

# CORPORATE GOVERNANCE REPORT



## DEAR SHAREHOLDER,

We have experienced another record season, which shows that mountain holidays in the Scandinavian alpine world continue to attract many people. Our five destinations have continued to be developed in response to our guests' needs and wishes. I am pleased to say that we completed our first acquisition outside Scandinavia during the financial year, becoming the majority shareholder in the Austrian ski resort St. Johann in Tirol, which is a historic step for SkiStar.

SkiStar's corporate governance must be practical and effective. It must also be in line with current regulatory frameworks and provide support for the Company's business activities. The Board of Directors is responsible for organisation and orientation, working closely with the CEO and management. The Board also works on strategic issues and ensures that day-to-day operations function efficiently.

The Board has had a particular focus on measures and outcomes associated with acquisitions, investments, financing, destination activities and property development during the year.

SkiStar must have, and indeed does have, a strong financial base. This allows investments to be made in the business and dividends to be distributed to you, as a shareholder. The Board has proposed a dividend of SEK 4.50 (4.00) per share. The dividend corresponds to 58 percent of profit after tax, which is in line with the dividend policy to distribute at least 50 percent of profit to shareholders. It is important for SkiStar's shareholders to receive a good return over time – partly in the form of dividends and partly from the benefits associated with being a shareholder.

It is important for you as a shareholder to feel secure in your investment in the SkiStar share. I would also like to take the opportunity to invite you and all our guests to take advantage of our memorable mountain experiences.

Thank you for placing your confidence in us.

ERIK PAULSSON  
*Chairman of the Board*

## CORPORATE GOVERNANCE

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

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

## OWNERSHIP STRUCTURE

SkiStar had 27,970 shareholders at 31 August 2016 according to the register of shareholders kept by Euroclear Sweden AB. The three largest shareholders in terms of voting rights represented 65.51 percent of the voting rights and 51.06 percent of the share capital. The distribution is shown in the Administration Report on page 48. Shares held by Swedish private individuals, either directly or through companies, amounted to 67.68 percent, while Swedish institutional ownership represented 20.75 percent of the share capital. Foreign private individuals accounted for 0.15 percent of the share capital, while foreign institutional ownership represented 11.42 percent.

## SHARE CAPITAL AND VOTING RIGHTS

SkiStar's share capital at 31 August 2015 amounted to SEK 19,594,014, divided into 39,188,028 shares: 1,824,000 Class A-shares and 37,364,028 Class B shares. Class A shares entitle the holder to ten votes, while Class B shares entitle the holder to one vote. All shares carry equal entitlement to a share of the Company's assets and profit, and equal rights to dividends. In addition to what is stated above, SkiStar's Articles of Association do not contain any restrictions on how many votes each shareholder may exercise at a general meeting.

## SHAREHOLDERS' MEETING

The shareholders' meeting is SkiStar's highest decision-making body. The Annual General Meeting shall be held within six months of the end of the financial year. All shareholders who are listed in the register of shareholders and who have notified the Company of their intention to attend within the prescribed time are entitled to participate and vote according to the total number of shares owned. Shareholders who are not able to attend in person may be represented by proxy. A shareholder or proxy may bring a maximum of two advisors.

A notice convening the Annual General Meeting shall be placed in Post- och Inrikes Tidningar (The Official Swedish Gazette) and on the Company's website, [www.skistar.com/corporate](http://www.skistar.com/corporate). The release of the notice shall be announced in Dagens Nyheter. Shareholders wishing to attend the Annual General Meeting must be listed in the full printout of the register of shareholders showing the status five working days before the meeting and must notify the Company of their intention to attend no later than 12 noon on the date specified in the notice convening the meeting, also stating the number of advisors attending. This date 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 meetings shall be held in Sälen, Åre or Stockholm.

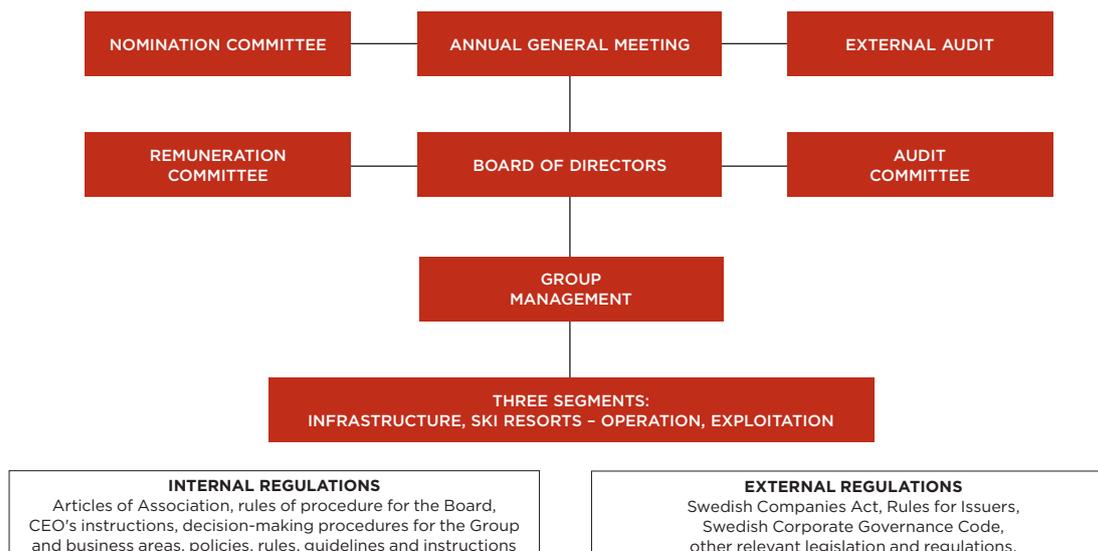
The following matters shall be dealt with at the Annual General Meeting:

1. Election of a chairman of the meeting.
2. Preparation and approval of the voting list.
3. Approval of the agenda.
4. Election of two persons to verify the minutes.
5. Determination of whether the meeting has been duly convened.
6. Presentation of the annual accounts and auditors' report and the consolidated accounts and auditors' report for the Group.
7. Resolution on the adoption of the income statement and balance sheet and the consolidated income statement and consolidated balance sheet.
8. Resolution on the appropriation of the Company's profit or loss according to the adopted balance sheet.
9. Resolution on discharge from liability of the Board of Directors and the CEO.
10. Determination of remuneration of the Board of Directors and auditors.
11. Election of the Board of Directors and, if applicable, election of auditors and deputies.
12. Other matters to be dealt with by the meeting pursuant to the Swedish Companies Act or the Articles of Association.

## 2015 ANNUAL GENERAL MEETING

A total of 217 shareholders, representing 77 percent of the voting rights, attended the Annual General Meeting held at Experium in Sälen on 12 December 2015.

At the Annual General Meeting, the Board was granted authorisation to purchase and sell the Company's own shares. The authorisation entitles



the Board to adopt a resolution on the acquisition of the Company's Class B shares on one or more occasions in the period up to the next AGM. However, the Company's holding of its own shares shall not at any one time exceed ten percent of the Company's total shares. The purchase shall be conducted in a regulated market and may only occur at a price within the current registered price interval, which is the interval between the highest buying price and lowest selling price, or through a purchase offer addressed to all shareholders.

The authorisation also entitles the Board, in the period until the next Annual General Meeting, to adopt a resolution on the sale of the Company's own shares in a regulated market or comparable marketplace in connection with the acquisition of a company or business. The authorisation includes the right to decide on a derogation from shareholders' preferential rights and to decide on whether payment will be in cash, in kind, by offsetting or subject to other conditions. The authorisation may be exercised on one or more occasions up to the maximum number of shares that can be acquired under the mandate to purchase the Company's own shares.

The authorisation is aimed at giving the Board of Directors greater flexibility in optimising the Company's capital structure and, where appropriate, making acquisitions. The repurchases and sale of own shares only applies to Class B shares.

The Board's authorisation to issue own shares had not been exercised at the time of publication of this annual report.

#### 2016 ANNUAL GENERAL MEETING

The 2016 Annual General Meeting will be held at Experium in Sälen at 2.00 p.m. on 10 December. For further information, please visit [www.skistar.com/corporate](http://www.skistar.com/corporate).

#### NOMINATION COMMITTEE

The Company's Nomination Committee is elected by the Annual General Meeting for a period of one year. The Nomination Committee's duties are to prepare proposals concerning Board members, Board fees, the Chairman of the Board, the Chairman of the Annual General Meeting and the Nomination Committee for the following financial year. When applicable, the Nomination Committee will also make proposals for the election of auditors and for auditors' fees, assisted by the Audit Committee. The composition of the Nomination Committee prior to the 2016 Annual General Meeting is as follows: Mats Paulsson (own companies and family), Magnus Swardh (Backahill AB), Anna Jakobson (Nordea Alfa) and Per-Uno Sandberg (independent). The Nomination Committee appoints a Chairman from its members. All shareholders have the opportunity to submit nomination proposals to the Committee.

#### BOARD OF DIRECTORS

##### Composition of the Board

The Board of Directors 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 do not contain any provisions on the appointment and dismissal of Board members over and above the provision on the number of members and deputies.

The Board shall consist of four to nine members, with a maximum of three deputies, in addition to members who may be appointed by other parties pursuant to Swedish law. Board members are elected until the end of the next Annual General Meeting after the year of the Board Member's election.

At the Annual General Meeting held on 12 December 2015, seven members were elected

to the Board: Erik Paulsson, Chairman, Per-Uno Sandberg, Eivor Andersson, Pär Nuder, Lena Apler, Bert Nordberg and Mats Årjes, CEO. In addition, two employee representatives were also elected: Katarina Hjalmarsson, Unionen, and Bengt Larsson, HRF. Two of the directors are considered not to be independent of the Company: Mats Årjes in his role as CEO of SkiStar and Erik Paulsson who is not independent of major shareholders and the Company. See Derogation from the Swedish Corporate Governance Code on page 87. Information about each Board member's age, education, directorships, shareholdings etc. is presented on page 88.

##### Work of the Board

The work of the Board of Directors is governed by the rules of procedure adopted by the Board at its inaugural meeting each year. Chairman of the Board Erik Paulsson directs the work and maintains continuous contact with the CEO in order to monitor the Group's operations and development. The principle tasks of the Board are related to strategic matters, business plans, financial statements and large investments and sales. The Board of Directors held seven scheduled meetings during the 2015/16 financial year. Board members' attendance is shown in the table on page 87. The work of the Board is evaluated regularly. SkiStar's CFO is the Board's Secretary.

##### Remuneration Committee

At the inaugural Board meeting on 12 December 2015, Erik Paulsson was elected as Chairman of the Remuneration Committee and Per-Uno Sandberg and Pär Nuder were elected as members. The Remuneration Committee prepares matters concerning salaries, retirement benefits, bonus programmes and other employee benefits for the

CEO and management of SkiStar. The Remuneration Committee does not have decision-making power, but prepares and reports on matters to the Board as a whole. The Committee held two meetings during the financial year, with all members present. See the table on page 87.

### Audit Committee

At the inaugural Board meeting on 12 December 2015, Per-Uno Sandberg was elected as Chairman of the Audit Committee and Eivor Andersson and Pär Nuder were elected as members. The Audit Committee is responsible for ensuring that financial reporting maintains a high standard. The Committee also maintains regular contact with the Company's auditors, produces guidelines on negotiating service contracts with the Group's auditing firm and evaluates auditing activities. The Committee also assists the Nomination Committee in the nominations and remuneration of auditors. The Audit Committee does not have decision-making power, but prepares and reports on matters to the Board as a whole. The Audit Committee held two meetings during the financial year. Committee members' attendance is shown in the table on page 87.

### External auditors

At the Annual General Meeting on 12 December 2015, Ernst & Young was appointed as the Company's external auditor for a period of one year. The audit is led by Authorised Public Accountant Erik Åström. The results of the audit are reported regularly to Group Management and the Audit Committee during the year. The auditor meets the Company's Board of Directors on at least one occasion during the year. According to the Audit Committee's rules of procedure adopted by the Board, the Audit Committee is responsible for monitoring the auditor's independence. Fees to the auditor are paid continuously over the period on an approved current account basis. Further information about remuneration can be found in note 6.

### Remuneration of the Board

The 2015 Annual General Meeting adopted total remuneration of SEK 1,020 (860) thousand for the elected Board members, which was distributed as follows: SEK 220 thousand to the Chairman of the Board and SEK 160 thousand to each of the other non-executive Board members. No additional fees were paid for committee work.

### OPERATIONAL MANAGEMENT

There are a number of guiding policies in place to support the operations. See the illustration below.

### CEO

The CEO, who is also the Group President, is responsible for the day-to-day management of the Company in accordance with the Board's guidelines and instructions. He has been supported by Resort Managers and a number of Group staff functions during the financial year. The CEO is responsible for ensuring the Board regularly receives information and support material it needs in order to assess the Group's financial position and make appropriate decisions.

Information about the CEO's age, education, directorships, shareholdings etc. is presented on page 90.

### The Company's Management Group

The Company's Management Group consisted of eight individuals during the 2015/16 financial year: the CEO, CFO, Marketing and Sales Manager, Exploitation and Property Manager, Norwegian Resort Manager (Hemsedal and Trysil) and three Swedish Resort Managers (Åre, Vemdalen and Sälen).

### FINANCIAL REPORTING

#### External financial reporting

SkiStar applies International Financial Reporting Standards (IFRS) in preparing the consolidated financial statements. The quality of the ongoing external financial reporting is ensured by a number of internal measures and procedures.

The auditors review the Company's nine-month report.

The Board is responsible for internal control, in accordance with the Swedish Companies Act and the Swedish Corporate Governance Code.

### DESCRIPTION OF INTERNAL CONTROL

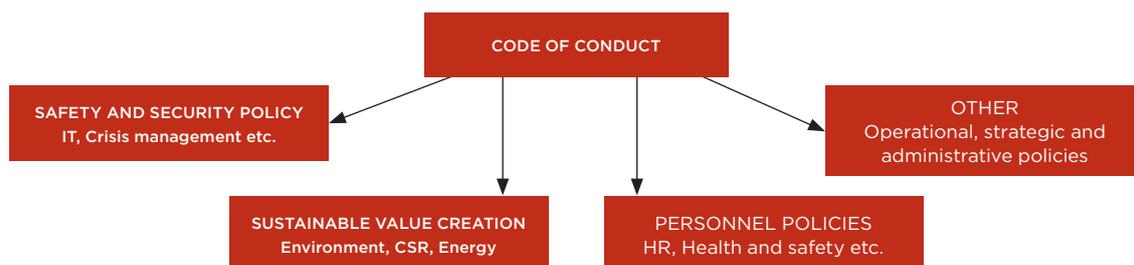
#### Control environment

A clear division of roles and responsibilities in the rules of procedure for the Board of Directors and its committees and in the CEO's instructions ensures effective management of operational risks. Company management reports regularly to the Board in accordance with defined procedures. Company management is responsible for the internal controls required to manage significant risks in the day-to-day operations of the Company. Having a common business system for both external reporting and internal monitoring, budgeting and forecasts strengthens the control environment and the security of financial reporting. The Audit Committee assists the Board in its continuous monitoring of internal control, which includes evaluating and discussing important technical accounting and reporting issues. During the financial year, the Audit Committee received reports from management concerning the internal control projects that have been implemented.

#### Risk assessment

The Board ensures that risk assessments are conducted for significant risks to which the Company may be exposed in the context of its financial reporting. This includes identifying income statement and balance sheet items for which the risk of error is significant, and designing a control system to prevent and detect such errors. This is largely achieved by quickly identifying events in the operations or external environment that may affect the financial reporting and monitoring changes in financial reporting regulations and recommendations that concern the Company's financial reporting.

## POLICIES



## Control activities

The Company works continuously to eliminate and reduce significant risks affecting internal control over financial reporting. Control activities aimed at managing risks include:

- \* The management group's monitoring and analysis.
- \* Special review of the Company's IT systems with an emphasis on the sales system. Continuous monitoring of compliance with authorisation instructions and structures.
- \* Annual review of the handling of payment methods at the Company's sales outlets.
- \* Other ongoing forms of reconciliation and physical checks.

## Information and communication

In order to ensure compliance with the Company's policies, guidelines and recommendations, this information must be well documented and communicated within the Company. To ensure effective information and communication, the management group holds regular meetings with representatives from the Company's destinations and from the staff functions. Policies, manuals and instructions are available on the Company's intranet.

## Monitoring

The Board of Directors continuously evaluates the information provided by management and the Audit Committee and ensures that identified internal control deficiencies are addressed. The Audit Committee's work and the external auditors' reports are of particular importance to monitoring.

## Internal audit

The Board has made the assessment that the control and monitoring described above is currently sufficient to ensure the efficiency of internal control without the need for a separate internal auditing function.

## ARTICLES OF ASSOCIATION

The Company's current Articles of Association adopted at the 2011 AGM, were registered in January 2012. The articles do not contain any provisions on the procedure for amending the Articles of Association.

## COMPLIANCE WITH THE SWEDISH CORPORATE GOVERNANCE CODE

Descriptions and explanations of SkiStar's derogations from the Swedish Corporate Governance Code are presented on this page.

The auditor's statement regarding this Corporate Governance Report is presented on the right.

14 November 2016  
SkiStar AB (publ)

## BOARD OF DIRECTORS

	Attendance	Independent of the Company	Attendance, Audit Committee	Attendance, Remuneration Committee	Remuneration
<i>Elected Board Members</i>					
Erik Paulsson	7/7			2/2	220,000
Mats Paulsson (up until 12 December 2015)	3/3				
Per-Uno Sandberg	7/7	x	2/2	2/2	160,000
Eivor Andersson	7/7	x	2/2		160,000
Pär Nuder	6/7	x	2/2	2/2	160,000
Lena Apler (as of 12 December 2015)	3/4	x			160,000
Bert Nordberg (as of 12 December 2015)	3/4	x			160,000
Mats Årjes	7/7				
<i>Employee representatives</i>					
Bengt Larsson (up until 30 April 2016)	6/6				
Katarina Hjalmarsson	6/7				

## DEROGATION FROM THE SWEDISH CORPORATE GOVERNANCE CODE 2015/16

Code ref.	Description	Derogation	Explanation
2.4	Composition of the Nomination Committee	According to the Code, a Board member may not chair the Nomination Committee. SkiStar's Nomination Committee has elected a Board member as its Chairman.	The Board member has an active role and is considered well suited for the position of chairman

## 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 year 2015-09-01 – 2016-08-31 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, 14 November 2016  
Ernst & Young AB

Erik Åström  
Authorized Public Accountant

