

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 the Articles of Association, the Swedish Companies Act, the Swedish Annual Accounts Act, the listing rules of Nasdaq Stockholm, the Swedish Code of Corporate Governance and other relevant Swedish and international regulations.

The company follows the Swedish Corporate Governance Code in most aspects, and only deviates from its recommendations in respect of the composition of the Nomination and Remuneration Committees. The deviations are detailed below in the “Nomination Committee” and “Remuneration Committee” sections.

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 assigned to the President and Chief Executive Officer (CEO) of Qliro Group. The CEO is in charge of the day-to-day management of the Group in accordance with guidelines and instructions from the Board.



Shares and shareholders

According to the share register held by Euroclear Sweden AB, there were 17,306 shareholders at year-end 2015. Shareholdings by its ten largest shareholders correspond to some 52 per cent of share capital and votes. Swedish institutions and mutual funds own approximately 60.5 per cent of the share capital, international investors hold about 21 per cent and Swedish private investors own around 18.5 per cent.

Share capital consists of two share types: ordinary shares and Class C shares. There are no restrictions on the number of votes each shareholder may cast at the AGM. For more information regarding company shares, see the “Shares” section.

On 18 May 2015 the Qliro Group’s AGM authorised the Board of Directors to decide on a new share issue (and repurchase) of a maximum of 2,200,000 Class C shares in the company. The purpose of the authorisation was to ensure delivery of shares to participants in Qliro Group’s share-based long-term incentive programmes adopted at the 2015 AGM. As at the end of 2015, the above authorisation has not been utilized.

The 2015 AGM also authorised the Board of Directors to decide on one or several occasions until the next AGM to repurchase a total of as many of the company’s own ordinary shares as to ensure that the Qliro Group’s holdings should not at any time exceed 10 per cent of all shares in Qliro Group. As at the end of 2015, the said authorisation has not been utilized.

Shareholders are provided with information on an ongoing basis, 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, allocation 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 the financial year 2015 will be held on 23 May 2016, 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 for the AGM regarding the Nomination Committee's composition and work for the following year.

In accordance with the Nomination Committee procedure adopted at the 2015 AGM, the Chairman of the Board of Qliro Group has convened a Nomination Committee to prepare the proposals for the company's 2016 AGM.

The Nomination Committee is to consist of at least three members appointed by the largest shareholders in the company that wished to appoint a member. In addition, the Chairman of the Board shall also be a member of the Nomination Committee. The Nomination Committee for the 2016 AGM consists of Lars-Johan Jarnheimer in his role as Chairman of the Board, Lorenzo Grabau, appointed by Investment AB Kinnevik, Annika Andersson, appointed by Swedbank Robur Funds, and Jan Särilvik, appointed by Nordea Funds.

Lorenzo Grabau was appointed Chairman of the Nomination Committee at the Committee's first meeting. As Lorenzo Grabau is also a Board member of Qliro Group, this constitutes a deviation from the Swedish Code of Corporate Governance. The Nomination Committee explained its selection on the grounds that it was in the interests of the company and its shareholders, and that it was a natural consequence of Lorenzo Grabau representing Qliro Group's largest shareholder, Investment AB Kinnevik.

As at 30 December 2015 the Nomination Committee represented over 36 per cent of the voting rights in Qliro Group AB. The members of the Nomination Committee do not receive any separate remuneration for their work.

The Nomination Committee will be submitting proposals as regards the composition of the Board, the election of auditors and remuneration for the Board and its Chairman for presentation to the 2016 AGM for approval.

Board of Directors

The members of the Board of Directors are elected at the AGM for the period until the end of the following AGM. Qliro Group's Articles of Association do not contain 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 work 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 the 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 matters 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 adopted guidelines with instructions and mandates to the CEO. These guidelines require that investments in non-current assets of more than SEK 2,000,000 must be approved by the Board. The Board must also approve major transactions, including acquisitions and closures or divestments of businesses. In addition, the Board has also issued written instructions specifying when and how information, which is required in order to enable 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 which financial information should 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 relating 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.

Name	Position	Date of birth	Nationality	Elected	Independent of major shareholders	Independent of company and management	Remuneration Committee	Audit Committee
Lars-Johan Jarnheimer	Chairman	1960	Swedish	2010	Yes	Yes	-	-
Patrick Andersen	Member	1962	Danish	2013	Yes	Yes	Member	-
Mengmeng Du	Member	1980	Swedish	2010	Yes	Yes	-	-
Lorenzo Grabau	Member	1965	Italian	2014	No	Yes	Chairman	Member
Jens Grede	Member	1978	Swedish	2015	Yes	Yes	-	-
David Kelly	Member	1963	British	2013	Yes	Yes	-	Member
Daniel Mytnik	Member	1971	Swedish	2014	Yes	No	Member	-
Peter Sjunnesson	Member	1959	Swedish	2015	Yes	Yes	-	Chairman

The Group's external auditor reports to the Board as required, and 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. All Audit Committee meetings are minuted and the minutes are made available to all Board members and the auditors.

Composition of the Board as at 31 December 2015

The Board of Qliro Group AB comprises eight Board members. The Board members are Lars-Johan Jarnheimer, Patrick Andersen, Mengmeng Du, Lorenzo Grabau, Jens Grede, David Kelly, Daniel Mytnik and Peter Sjunnesson. Biographical information on each of the Board members is contained in the "Board" 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 in relation to the company and its management. At least two of these members are also independent of the company's major shareholders.

Remuneration Committee

The Remuneration Committee comprises Lorenzo Grabau, Chairman, Patrick Andersen and Daniel Mytnik.

The tasks of the Remuneration Committee are set out in section 9.1 of the Swedish Corporate Governance 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 to senior executives that the AGM, in accordance with the law, will decide upon, along with applicable remuneration structures and remuneration levels in the company.

The Swedish Corporate Governance Code states that the members of the Remuneration Committee are to be independent of the company and its executive management with the exception of the Chairman of the Board who may chair the committee regardless of whether or not this criterion is met. Board member Daniel Mytnik is not independent of the company and the management, as he has (following a board decision in 2014) had an assignment as a consultant for the company and performed various advisory services, which have been remunerated according to a separate consultancy agreement, see Note 24. The company therefore deviates from this rule in the Code. The reason for the deviation is that Daniel Mytnik has significant experience in establishing and defining remuneration principles in listed companies, thereby providing the Committee with appropriate expertise.

Audit Committee

The Audit Committee comprises Peter Sjunnesson, Chairman, Lorenzo Grabau and David Kelly.

The tasks of the Audit Committee are set out in Chapter 8, Section 49b of the Swedish Companies Act. The Audit Committee's responsibilities are to (i) monitor the company's financial reporting; (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; (iv) 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 services; and (v) assist with preparation of proposals to the AGM's resolution on election of an auditor. The work of the Audit Committee is focused on, inter alia, matters such as evaluating the quality and accuracy of financial reporting, internal control, internal audit and risk assessments.

Remuneration of Board members

The fixed remuneration for the Board for the period until the close of the 2016 AGM is in total SEK 3,471,000, 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 526,000 as remuneration for work in Board committees. The remuneration of Board members is proposed by the Nomination Committee, which represents the company's largest shareholders, and approved by the AGM. The Nomination Committee proposal is based on benchmarking of peer group companies compensation and company size.

Board work in 2015

During the year the Board regularly reviewed the financial position of Qliro Group AB and the Group's earnings, financial position, organisational structure and administration. During its meetings, the Board addressed matters including Qliro Group's strategy, budget and other financial forecasts, its capital structure and funding, investments in fixed assets, potential acquisitions, start-ups, divestments and efficiency improvements of internal procedures and control processes.

The Board held 16 meetings in 2015: four were ordinary Board meetings, one was a constitutive meeting and 11 were extraordinary meetings (one of which was held per capsulam).

Attendance at Board and committee meetings

Name	Board meetings	Audit Committee	Remuneration Committee
Number of meetings up to 18 May 2015	3	2	3
Number of meetings from 18 May 2015	13	3	2
Total number of meetings in 2015	16	5	5
Lars-Johan Jarnheimer	16/16		2/3
Patrick Andersen	14/16		2/2
Mengmeng Du	14/16		
Lorenzo Grabau	10/16	3/3	5/5
Jens Grede (from 18 May 2015)	10/13		
David Kelly	15/16	5/5	
Daniel Mytnik	15/16	2/2	5/5
Peter Sjunnesson (from 18 May 2015)	12/13	3/3	
Mia Brunell Livfors (up to 18 May 2015)	3/3	2/2	
Lars Nilsson (up to 18 May 2015)	2/3	2/2	

Note: Lars-Johan Jarnheimer was a member of the Remuneration Committee up to 18 May 2015; Patrick Andersen is a member of the Remuneration Committee from 18 May 2015; Mia Brunell Livfors was a member (and Chairman) of the Audit Committee up to 18 May 2015; Daniel Mytnik and Lars Nilsson were members of the Audit Committee up to 18 May 2015; Lorenzo Grabau is a member of the Audit Committee from 18 May 2015.

External auditors

Qliro Group AB's auditor was elected by the 2012 AGM for a period of four years. KPMG has been the company's external auditor since 1997. Cronie Wallquist, certified public account-

ant, is responsible for the audit of the company on behalf of KPMG since September 2013. Election of the auditor will be carried out at the 2016 AGM.

The auditors report their 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 2014 and 2015. These services comprised consultation on accounting and tax issues and other audit-related assignments.

The audit assignment involves 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 which may result from observations noted during such examination or implementation of such other tasks.

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

CEO and executive management

Executive management of Qliro Group includes the Chief Executive Officer, the Chief Financial Officer, managing directors of the Qliro Group's operating subsidiaries and other key executives. Biographical information on the Group's executive managers is contained in the "Executive Management" section of this annual report.

The Chief Executive Officer (CEO) is responsible for the day-to-day management 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. This includes preparation of financial reports and providing information to and communicating with investors.

Regular Board meetings are held in the Qliro Group's operating subsidiaries. The subsidiaries' Boards consist of the Qliro Group's CEO and CFO, the respective subsidiary's managing director and, in some cases, a representative of minority shareholders. There are further three external members on the Qliro AB Board. Qliro Group's CEO is Chairman of the subsidiaries' Boards and leads the meetings. The subsidiaries' executive management teams may also participate in the meetings of the subsidiaries' Boards. The Boards of the operating subsidiaries have adopted working procedures for their work that include rules pertaining to the number of regular Board meetings, which issues are to be handled at regular Board meetings, etc. Furthermore, guidelines have been adopted that must be followed by the subsidiaries' managing directors.

Applicable guidelines for remuneration of senior executives

The current guidelines for remuneration to senior executives in Qliro Group, as well as to members of the Board (of the parent company), to the extent they are remunerated outside their directorship, were adopted at the Annual General Meeting on 18 May 2015.

Remuneration guidelines

Qliro Group shall strive to offer a total remuneration which will enable the group to attract, motivate and retain senior executives in competition with Qliro Group's international peers, 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. The remuneration to the senior executives in Qliro Group shall both short-term and long-term reflect the individual's performance and responsibility and the results in Qliro Group, inclusive of its subsidiaries, and shall also be designed so that it aligns the senior executives' interest and rewards with the shareholders'. Therefore, the remuneration to the senior executives shall 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 conditions).

The remuneration to the senior executives shall consist of:

- fixed salary,
- short-term variable remuneration paid in cash,
- the possibility of participation in long-term share or share-price related incentive programs, and
- pensions and other customary benefits.

Fixed salary

The senior executives' fixed salary is revised each year and shall be competitive and based on the individual's competence, responsibilities and performance.

Variable remuneration

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

Share and share-price related incentive plans shall be linked to certain pre-determined financial and / or share or share-price related performance criteria and shall be designed to ensure a long-term commitment to the value growth of Qliro Group and its subsidiaries and align the senior executives' interests and rewards with the shareholders'.

Pension and other benefits

Pension commitments will be secured through premiums paid to insurance companies. Under normal circumstances the retirement age is 65 years.

Other benefits shall be customary and facilitate that the senior executives can carry-out their duties. Other benefits that may be offered are for example a company car, company health care and health care insurance.

Notice of termination and severance pay

The maximum notice period in any senior executive's contract is generally twelve months, and in exceptional cases, eighteen months, during which time salary payment will continue.

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 market terms and be approved by the Board.

Deviations from the guidelines

The Board may, if it considers that special circumstances are at hand, deviate from the guidelines. In such a case the Board shall explain the reason for the deviation at the following Annual General Meeting.

The guidelines were followed in 2015. Information about remuneration to senior executives is provided 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 AGMs in 2013, 2014 and 2015. For further information about these programmes, please see Note 24.

Internal control of financial reporting

The procedures for internal control, risk assessment, control activities and monitoring with regard to 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 the Nasdaq Stockholm exchange. 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 a number of established basic guidelines, which are important for 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. The executive management regularly reports 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 and irregularities and fraud. Special attention was paid to designing controls for preventing and discovering shortcomings in these areas. The important areas for monitoring are purchasing, logistics, and inventory processes, technical development and performance of the web platform, as well as general IT security. Assessing and controlling risks involves the Boards in each operating subsidiary, where meetings are held at least four times a year. Qliro Group's CEO, CFO and the managers of each subsidiary participate in these minuted meetings. Further information about the subsidiary Boards can be found under the heading "CEO and Executive Management".

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 communications 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 consultation with the Audit Committee and reports the results of its reviews to the Audit Committee.