governance is based on its Articles of Association, the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm's regulations for listed companies and other relevant regulations. The company also applies the Swedish Corporate Governance Code (the Code).

Qliro Group is governed by several bodies. At the Annual General Meeting, the shareholders exercise their voting rights by electing the Board of Directors and external auditors. Some of the Board's duties are prepared by the President and CEO of Qliro Group. The CEO oversees the day-to-day management of the Group in accordance with guidelines from the Board.



Shares and shareholders

According to the share register held by Euroclear Sweden AB, there were 19,779 shareholders at the end of 2017. Shareholdings by its ten largest shareholders correspond to some 55.2 percent of the share capital and votes. Swedish institutions and mutual funds own approximately 60 percent of the share capital; international investors hold about 20 percent; Swedish private investors own around 20 percent.

The share capital consists of two share types: ordinary shares and C shares. There are no restrictions on the number of votes each shareholder can cast at the AGM. For more information regarding company shares, see page 31.

On May 8, 2017, Qliro Group's AGM authorized the Board to issue (and repurchase) up to 4,550,000 C shares if they so decided. The aim of the authorization was to ensure the delivery

of shares to participants in Qliro Group's long-term incentive program adopted by the AGM in 2017. The authorization had not been utilized at the end of 2017.

Furthermore, the AGM held in 2017 authorized the Board to decide on repurchasing as many of the company's ordinary shares during the period until the next AGM, on one or more occasions, so that Qliro Group's holding at no time exceeds 10 percent of all shares in Qliro Group. This authorization had not been utilized at the end of 2017.

Shareholders are regularly provided with information, including interim and full-year financial reports, financial statements, and press releases on significant events during the year. All reports, press releases and other information can be found on the website at www.qlirogroup.com.

Annual General Meeting

The Annual General Meeting (AGM) is a limited company's highest decision-making body. It is there that all shareholders can exercise their voting rights to decide on issues affecting the company and its operations. The Swedish Companies Act and the Articles of Association detail procedures on how notice is given of the AGM and Extraordinary General Meetings, along with who is entitled to participate and vote at the meetings.

The authority of the AGM and its rules of procedure are primarily based on the Swedish Companies Act and the Swedish Corporate Governance Code, as well as on the Articles of Association adopted by the AGM. The AGM must be held within six months of the end of the financial year. The AGM makes decisions on adoption of the income statement and balance sheet, consolidated income statement and statement of financial position, appropriation of the company's earnings according to the adopted balance sheet, discharge of liability for the Board and CEO, appointment of the Board, its chairman, the company's auditors, and certain other matters provided for by law and the Articles of Association. The AGM for financial year 2017 will be held on May 22, 2018, in Stockholm, Sweden.

Nomination Committee

Tasks of the Nomination Committee include:

- Evaluating the Board's work and composition
- Submitting proposals to the AGM regarding the election of Board members and the Chairman of the Board
- Preparing proposals for the election of auditors in consultation with the Audit Committee (when appropriate)
- Presenting proposals for the setting of remuneration for the Board and the auditors
- Preparing proposals for the Chairman of the Annual General Meeting
- Preparing proposals to the AGM regarding the Nomination Committee's composition and work during the following year.

In accordance with the Nomination Committee Rules adopted at the 2017 AGM, Qliro Group's board chairman convened a nomination committee to prepare proposals for the company's 2018 AGM. The Nomination Committee is to consist of at least three members appointed by the largest shareholders in the company who wish to appoint a member. In addition, the Board chairman will also be a member of the Nomination Committee.

The Nomination Committee consists of Lars-Johan Jarnheimer in his role as board chairman of Qliro Group, Cristina Stenbeck, appointed by Kinnevik AB, Christoffer Häggblom, appointed by Rite Ventures, and Stefan Roos, appointed by Origo Fonder. The members of the Nomination Committee appointed Cristina Stenbeck as Chair of the Committee at its first meeting.

Shareholder representatives on the Nomination Committee were appointed by shareholders who at December 30, 2017, jointly represented approximately 38 percent of the votes in Qliro Group. The members of the Nomination Committee do not receive any separate remuneration for their work.

The Nomination Committee will submit draft resolutions regarding the election of Board members and Chairman of the Board, auditors, remuneration of the Board and Chairman of the Board, and more at the company's 2018 AGM.

In its work, the Nomination Committee applies Rule 4.1 of the Swedish Corporate Governance Code as its diversity policy. The Nomination Committee considers the importance of increased diversity on the Board, in terms of gender, age and nationality, as well as experience, occupational background and business areas. As part of its efforts to find the most competent Board members, the Nomination Committee strives for an even gender balance.

Board of Directors

Qliro Group's Board of Directors are elected at the AGM for the period up to and including the end of the following AGM. Qliro Group's Articles of Association do not include any restrictions regarding the eligibility of Board members. According to the Articles of Association, the Board should consist of a minimum of three and a maximum of ten members.

Responsibilities and duties of the Board

The Board has overall responsibility for the organization and management of Qliro Group. The Board has adopted working procedures for its internal activities that include rules pertaining to the number of regular Board meetings, which issues are to be handled at regular Board meetings and the duties of the Chairman. The work of the Board is also governed by rules and regulations, including the Swedish Companies Act, Articles of Association and Swedish Code of Corporate Governance.

To carry out its work more effectively, the Board has appointed a Remuneration Committee and an Audit Commit-

tee with special tasks. These committees handle business within their respective areas and present recommendations and reports on which the Board may base its decisions and actions. However, all members of the Board have the same responsibility for decisions made and actions taken, irrespective of whether issues have been reviewed by such committees or not.

The Board has also issued guidelines to be followed by the CEO. The guidelines require that major investments in fixed assets must be approved by the Board. The Board must also approve major transactions, including acquisitions and divestments or closure of businesses. In addition, the Board has also issued written instructions specifying when and how information that is required for the Board to evaluate the Group's and its subsidiaries' financial positions should be reported.

The rules of procedure that are adopted annually by the Board include instructions on which financial reports and what financial information shall be submitted to the Board. In addition to the year-end report, interim reports and the annual report, the Board also examines and evaluates extensive financial information related to both the Group and various units included in the Group. The Board also examines, primarily through the Audit Committee, the most significant accounting policies applied in the Group regarding financial reporting, as well as any key changes to these policies. The Audit Committee is also tasked with examining reports on internal controls and the processes for financial reporting, along with internal audit reports compiled by the Group's external function for internal auditing. The Group's auditor reports to the Board as required, but at least once a year. At least one of these reporting occasions occurs without the CEO or any other member of executive management being present. The Group's auditor also participates in the meetings of the Audit Committee. The Audit Committee meetings are minuted and the minutes are made available to all Board members and the auditors.

Composition of the Board

The Board of Qliro Group AB comprises seven board members. Board members are Lars-Johan Jarnheimer, Caren Genthner-Kappesz, Christoffer Häggblom, Daniel Mytnik, Jessica Pedroni Thorell, Peter Sjunnesson and Erika Söderberg Johnson. Biographical information on each of the board members is contained in the "Board of Directors" section of this annual report.

Qliro Group's Board composition during the year has fulfilled the requirements of Nasdaq Stockholm and the Code on the independence of board members. This means that most Board members appointed by the AGM are independent of the company and its management. At least two of these members are also independent of the company's major shareholders.

Composition of the Board as at December 31, 2017

Name	Position	Date of birth	Citizenship	Appointed	Independent of major shareholders	Independent of the company and its management	Remuneration Committee	Audit Committee
Lars-Johan Jarnheimer	Chairman	1960	Swedish	2010	Yes	Yes		
Caren Genthner-Kappesz	Member	1970	German	2016	Yes	Yes		
Christoffer Häggblom	Member	1981	Finnish	2017	Yes	Yes	Member	
Daniel Mytnik	Member	1971	Swedish	2014	No	Yes	Chairman	Member
Jessica Pedroni Thorell	Member	1983	Swedish	2017	No	Yes	Member	
Peter Sjunnesson	Member	1959	Swedish	2015	Yes	Yes		Member
Erika Söderberg Johnson	Member	1970	Swedish	2017	Yes	Yes		Chairman

Remuneration Committee

The remuneration committee consists of Daniel Mytnik, chairman, Christoffer Häggblom and Jessica Pedroni Thorell.

The Remuneration Committee's tasks are described in section 9.1 of the Code. The Remuneration Committee's main tasks are to: (i) prepare decisions for the Board on matters regarding remuneration principles, remuneration and other employment terms for the CEO and senior executives; (ii) monitor and evaluate ongoing programs and programs concluded during the year for variable remuneration (e.g. long-term share-based incentive programs) for the CEO, senior executives and other key individuals within Qliro Group; and (iii) monitor and evaluate the application of the guidelines for remuneration of senior executives that the AGM, in accordance with the law, shall decide upon, along with applicable remuneration structures and remuneration levels in the company.

Audit Committee

The Audit Committee consists of Erika Söderberg Johnson, chairman, Daniel Mytnik and Peter Sjunnesson.

The Audit Committee's tasks are described in Chapter 8, Section 49b of the Swedish Companies Act. The Audit Committee's responsibilities are to: (i) monitor the company's financial reporting, make recommendations and suggestions to ensure reporting accuracy; (ii) in respect of the financial reporting, monitor the efficiency of the company's internal controls, internal audits and risk management; (iii) stay informed on the audit of the annual report and consolidated accounts as well as the conclusions of the Supervisory Board of Public Accountants' quality control; (iv) inform the Board about the results of the audit and the manner in which the audit contributed to the reliability of financial reporting as well as on the role the Committee had; (v) review and monitor the impartiality and independence of the auditor, and therewith, paying special attention to whether the auditor

provides the company with services other than auditing; and (vi) assist with preparation of proposals to the AGM's resolution on election of an auditor. The Audit Committee's work focuses on evaluating the quality and accuracy of the financial reporting, internal controls, internal audits and risk assessments.

Compensation to Board members

The fixed remuneration for the Board for the period until the close of the 2018 AGM totals SEK 3,071,000, of which SEK 670,000 is allocated to the Chairman of the Board, SEK 325,000 to each Board member, and a total of SEK 451,000 as remuneration for work on board committees. The remuneration of the Board members is proposed by the Nomination Committee, which represents the company's largest shareholders, and approved by the AGM. The Nomination Committee's proposal is based on benchmarking of peer group company compensation and company size.

The Board's work in 2017

During the year the Board regularly reviewed Qliro Group's consolidated earnings, financial position, organization and administration. During its meetings the Board has dealt with matters involving Qliro Group's strategy, including budget and other financial forecasting, capital structure and financing, investments in equipment, potential acquisitions, the establishment of new operations and divestments (such as the sales of Lekmer and Health and Sports Nutrition Group) and continued streamlining of internal procedures and control processes. At the end of 2017 an annual structured evaluation of the Board's work was conducted with the aim of further developing the Board's effectiveness and proactive involvement in the company. The result of this evaluation was also reported to the Nomination Committee.

The Board had a total of 13 meetings in 2017, including four ordinary meetings, one organizational meeting and eight extraordinary meetings.

Presence at board and committee meetings

Name	Board meetings	Audit Committee	Remuneration Committee
Number of meetings until 5/8/2017	7	3	4
Number of meetings from 5/8/2017	6	2	5
Total meetings in 2017	13	5	9
Lars-Johan Jarnheimer	13/13		
Caren Genthner-Kappesz ¹⁾	11/13		4/4
Christoffer Häggblom (from 5/8/2017)	6/6		5/5
Jessica Pedroni Thorell (from 5/8/2017)	6/6		5/5
Daniel Mytnik	11/13	5/5	9/9
Peter Sjunnesson	13/13	5/5	
Erika Söderberg Johnson (from 5/8/2017)	6/6	2/2	
Patrick Andersen (until 5/8/2017)	7/7		4/4
Lorenzo Grabau (until 5/8/2017)	5/7		3/4
David Kelly (until 5/8/2017)	4/7	1/3	

¹⁾ Caren Genthner-Kappesz was a member of the Remuneration Committee until May 8, 2017.

External auditors

Qliro Group AB's auditor KPMG AB was elected by the 2017 AGM for a period of one year. KPMG has been the company's external auditor since 1997. Mårten Asplund, Authorized Public Accountant at KPMG, has overseen the company's audits since May 2017. An auditor election will take place at the 2018 AGM.

The auditor reports its findings to the shareholders by means of the auditors' report, which is presented to the AGM. In addition, the auditor's report detailed findings to the Audit Committee twice a year and to the full Board once a year, and annually provide written assurance of their impartiality and independence to the Audit Committee.

KPMG also provided certain additional services in 2016 and 2017. These services comprised consultation on accounting and tax issues and other audit-related engagements.

Audit engagements involve examination of the annual report and financial accounting, administration by the Board and CEO, other tasks related to the duties of a company auditor and consultation or other services that may result from observations noted during such examination or implementation of such other engagements. See Note 25 for further details on audit fees.

CEO and executive management

The Group's executive management includes the Chief Executive Officer, the Chief Financial Officer, managing directors of Qliro Group's operating subsidiaries and certain other key executives. Biographical information on the Group's executive managers is contained in the "Executive management" section (see page 40).

The CEO is responsible for the ongoing administration of the company in accordance with the guidelines and directions established by the Board.

The CEO and executive management team, supported by various staff functions, are responsible for adhering to the Group's overall strategy, financial and business controls, financing, capital structure, risk management and acquisitions. Among other tasks, this includes preparation of financial reports, communication with the investors and more.

Applicable guidelines for remuneration of senior executives

Current guidelines for determining remuneration of senior executives in Qliro Group as well as Board members of the parent company to the extent to which they are remunerated outside their directorship, were adopted at the AGM on May 8, 2017.

Remuneration guidelines

The Qliro Group should endeavor to offer total remuneration that will enable the Group to attract, develop and retain senior executives in competition with comparable international companies, which primarily are Nordic companies operating in e-commerce and retail with consumer brands and products, as well as Nordic credit market companies dealing with consumer credit financing and payment solutions.

Remuneration of senior executives in the Qliro Group should reflect in both the short and long terms the individual's performance and responsibilities and the earnings of the Qliro Group and its subsidiaries and should also align the interests and rewards of senior executives with those of the shareholders. Remuneration of senior executives should therefore be based on the "pay-for-performance" principle and encourage them to build up a significant private ownership of Qliro Group shares in relation to their personal financial situation.

Remuneration of senior executives shall consist of:

- Fixed salary
- Short-term variable remuneration paid in cash
- Opportunities to participate in incentive programs
- Pension and other benefits

Fixed salary

Senior executives' fixed salaries are revised each year. They should be competitive and based on the individual's competence, responsibilities and performance.

Variable remuneration

Senior executives' short-term variable remuneration paid in cash shall be based on performance in meeting established targets for their areas of responsibility and for Qliro Group and its subsidiaries. The outcome shall be linked to measurable targets (qualitative, quantitative, general and individual). The targets within the senior executives' respective areas of responsibility are intended to promote Qliro Group's performance both in the short and long term. The cash-based variable remuneration shall generally not exceed 100 percent of the senior executive's fixed annual salary. The Board may resolve that part of senior executives' variable remuneration paid in cash should be invested in shares or share-related instruments in Qliro Group.

Long-term incentive plans should include a personal investment and be linked to certain predetermined value-creating and/or share- or share-price-related performance criteria and should be designed to ensure a long-term commitment to the value growth of Qliro Group and/or its subsidiaries. They should also align the interests and rewards of senior executives with those of the shareholders by paying the participants in shares.

For senior executives who are covered by the remuneration rules that apply to credit market companies, the payment of a portion of the variable remuneration is deferred and can total a maximum amount in accordance with current regulations for credit market companies. The Board has imposed restrictions on their variable remuneration by making payment conditional on the performance that the remuneration was based on proving to be sustainable over time.

Pension and other benefits

Pension commitments are secured through premiums paid to insurance companies. The retirement age is normally 65.

Other benefits should be customary and contribute to facilitating the executives' ability to perform their duties, for example company car, occupational health services and medical expense insurance.

Notice of termination and severance pay

The maximum notice period in senior executive contracts is generally 12 months, and in exceptional cases 18 months, during which time salaries will continue to be paid.

Compensation to Board members

Board members elected at General Meetings may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at the market rate and be approved by the Board.

Deviations from the guidelines

Under special circumstances, the Board may deviate from the guidelines if it is deemed necessary. If the Board deviates from the guidelines, it must report the reasons for this at the following AGM.

Share-based long-term incentive programs

Qliro Group has three outstanding share-based long-term incentive programs decided on at the Annual General Meetings in 2015, 2016 and 2017, as well as an outstanding synthetic call option plan for senior executives and key employees in Qliro Financial Services (launched in 2016 and 2017). See Note 24 for more information.

Evaluation of the guidelines and auditor's statement as to whether the guidelines have been complied with

In accordance with the Swedish Corporate Governance Code, the Board's Remuneration Committee follows and evaluates the application of the AGM's guidelines for remuneration of executives. The company's auditor has, in accordance with Chapter 8, Section 54 of the Companies Act, provided an opinion as to whether the remuneration guidelines for executives in force in 2017 were adhered to. The Remuneration Committee's evaluation and the auditor's review have concluded that in 2017 Qliro Group followed the guidelines adopted by the AGM. The opinion and the Board of Director's report on the outcome of the Remuneration Committee's evaluation is available on the company's website at www.qlirogroup.com, at company headquarters at Sveavägen 151 in Stockholm, and is sent to the shareholders who request it, stating their mailing or e-mail address.

Internal control of financial reporting, etc.

The processes for internal control, risk assessment, control activities and monitoring regarding financial reporting are designed to ensure reliable overall and external financial reporting in accordance with International Financial Reporting Standards (IFRS), applicable laws, regulations and other requirements for listed companies on Nasdaq Stockholm. This work involves the Board, executive management and other staff.

Control environment

In addition to the Board's rules of procedure and instructions to the CEO and Board committees, there is a clear division of roles and responsibilities for effective management of operational risks. The Board also has several established basic guidelines that are important to its work with internal control activities. This includes control and monitoring of results as compared with plans and prior years. The Audit Committee assists the Board in overseeing various issues such as internal audit and accounting policies applied by the Group.

The responsibility for maintaining an effective control environment with risk assessment of ongoing activities and internal control over financial reporting is delegated to the CEO. Other managers at different levels in the Group have this responsibility in their areas of responsibility. Executive managers regularly report to the Board according to established procedures and in addition to the Audit Committee's reports. The control environment is made up of defined responsibilities and authority, instructions, guidelines, manuals and policies, together with laws and regulations. All employees are accountable for compliance with these guidelines.

Risk assessment and control activities

The company has prepared a model for assessing risks in all areas, in which several parameters are identified and measured. These risks are reviewed regularly by the Board and the Audit Committee and include both the risk of loss of assets as well as irregularities and fraud. Special attention was paid to designing controls for preventing and discovering shortcomings in these areas. The important areas are purchasing, logistics, and inventory processes, technical development and performance of the web platform, as well as general IT-security.

Information and communication

Guidelines, manuals and the like that are significant for financial reporting are regularly updated and distributed to the employees concerned. There are formal as well as informal information channels to the executive management and Board for employees to transmit information of significance. Guidelines for external communication ensure that the company applies the highest standards for providing accurate information to the financial market.

Monitoring

The Board continuously evaluates the information submitted by company management and the Audit Committee. The Board receives regular updates between meetings as to the Group's development. The Group's financial position, strategies and investments are discussed at every ordinary Board meeting. The Audit Committee reviews all quarterly reports prior to publication. The Audit Committee is also responsible for monitoring internal control activities. This work includes ensuring that action is taken to deal with any deficiencies and to implement proposed measures emerging from the internal and external audits. The external auditors participate in the regular meetings of the Audit Committee.

The company has had an independent internal audit function that is responsible for monitoring and evaluating risk management and internal control activities. Internal auditing has been performed by a third party, whose work includes scrutinizing the application of established guidelines.