

# CORPORATE GOVERNANCE REPORT

## DEAR SHAREHOLDER,

What began in the middle of the 1970s as a recreational activity for the workers of the Peab construction company – a humble, one lift resort in Lindvallen, which was listed on the stock exchange twenty years ago, is today a corporate group providing skiing experiences to over four million guests each year and employing over a thousand employees in Sweden and Norway.

SkiStar's corporate governance builds on a practical, pertinent application of the relevant regulatory frameworks. The Board of Directors has a range of responsibilities including working with matters of overall Group strategy and ensuring that the day-to-day operations function smoothly thanks to the implementation of efficient, effective processes. SkiStar shall have a strong financial base, enabling an offensive strategy designed to achieve the operational goals. The Board of Directors is behind the Group-wide development of the "Five Destinations, One Company" project.

We live, geographically, near to our



contribute to the long-term development of skiing destinations and regions where we operate.

SkiStar's development is made possible only thanks to the hard work of our employees and thanks to our shared visions, high ambitions and optimism for the future. An airport in Sälen-Trysiljällen and an Alpine World Ski Championships in Åre represent two concrete sources of opportunities in the near future.

On behalf of the Board, I would like to thank SkiStar's team – you are the key to our success. I would also like to extend our gratitude to our guests and all of our shareholders for the continued confidence you show in us and our operations.

ERIK PAULSSON

*Chairman of the Board of Directors*

destinations and the product that we provide, and we take our guests' and customers' expectations with the utmost seriousness – to deliver memorable winter experiences. Through our activities within the property sector, we

## CORPORATE GOVERNANCE

SkiStar AB's corporate governance is based on the Articles of Association, the Swedish Companies Act, Nasdaq OMX Stockholm AB's rules for issuers, the Swedish Code of Corporate Governance, and other relevant Swedish and foreign laws and regulations.

The guidelines regarding the Swedish Code of Corporate Governance are available on the website of the Swedish Corporate Governance Board ([www.bolagsstyrning.se](http://www.bolagsstyrning.se)). Internal guidelines such as the Articles of Association and this document are available on SkiStar's website (<http://corporate.skistar.com>).

## OWNERSHIP STRUCTURE

As per 31 August 2014, SkiStar had 28,838 shareholders according to the shareholder's register administered by Euroclear Sweden AB. The three largest shareholders, in terms of voting rights, represent 64.75% of the votes and 49.99% of the share capital. The distribution is shown in the administration report on page 48. Holdings by Swedish private individuals, either directly or through companies, amounted to 70.15% and Swedish institutional ownership amounted to 19.78% of share capital. Foreign private individuals represent 0.18% and foreign institutional ownership represents 9.89% of the share capital.

## SHARE CAPITAL AND VOTING RIGHTS

SkiStar's share capital per 31 August 2014 amounted to SEK 19,594,014, divided among 39,188,028 shares, of which 1,824,000 are Class A shares and 37,364,028 are Class B shares. Each Class A share entitles the holder to ten votes, and each Class B share entitles the holder to one vote. All shares convey equal participation in the Company's assets and profit, and entitle equal rights to dividends. SkiStar's Articles of association include no limits as to how many votes a single shareholder may exercise during a General Meeting, other than the inherent limitation implied by the number of shares in the Company.

## ANNUAL GENERAL MEETING

The Annual General Meeting is SkiStar's senior decision-making body. The Annual General Meeting shall be held annually within six months of the close of the financial year. All shareholders who are listed in the share register and have registered to attend within the prescribed time have the right to participate and vote for their total holding of shares. Shareholders who cannot attend the meeting may be represented by a proxy. A shareholder or a proxy may have no more than two representatives.

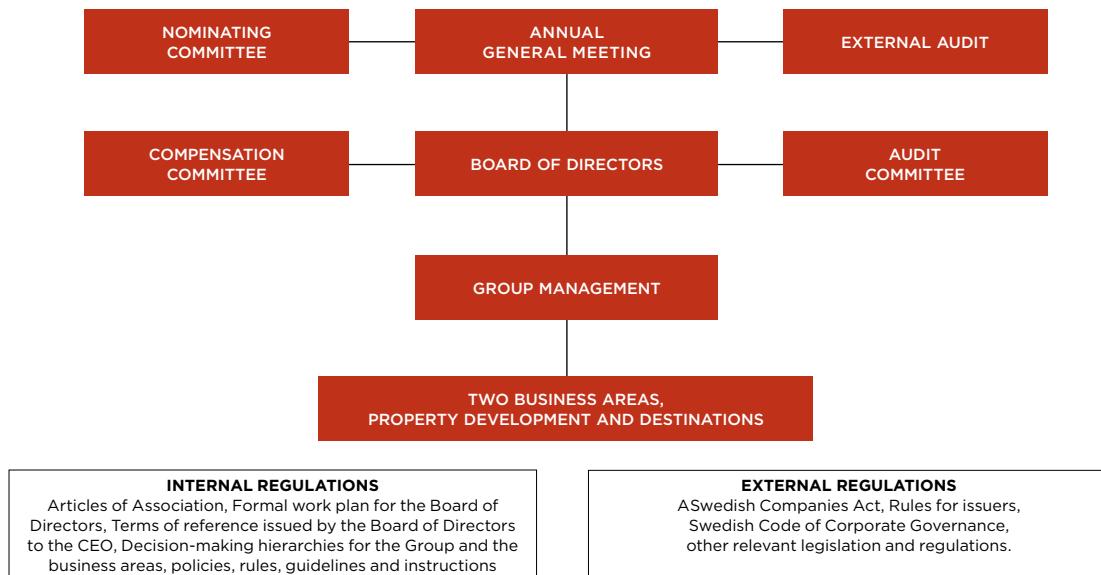
Notice of the Annual General Meeting will be issued in the Swedish Official Gazette and on the Company's website, <http://corporate.skistar.com>.

star.com. The release of the notice will be made public in Dagens Nyheter. Shareholders who wish to participate in the Annual General Meeting shall be listed on a transcript of the entire share register showing circumstances five working days prior to the meeting, and register with the Company by 12 pm on the date stated in the notice of the meeting, at which time the number of representatives is to be stated. This day may not be a Sunday, any other public holiday, a Saturday, Midsummer Eve, Christmas Eve or New Year's Eve, and may not fall earlier than the fifth working day prior to the meeting.

The Annual General Meeting will be held in Sälen, Åre or Stockholm.

The following matters will be addressed at the Annual General Meeting:

1. Election of chairman of the meeting.
2. Preparation and approval of voting list.
3. Approval of the agenda.
4. Election of two persons to verify the minutes.
5. Consideration of whether the meeting has been properly convened.
6. Presentation of the annual report and audit report, and of the consolidated accounts and Group audit report.
7. Resolution concerning the adoption of the income statement and balance sheet and the consolidated income statement and consolidated balance sheet.



8. Resolution concerning the appropriation of the Company's profit or treatment of losses according to the adopted balance sheet.
9. Resolution concerning discharge from liability for the Board of Directors and the CEO.
10. Determination of remuneration to the members of the Board of Directors and audit fees.
11. Election of Board of Directors and auditors and deputies, if any.
12. Other matters to be addressed by the General Meeting pursuant to the Swedish Annual Accounts Act or the Articles of Association.

#### ANNUAL GENERAL MEETING 2013

A total of 193 shareholders, representing 73% of the votes in the Company, attended the Annual General Meeting held on 14 December 2013 at Experium in Sälen.

During the Meeting, the Board of Directors was authorised to purchase and sell shares in the Company to the effect that the Board is authorised, until the next Annual General Meeting, on one or more occasions, to decide whether to acquire Class B shares in the Company. The Company's holding of own shares, however, shall not exceed ten percent of the Company's total number of shares at any time. Acquisition will take place on a regulated market and may only occur at a price within the prevailing registered price range, namely the range between the highest purchase consideration and the lowest selling price, or through a purchase offer addressed to all shareholders.

The authorisation of the Board further implies that the Board is authorised, until the next Annual General Meeting, to decide to sell the Company's own shares on a regulated market, or in another way, in connection with the purchase of a company or business. The authorisation includes the right to decide on

deviation from the shareholders' privileges and whether payment will be made in cash, in kind, by offset or under other conditions. The authorisation may be exercised on one or more occasions and may include the maximum number of shares acquired by virtue of authorisation to purchase own shares.

The authorisation is to give the Board of Directors increased flexibility in the work with the Company's capital structure and, if deemed suitable, to enable acquisition. Repurchase and sale of own shares can only apply to Class B shares.

The authorisation of the Board to issue own shares has not been exercised as of the signing date of this annual report.

#### ANNUAL GENERAL MEETING 2014

The Annual General Meeting for 2014 will be held at Experium in Sälen at 2 pm on 13 December. For further information, visit <http://corporate.skistar.com>.

#### NOMINATION COMMITTEE

The Company's Nomination Committee is appointed at the Annual General Meeting for a period of one year. The Nomination Committee's duties are to prepare proposals for Board Members, remuneration for Board Members, the Chairman of the Board, the Chairman of the Annual General Meeting and the Nomination Committee for the following financial year, as well as, when applicable, to prepare proposals for auditors and auditors' remuneration, assisted by the Audit Committee. The Nomination Committee, prior to the Annual General Meeting 2014, had the following members: Mats Paulsson, Chairman, for company and family, Magnus Swärd for Backahill AB, Leif Haglund for Nordea Allemansfond Alfa and Per-Ulo Sandberg acting in his own interest. All shareholders have had the possibility to address proposals to the Nomination Committee.

#### THE BOARD OF DIRECTORS

##### **Composition of the Board**

The Board is appointed by the Annual General Meeting in accordance with the Companies Act and the Board Representation (Private Sector Employees) Act. The Articles of Association include no regulations on the appointment and dismissal of the Board's members, apart from regulations concerning the number of members and deputies.

The Board of Directors shall, in addition to members who may be appointed by other parties by law, be composed of four to nine members, with a maximum of three deputies. Members of the Board are elected for a period of one year.

At the Annual General Meeting held on 14 December 2013, seven members were elected to the Board: Erik Paulsson, Chairman, Mats Paulsson, Per-Ulo Sandberg, Eivor Andersson, Pär Nuder and Mats Årjes, CEO. Furthermore, two employee representatives were included: Katarina Hjalmarsson, Unionen and Bengt Larsson, HRF. Three of the Board members are considered to have dependent positions vis à vis the Company: Mats Årjes, in his role as CEO of SkiStar AB, and Mats Paulsson, in his role as deputy Chairman of the Board of construction firm Peab, with whom SkiStar have construction contracts and Erik Paulsson, on the basis of close familial relationship with Mats Paulsson. See Deviations from the Swedish Code of Corporate Governance on page 87. For information on the age, education, assignments, shareholding etc. of each Board member, refer to page 88.

##### **The work of the Board**

The work of the Board of Directors is governed by the formal work plan that the Board adopts at the Board meeting following election each year. The Chairman of the Board, Erik Paulsson, leads the work of the Board and has continuous contact with the CEO in order to

follow up the Group's business and development. The work of the Board mainly comprises strategic matters, business plans, the year-end book-closing and larger investments and sales. During the financial year 2013/14, the Board held six scheduled meetings; the attendance of the members is shown in the table on page 87. The work of the Board is evaluated continuously. SkiStar's CFO, Åsa Wirén, is the Board's secretary.

#### **Remuneration Committee**

At the Board meeting following election on 14 December 2013, Erik Paulsson was elected chairman of the Remuneration Committee and Per-Uro Sandberg and Mats Paulsson were elected as members. The Remuneration Committee prepares issues to be addressed by the Board concerning salaries, pension benefits, bonus programmes and other employment benefits for the CEO and management of SkiStar. The Remuneration Committee has no decision-making authority; rather, it prepares information and reports matters to the Board as a whole. The Remuneration Committee held two meetings during the financial year, at which all Committee members were present, refer to page 87.

#### **Audit Committee**

At the Board meeting following election on 14 December 2013, Per-Uro Sandberg was elected Chairman of the Audit Committee, and Eivor Andersson and Pär Nuder were elected members. The Audit Committee is responsible for ensuring that the financial reporting maintains a high standard. The Committee also maintains regular contact with the Company's auditors, draws up guidelines regarding negotiations for services from the Group's auditing firm and evaluates audit activities. It also assists the Nomination Committee in the work of proposing and establishing fees for the auditors. The Audit Committee has no decision-making authority; rather, it prepares information and reports matters to the Board as a whole. The Audit Committee has held three meetings during the financial year. For further information on each Board member's attendance, refer to the table on page 87.

#### **External auditors**

At the Annual General Meeting held on 14 December 2013, Ernst & Young was appointed as the auditing firm for the Company for a peri-

od of one year. The audit is led by Authorised Public Accountant Erik Åström. The results of the audit are reported regularly during the year to Group Management and the Audit Committee. At least once per year, the auditor meets the Company's Board of Directors. The external auditor's independence is governed by specific rules of procedure for the Audit Committee, adopted by the Board, which set out the areas in which the external auditor may be engaged in matters outside the ordinary audit assignment. Remuneration to the auditor is paid on an approved, on-account basis. For further information on fees, refer to Note 6.

#### **Remuneration to the Board**

The combined remuneration paid to Board members elected by the Board was fixed by the Annual General Meeting 2014 at TSEK 615 (615), of which the Chairman received TSEK 155 and the other Board members not employed by the Company each received TSEK 115. No other remuneration for work within the committees was paid.

#### **GROUP OPERATIONAL MANAGEMENT**

The following policies are to serve as guidelines in the operations of the Company.

#### **The Chief Executive Officer**

The Chief Executive Officer, who is also the Group President, is responsible for the day-to-day management of the Company in accordance with the Board of Directors' guidelines and directives. As support during the financial year, he has been assisted by a CFO, three Resort Managers and Group staff functions. The CEO is responsible for continually providing information and the necessary documentation for decision-making to the Board of Directors, in order to allow the Board to be able to assess the financial position of the Group and make appropriate decisions.

For the CEO's age, education, assignments, shareholding, etc. see page 90.

#### **The Company's Management Group**

During the financial year 2013/14, the Company's management group comprised six individuals, the CEO, the CFO, the Marketing and Sales Manager, the Resort Manager for the Norwegian destinations, Hemsedal and Trysil, and two Destination Managers in Sweden; one for Åre-Vemdalen and one for Sälen.

#### **FINANCIAL REPORTING**

##### **External financial reporting**

SkiStar applies International Financial Reporting Standards (IFRS) in the preparation of the Group's reporting. Quality in the financial reporting is ensured via a number of internal measures and routines.

The auditors perform a limited review of the Company's nine-month report. The Board is responsible for internal control under the terms of the Swedish Companies Act and the Swedish Code of Corporate Governance

#### **DESCRIPTION OF INTERNAL CONTROL**

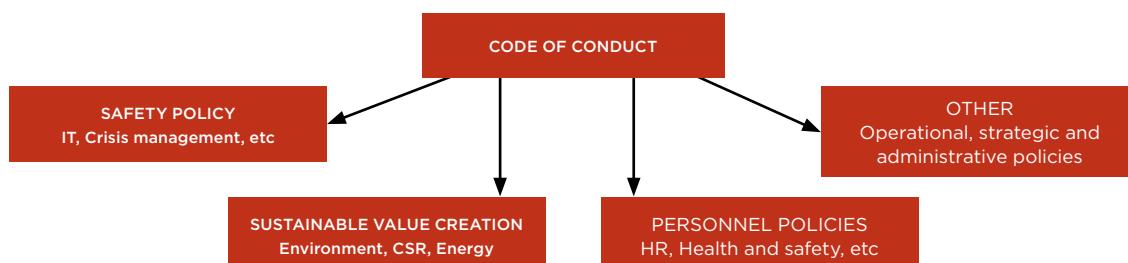
##### **Control environment**

There is a clear division of roles and responsibilities contained in the formal work plan of the Board of Directors and the instructions to the CEO, as well as for Board committees, the purpose of which is to ensure the effective management of the operations' risks. Company management regularly reports to the Board according to established routines. Company management is responsible for the internal controls required to manage significant risks in the day-to-day operations of the Company. A common business system both for external reporting and for internal follow-up, budgeting and forecasting is deemed to strengthen the control environment and security in the financial reporting. The Audit Committee prepares the basis of the Board of Directors' continuous follow-up of the internal control, which includes evaluating and discussing substantial issues concerning accounting and reporting technicalities. During the financial year, the Audit Committee has received reports from senior management concerning the internal control projects that have been implemented. The Audit Committee held three meetings during the financial year.

##### **Risk assessment**

The Board ensures that risk assessments are carried out for all significant risks to which the Company is exposed in the context of the financial reporting. This includes identifying those items in the income statement and balance sheet for which the risk of material misstatement has increased, and designing a control system to prevent and identify any such errors. This is primarily carried out by quickly identifying events in operations or in the external environment that may affect the financial reporting and by monitoring those changes in

#### **POLICIES**



auditing standards and recommendations that concern the financial reporting of the Company.

#### **Control activities**

The Company works continuously with eliminating and reducing significant risks which can affect the internal control over financial reporting. Examples of control activities undertaken to manage risks are:

- ✖ The management group's follow-up and analysis
- ✖ Individual reviews of the Company's IT system, with an emphasis on the sales system.
- ✖ Continuous follow-up of whether authorisation manuals and authorisation structures are being adhered to.
- ✖ Annual review of the handling of payments received at the Company's points of sale.
- ✖ Other regular reconciliations and physical checks.

#### **Information and communication**

In order that the Company's policies, guidelines and recommendations can be complied with, it is required that these be well-documented and that they be communicated within the Company. To ensure that communication and information function properly, the management group holds regular meetings with representatives from the Company's destinations and from staff functions. Policies, manuals and instructions are available on the Company's intranet.

#### **Follow-up**

The Board of Directors continuously evaluates the information provided by senior management and the Audit Committee and ensures that identified deficiencies in the internal controls are remedied. Of particular significance for follow-up is the work of the Audit Committee and the reports from the external auditors.

#### **Internal auditing**

The Board of Directors has made the assessment that the monitoring and follow-up described above are presently sufficient to ensure the efficiency of the internal control, without the need for any separate internal auditing function.

#### **ARTICLES OF ASSOCIATION**

The Company's current Articles of association, adopted at the Annual General Meeting 2011, were registered in January 2012. The articles do not include rules on the procedure for amending the Articles of association.

#### **COMPLIANCE WITH THE SWEDISH CODE OF CORPORATE GOVERNANCE**

The adjacent table shows and explains SkiStar's deviations from the Swedish Code of Corporate Governance.

The auditor's statement regarding this Corporate Governance report can be found to the right.

#### **BOARD OF DIRECTORS**

	Attendance	Independent in terms of the Company	Attendance, Audit Committee	Attendance, Remuneration Committee	Remuneration
<i>Members elected at the AGM</i>					
Erik Paulsson	6/6			2/2	155,000
Mats Paulsson	6/6			2/2	115,000
Mats Qviberg (t o m 2013-12-14)	2/6				
Per-Udo Sandberg	6/6	x	3/3	2/2	115,000
Eivor Andersson	6/6	x	3/3		115,000
Pär Nuder	6/6	x	2/3		115,000
Mats Årjes	6/6				
<i>Employee representatives</i>					
Bengt Larsson	6/6				
Katarina Hjalmarsson	5/6				

#### **DEVIATIONS FROM THE SWEDISH CODE OF CORPORATE GOVERNANCE 2013/14**

Code rule	Description	Deviation	Explanation
4.4	Size and composition of the Board of Directors	The majority of the Board Members elected at the AGM shall be independent in terms of their relationship to the Company and Company management. Half of SkiStar's Board members are independent in terms of their relationship to the Company and Company management.	It has been deemed that the Board is able to act independently, in spite of the fact that there is no majority of Board members independent in terms of their relationship to the Company and Company management.
9.2	Criteria for composition of Remuneration Committee	The Chairman of the Board of Directors is also Chairman of the Remuneration Committee, which implies that the other members must be independent. Only one of the two other members is independent.	It is deemed that the Remuneration Committee can act independently despite the fact that one member is considered dependent according to the Code.

## AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the annual meeting of the shareholders of SkiStar AB (publ), corporate identity number 556093-6949

It is the board of directors who is responsible for the corporate governance statement for the financial year 1 September 2013 – 31 August 2014 on pages 84-87 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory 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.

In our opinion, the corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Sälen 6 November 2014  
Ernst & Young AB

Erik Åström  
Authorized Public Accountant