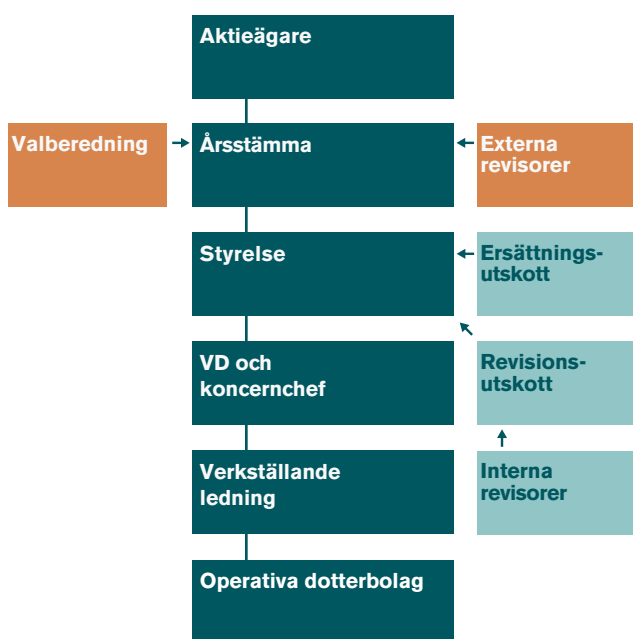


Corporate Governance Report

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 Swedish and international regulations. The company also applies the Swedish Code of Corporate Governance (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 is in charge of 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 16,543 shareholders at the end of 2016. Shareholdings by its ten largest shareholders correspond to some 53.5 per cent of the share capital and votes. Swedish institutions and mutual funds own approximately 60 per cent of the share capital; international investors hold about 19 per cent; Swedish private investors own around 21 per cent.

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 the Share section.

On 23 May 2016 Qliro Group's AGM authorised the Board to issue (and repurchase) up to 9,000,000 C shares if they so decided. The aim of the authorisation was to ensure the delivery of shares to participants in Qliro Group's share-based long-term incentive

programme adopted by the AGM in 2016. The aforementioned authorisation had not been utilised at the end of 2016.

Furthermore, the AGM held in 2016 authorised 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 per cent of all shares in Qliro Group. This authorisation had not been utilised at the end of 2016.

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 Qliro Group's 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 2016 will be held on 8 May 2017, 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 2016 AGM, Qliro Group's board chairman convened a nomination committee to prepare proposals for the company's 2017 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 for the 2017 AGM 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 Tomas Meerits, appointed by Lancelot Asset Management. 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 30 December 2016 jointly represented approximately 35 per cent 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 2017 AGM.

Board of Directors

Qliro Group's Board Members 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 nine members.

Responsibilities and duties of the Board

The Board has overall responsibility for the organisation 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.

In order to carry out its work more effectively, the Board has appointed a Remuneration Committee and an Audit Committee 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. These guidelines require that investments in non-current assets of more than SEK 2 million 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 as a whole 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 with regard to 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 internal auditing function. The Group's external 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 external 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 of Directors as at 31 December 2016

The Board of Qliro Group AB comprises seven board members. The Board members are Lars-Johan Jarnheimer, Patrick Andersen, Caren Genthner-Kappesz, Lorenzo Grabau, David Kelly, Daniel Mytnik and Peter Sjunnesson. 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 the majority of 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 of Directors as at 31 December 2016

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	-	-
Patrick Andersen	Member	1962	Danish	2013	Yes	Yes	Member	-
Caren Genthner-Kappesz	Member	1970	German	2016	Yes	Yes	Member	-
Lorenzo Grabau	Member	1965	Italian	2014	No	Yes	Chairman	-
David Kelly	Member	1963	British	2013	Yes	Yes	-	Member
Daniel Mytnik	Member	1971	Swedish	2014	No	Yes	-	Member
Peter Sjunnesson	Member	1959	Swedish	2015	Yes	Yes	-	Chairman

Remuneration Committee

The Remuneration Committee consists of Patrick Andersen, Caren Genthner-Kappesz, Lorenzo Grabau and, since January 2017, also Daniel Mytnik. Lorenzo Grabau was chairman until January 2017 when Daniel Mytnik took over as chairman.

The Remuneration Committee's tasks are described in section 9.1 of the Code. The main tasks of the Remuneration Committee 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 programmes and programmes concluded during the year for variable remuneration (e.g. long-term share-based incentive programmes) 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 comprises Peter Sjunnesson as Chairman, David Kelly and Daniel Mytnik.

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.

Remuneration of Board members

The fixed remuneration for the Board for the period until the close of the 2017 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 2016

During the year the Board regularly reviewed Qliro Group's consolidated earnings, financial position, organisation 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 sale of Tretti) and continued streamlining of internal procedures and control processes. The Board recruited and appointed a new CEO for the company.

At the end of 2016 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 com-

pany. The result of this evaluation was also reported to the Nomination Committee.

The Board had a total of 12 meetings in 2016, including four ordinary meetings, one constituent meeting and seven extraordinary meetings.

Presence at board and committee meetings in 2016

Name	Board meetings	Audit Committee	Remuneration Committee
Number of meetings until 23/05/2016	6	3	4
Number of meetings as of 23/05/2016	6	4	2
Total number of meetings in 2016	12	7	6
Lars-Johan Jarnheimer	12/12		
Patrick Andersen	8/12		5/6
Caren Genthner-Kappesz (as of 23/05/2016)	6/6		2/2
Lorenzo Grabau	12/12	3/3	6/6
David Kelly	11/12	7/7	
Daniel Mytnik	12/12	4/4	4/4
Peter Sjunnesson	12/12	7/7	
Mengmeng Du (until 23/05/2016)	5/6		
Jens Grede (until 23/05/2016)	4/6		

Note: Caren Genthner-Kappesz is a member of the Remuneration Committee as of 23/05/2016; Lorenzo Grabau was a member of the Audit Committee until 23/05/2016; Daniel Mytnik was a member of the Remuneration Committee until 23/05/2016 and is a member of the Audit Committee as of 23/05/2016.

External auditors

Qliro Group AB's auditor KPMG AB was elected by the 2016 AGM for a period of one year. KPMG has been the company's external auditor since 1997. Cronie Wallquist, certified public accountant, has been responsible for the audit of the company on behalf of KPMG since September 2013. An auditor election will take place at the 2017 AGM.

The auditor reports its findings to the shareholders by means of the auditors' report, which is presented to the AGM. In addition, the auditors 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 2015 and 2016. These services comprised consultation on accounting 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.

For more detailed information on auditing fees for the year, see Note 25 in this annual report.

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 of this annual report.

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 the 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 23 May 2016 as follows.

Remuneration guidelines

The Qliro Group should endeavour to offer total remuneration that will enable the Group to attract, motivate and retain senior executives in competition with comparable international companies, which primarily are Nordic companies operating within e-commerce and retailing with consumer brands and products, as well as 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 long-term share- or share-price-related incentive programmes, and
- 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' 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 per cent 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.

Share- and share-price-related incentive plans should include a personal investment and be linked to certain predetermined financial 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 its subsidiaries. They should also align the interests and rewards of senior executives with those of the shareholders.

For senior executives who are affected by the remuneration rules for Qliro Financial Services, the payment of a portion of the variable remuneration is deferred and can amount to a high amount in accordance with current regulations for credit market companies. The Board has imposed restrictions on its variable remuneration by making its payment conditional on the fact that the achievement that the compensation was based on has proved 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. Examples of other benefits that may be offered are a company car, company health care and health 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.

Remuneration of Board members

Board members elected by General Meetings may in certain cases be paid for services within their respective areas of expertise, outside of their Board duties. These services should be remunerated at market rates and be approved by the Board.

Deviations from the guidelines

The Board may deviate from the guidelines if it considers that special circumstances call for such deviation. In such a case, the Board of Directors will explain the reason for the deviation at the following AGM.

The guidelines were followed in 2016. Information on remuneration of senior executives is described in Note 24 of this annual report.

Share-based long-term incentive programmes

Qliro Group has three outstanding share-based long-term incentive programmes decided on at the Annual General Meetings in 2014, 2015 and 2016, as well as an outstanding synthetic call option plan for senior executives and key employees in Qliro Financial Services (launched in 2016). See Note 24 for further information about these programmes.

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 particular 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 a number of 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

Important 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 an independent internal audit function responsible for the evaluation of risk management and internal control activities. Internal auditing is performed by a third party, whose work includes scrutinising the application of established procedures and guidelines. The internal audit function plans its work in cooperation with the Audit Committee and reports the results of its reviews to the Audit Committee.