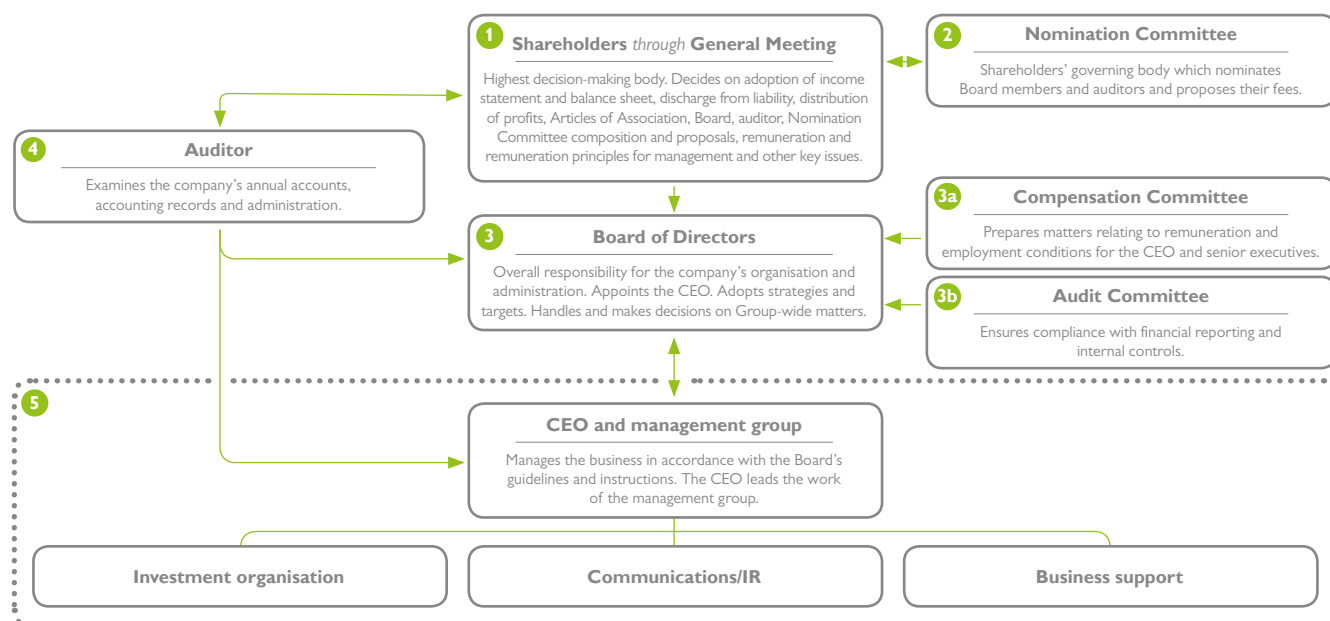


Corporate governance report

GOVERNANCE STRUCTURE AT RATOS



Corporate governance in Ratos

Ratos AB is a public limited company and the basis for governance of Ratos is both external and internal regulations. In order to establish guidelines for the company's activities, the Board has prepared and adopted policy documents. These provide guidance to the organisation and employees based on the basic values and principles that must characterise the operations and conduct.

Ratos applies the Swedish Code of Corporate Governance (the Code) and does not report any non-compliance from the Code in the 2014 financial year, except with regard to the composition of the Nomination Committee (see Nomination Committee on ► pages 79-80).

This corporate governance report seeks to avoid repetition of information that is included in applicable regulations and primarily to describe corporate governance for Ratos AB.

The corporate governance report has been reviewed by the company's auditors.

Key external rules

- Swedish Companies Act
- Accounting legislation and recommendations
- Nasdaq OMX Stockholm Rules for Issuers
- Swedish Code of Corporate Governance

Key internal rules and documents

- Articles of Association
- The Board's formal work plan
- Decision-making procedures/authorisation instructions
- Reporting guidelines for holdings
- Internal guidelines, policies and manuals which provide guidelines for the Group's operations and employees, such as Ratos's information policy, owner policy, code of conduct, and policy for corporate responsibility and responsible investments

For further information

- Swedish Companies Act, www.regeringen.se
- Nasdaq Stockholm, www.nasdaqomxnordic.com
- Swedish Code of Corporate Governance and special Swedish rules for corporate governance, www.bolagsstyrning.se

1 Shareholders and general meetings

Share capital and shareholders

Ratos has been listed on Nasdaq Stockholm since 1954. At year-end 2014 the share capital amounted to SEK 1,024m divided among a total of 324,970,896 shares, of which 84,637,060 A shares, 239,503,836 B shares and 830,000 C shares (preference shares). The company's A shares carry entitlement to one vote per share while B shares and preference shares carry entitlement to one-tenth of a vote per share. A and B shares carry the same right to a share of the company's assets and to the same amount of dividend. The dividend on preference shares is regulated by the Articles of Association and includes preferential right before A and B shares to the company's assets. The Annual General Meeting decides on dividends.

At year-end Ratos had a total of 58,554 shareholders according to statistics from Euroclear Sweden. The ten largest shareholders accounted for 74% of the voting rights and 44% of the capital. The proportion of shares owned by shareholders outside Sweden amounted to 17%. 58% of Ratos's shareholders owned 500 shares or less and together accounted for just under 2% of the share capital. More information about Ratos's shares and shareholders is provided on ► pages 13-15.

Read more about Ratos's corporate governance

Read more about Ratos's corporate governance on our website under About Ratos/Corporate governance

- Articles of association
- Information from general meetings in previous years
- Nomination Committee
- The Board and its committees
- Corporate governance reports from previous years



General meetings

The general meeting is the highest decision-making body in Ratos and it is through attendance at general meetings that Ratos's shareholders exercise their influence on the company. Normally one general meeting is held each year, the Annual General Meeting of Shareholders which is convened in Stockholm before the end of June. Notice of an ordinary general meeting is published in the form of an announcement in the Official Swedish Gazette (Post- och Inrikes Tidningar) and on Ratos's website. Publication of the notice is announced in Svenska Dagbladet. All documentation required ahead of the Meeting is available on the website in Swedish and English.

Extraordinary general meetings can also be held. A shareholder with at least one-tenth of the votes in Ratos is entitled to request an extraordinary general meeting. The Board and Ratos's auditor can also convene an extraordinary general meeting.

In order to have a matter considered at an Annual General Meeting a shareholder must submit a written request to the Board in good time so that the matter can be included in the notice of the meeting, normally approximately seven weeks before the Annual General Meeting. The closing date for such requests is stated on Ratos's website.

All shareholders who are registered on Euroclear Sweden's list of shareholders and who have notified their attendance to the company in due time are entitled to attend the Meeting and to vote for their holding of shares. Shareholders may attend in person or through a proxy. Shareholders may bring an assistant to the meeting provided they have notified the company.

Resolutions at general meetings are normally passed by a simple majority. Pursuant to the Swedish Companies Act certain resolutions, such as those related to remuneration or amendments to the Articles of Association require a qualified majority.

The following business shall be resolved at the Annual General Meeting:

- Adoption of the income statement and balance sheet
- Discharge from liability for the Board and CEO
- Disposition of the company's profit or loss
- Determination of fees to be paid to the Board of Directors
- Election of the Board of Directors and auditor
- Guidelines for remuneration to senior executives
- Amendments to the Articles of Association.

2014 Annual General Meeting

The 2014 Annual General Meeting was held on 27 March at Stockholm Waterfront Congress Centre. The Meeting was attended by 667 shareholders, proxies and assistants, who together represented 77.6% of the voting rights and 48.7% of the capital.

Ratos's Board, management and auditor were present at the Meeting. Minutes and information about the 2014 Annual General Meeting, in both Swedish and English versions, well as the CEO's address to the Meeting are published on www.ratos.se/About Ratos/Corporate governance/Annual General Meetings/AGM 2014.

Decisions at the 2014 Annual General Meeting included the following:

- Dividend of SEK 3.00 per A and B share, a total of SEK 957m. Dividend per Class C preference share issued on 19 June 2013 of SEK 25/share per quarter, although a maximum of SEK 100/year, a total of SEK 83m.
- Fees of SEK 1,000,000 to the Chairman of the Board and SEK 450,000 to each member of the Board as well as fees to auditors.
- Re-election of Board members Lars Berg, Staffan Bohman, Arne Karlsson, Annette Sadolin, Jan Söderberg and Per-Olof Söderberg. Election of Charlotte Strömberg as a new member of the Board. Arne Karlsson was elected as Chairman of the Board.
- Re-election of audit firm PricewaterhouseCoopers (PwC).
- Principles for how the Nomination Committee should be appointed.
- Adoption of guidelines for remuneration to senior executives.
- Offer to key people in Ratos on acquisition of call options in Ratos and of synthetic options relating to holdings.
- Amendments to the Articles of Association to enable a new issue of Class D preference shares.
- Authorisation for the Board to acquire Ratos shares up to 4% of all shares.
- Authorisation for the Board to decide on a new issue of a maximum of 35 million B shares to be used for acquisitions.
- Authorisation for the Board to decide on a new issue of a maximum total of 1,250,000 Class C and/or Class D preference shares to be used for acquisitions.

The Annual General Meeting thanked Margareth Øvrum who after five years on the Board had declined re-election.

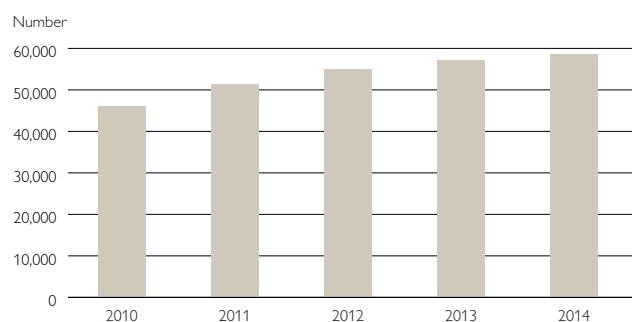
2015 Annual General Meeting

Ratos's 2015 Annual General Meeting will be held on 16 April at 16.30 CET at Stockholm Waterfront Congress Centre, Stockholm.

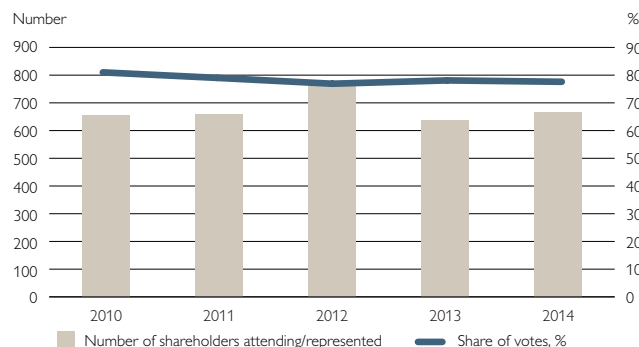
For matters related to the Nomination Committee and the Annual General Meeting, refer to Ratos's website. For further information about the Annual General Meeting ► see page 149.



Shareholders



Attendance at Annual General Meetings



2 Nomination Committee

The Annual General Meeting decides principles for how the Nomination Committee should be appointed. The 2014 Annual General Meeting resolved that the company's Chairman in consultation with the company's major shareholders should appoint a nomination committee ahead of the 2015 Annual General Meeting. According to the resolution, the Nomination Committee shall comprise the Ratos's Chairman plus a minimum of four members of the major shareholders in terms of voting rights registered in Euroclear Sweden at 31 August 2014. The majority of members of the Nomination Committee shall be independent in relation to the company and management. The Nomination Committee appoints a chairman between themselves. The Chairman of the Board may not be the chairman of the Nomination Committee. The Committee's term of office extends until a new Nomination Committee is constituted. If an already appointed member resigns from the Nomination Committee, the company's major shareholders in consultation shall appoint a replacement. The members of the Nomination Committee do not receive any remuneration from the company but are entitled to receive reasonable remuneration from the company for expenditure incurred with regard to evaluation and recruitment if this is regarded as necessary for the fulfilment of its duties.

The current composition of the Nomination Committee was announced on Ratos's website and disclosed through a press release on 7 October 2014.

The work of the Nomination Committee

The duties of the Nomination Committee include:

To evaluate the composition and work of the Board

- To prepare a proposal to the Meeting regarding election of the Board and the Chairman of the Board
- To prepare a proposal, in cooperation with the company's Audit Committee, to the Meeting regarding election of auditor
- To prepare a proposal to the Meeting regarding fees to the Board, divided between the Chairman and other members, as well as any remuneration for committee work, and auditor
- To prepare a proposal to the Meeting regarding a chairman for the Annual General Meeting
- To prepare a proposal regarding principles for the composition of the next Nomination Committee

Nomination Committee's work ahead of the 2015 Annual General Meeting

Ahead of the 2015 Annual General Meeting the Nomination Committee held five minuted meetings and was in regular contact in between. In addition to taking notice of the Board's own evaluation of its work (read more on page 82) the Nomination Committee has had individual discussions with Board members. This review shows that the work of the Board has been active with major commitment and a high attendance among Board members. In its work the Nomination Committee has also taken note of the presentations by the Chairman of the Board and the CEO of the company's operations, goals and strategies.

Ratos's operational direction means, among other things, that members of the Board are required to be able to evaluate acquisition and divestment opportunities for Nordic companies as well as having experience of operating and developing medium-sized and large companies within different sectors. The Nomination Committee is of the opinion that Ratos has a Board whose overall expertise and experience well meet these requirements.

The requirement for independence is also assessed as having been met.

In its work the Nomination Committee also discussed requirements for diversity. Particular attention has been devoted to the requirement for an even gender balance in the Board. It is the Nomination Committee's firm ambition that the proportion of women Board members in the next few years shall be well at a level with the aims expressed by the Swedish Corporate Governance Board. The Nomination Committee is of the opinion that the Board proposed to the 2015 Annual General Meeting represents a good breadth in terms of age, industry experience and market expertise.

Proposed fees to the members of the Board, as well as remuneration for committee work, have been prepared by the three members of the Nomination Committee who are not members of Ratos's Board.

Shareholders have been informed that proposals for members of the Board can be submitted to the Nomination Committee. One such proposal has been received and examined by the Nomination Committee.

The Nomination Committee's proposals, an account of the work of the Nomination Committee ahead of the 2015 Annual General Meeting as well as complementary information on proposed members of the Board will be announced in conjunction with the Notice of the Meeting and also be presented at the 2015 Annual General Meeting.

Deviations/violations

Ratos complies with the Code except in the following respect. Ratos deviates from the Code's rule 2.4, second paragraph, which states that if more than one Board member sits on the Nomination Committee, a maximum of one of them may be non-independent in relation to the company's major shareholders. Two of the shareholders who have appointed members of the Nomination Committee have appointed Board members Per-Olof Söderberg and Jan Söderberg, both of whom are regarded as non-independent in relation to the company's major shareholders. Against the background of these persons' in-depth knowledge of Ratos, their roots in the ownership group and their network in Swedish industry, it was deemed beneficial to the company to deviate from the Code on this point. No violations of Nasdaq OMX Stockholm's Rules for Issuers or good practice in the stock market have occurred.

NOMINATION COMMITTEE AHEAD OF 2015 ANNUAL GENERAL MEETING

Name	Appointed by	Share of voting rights 31 Aug 2014	Share of voting rights 31 Dec 2014
Jan Andersson	Swedbank Robur funds, Chairman of Nomination Committee	0.5%	0.0%
Ulf Fahlgren	Akademiinvest	0.5%	0.5%
Arne Karlsson	Chairman of Ratos's board, own holding	0.0%	0.0%
Jan Söderberg	Ragnar Söderberg Foundation, own and related parties' holdings, member of Ratos's Board	28.5%	28.5%
Maria Söderberg	Torsten Söderberg Foundation	12.5%	12.6%
Per-Olof Söderberg	Own and related parties' holdings, member of Ratos's Board	15.4%	15.4%
Total, rounded off		57.4%	57.0%



3 Board of Directors Composition of the Board

Ratos's Board shall comprise a minimum of four and a maximum of nine members with a maximum of three deputies. At present there are two women Board members, which is unchanged since 2009. The Board is appointed by shareholders at each Annual General Meeting. The mandate period is thereby one year.

The 2014 Annual General Meeting resolved that the Board shall consist of seven members and no deputies. The Meeting re-elected Arne Karlsson (who was also elected as Chairman), Lars Berg, Staffan Bohman, Annette Sadolin, Jan Söderberg and Per-Olof Söderberg. Charlotte Strömberg was elected as a new member of the Board. The CEO is not a member of the Board but attends Board meetings. The composition of the Board and an assessment of each Board member's independence is presented in more detail on ► page 82.

Responsibilities and duties of the Board

The Board has overall responsibility for Ratos's organisation and management of its affairs, in the interests of both the company and its shareholders. The Board adopts financial targets and decides on the company's strategy and business plan as well as ensuring good internal control and risk management. The work of the Board is regulated, among other things, by the Swedish Companies Act, the Articles of Association, the Code and the formal work plan adopted by the Board for its work. The Board's overarching responsibility cannot be delegated but the Board may appoint committees tasked to prepare and evaluate issues ahead of a decision by the Board.

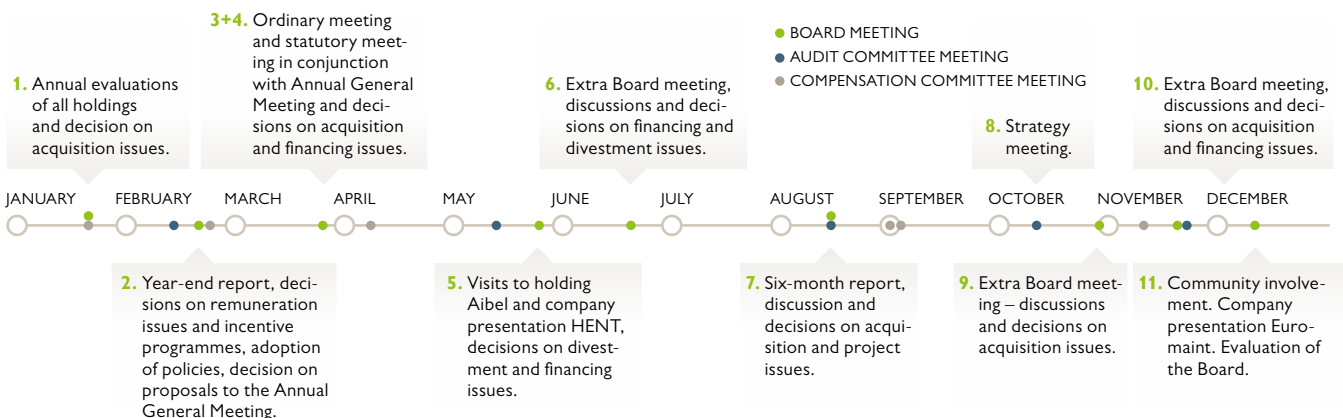
Each year the Board adopts a formal work plan for its work designed to ensure that the company's operations and financial circumstances are controlled in an adequate manner. The formal work plan describes the special role and duties of the Chairman of the Board, decision-making procedures, instructions for Ratos's CEO as well as areas of responsibility for the committees. The Board also adopts annually a number of policy documents for the company's operations.

Chairman of the Board

The main duty of the Chairman of the Board is to lead the work of the Board and ensure that Board members carry out their respective duties. Other areas of responsibility include the following:

- Responsible for ensuring that the work of the Board is carried out effectively.
- Ensuring that decisions are made on requisite matters and that minutes are kept.
- Responsible for convening meetings and ensuring that requisite decision material is sent to Board members.
- Acting as a contact and maintaining regular contact with the CEO and management.
- Maintaining regular contact with the auditor and ensuring that the auditor is summoned to attend a meeting in conjunction with the interim report as per September and the year-end report.
- Ensuring that an annual evaluation is performed of the Board and its members.
- Annually evaluating and reporting on the work of the CEO.

WORK OF THE BOARD IN 2014



Work of the Board in 2014

During 2014, a total of eleven minuted Board meetings were held: eight ordinary meetings, including one statutory meeting, and three extra board meetings. Board meetings have a recurrent structure with the key items as illustrated below. Information and documentation for decision ahead of Board meetings are usually sent out approximately one week before each meeting.

Extra Board meetings normally examine acquisition and exit questions as well as financing and are held when such matters requiring a Board decision arise. Senior executives at Ratos attended board meetings to present specific issues.

Evaluation of the Board

The Board has decided that an annual evaluation of the work of the Board shall be performed where members are given an opportunity to express their opinions on working methods, Board material, their own and other members' work and the scope of the assignment. This evaluation is performed every other year internally and every other year with the help of an external consultant. For the 2014 financial year this evaluation was performed internally through the Chairman interviewing members of the Board and senior executives in the company. As in evaluations performed in previous years the work of the Board was assessed as functioning very well. All members of the Board are considered to have made a constructive contribution to both strategic discussions and the governance of the company and discussions are characterised by openness and dynamics. The dialogue between the Board and management was also perceived as very good.

Committees

The Board has established a Compensation Committee and an Audit Committee in order to structure, improve efficiency and assure the quality of work within these areas. The members of these committees are appointed annually at the statutory Board meeting.

3a

Work of the Compensation Committee

At Ratos, structured work with remuneration principles has been ongoing for many years. The Compensation Committee has both an advisory function (follow-up and evaluation) and a preparatory function for decision matters prior to their examination and decision by the Ratos Board.

The following matters are handled by the Compensation Committee

- The CEO's terms of employment and terms for employees directly subordinate to the CEO.
- Advice where required on general policy formulations.
- Matters of principle concerning pension agreements, severance pay/notice periods, bonus/earnings-related remuneration, fees, benefits, etc.
- Matters relating to the incentive systems for Ratos and the holdings.

- The Board's proposal to the Annual General Meeting on guidelines for remuneration to senior executives.

The Compensation Committee works in accordance with an adopted formal work plan. Early in the autumn an examination is carried out to see whether there are any major remuneration-related issues of principle to prepare. If such issues exist they are processed ahead of a final proposal at the ordinary meeting in January. The Compensation Committee also prepares and processes guidelines for the structure of general salary development for the years ahead and conducts an annual review of Ratos's long-term incentive systems. No later than two weeks before the Annual General Meeting Ratos's Board submits an account of the results of the Compensation Committee's evaluation on the company's website (www.ratos.se/AboutRatos/CorporateGovernance/GeneralMeetings).

During 2014 Arne Karlsson (chairman), Staffan Bohman, Jan Söderberg and Per-Olof Söderberg were members of the Compensation Committee.

The Compensation Committee held six minuted meetings in 2014 and in between has been in regular contact. Ratos's CEO, Susanna Campbell, took the minutes.

3b

Work of the Audit Committee

The Audit Committee includes Staffan Bohman, Arne Karlsson, who is also the chairman of the committee, and Charlotte Strömberg. The CEO and senior executives or auditor can be summoned to attend the meetings of the committee.

The Audit Committee has both an advisory and preparatory function for decision matters prior to review and decision by Ratos's Board.

Annually the Audit Committee adopts an annual cycle for its working duties and areas for which the Audit Committee is responsible. The Audit Committee is responsible for among other things accounting and reporting, audit, corporate governance, risk management, corporate responsibility, treasury, insurance, disputes, compliance and strategic accounting issues.

The main duties of the Audit Committee are as follows:

- Monitor the company's financial reporting.
- Discuss valuation issues and assessments in closing accounts.
- Keep itself informed about the audit of the annual accounts and consolidated financial statements, as well as review the audit process.
- Review and monitor the auditor's impartiality and independence and thereby giving particular attention if the auditor provides the company with other services than audit services.
- Assist with preparation of a proposal for a general meeting resolution on election of auditors as well as decision relating to fees to auditors.
- Ensure that the Group's nine-month report is reviewed by the Group's auditor.

COMPOSITION OF THE BOARD

Name	Elected year	Independent of company	Independent of major shareholders	Total fee ¹⁾ SEK 000s	Attendance at meetings 2014		
					Compensation Committee	Audit Committee ²⁾	Board meetings
Arne Karlsson	1999	No	Yes	1,150	6/6	5/5	11/11
Lars Berg	2000	Yes	Yes	450		1/5	11/11
Staffan Bohman	2005	Yes	Yes	545	6/6	5/5	11/11
Annette Sadolin	2007	Yes	Yes	450		1/5	10/11
Jan Söderberg	2000	Yes	No	480	6/6	1/5	10/11
Per-Olof Söderberg	2000	Yes	No	480	5/6	1/5	10/11
Charlotte Strömberg	2014	Yes	Yes	515		4/5	7/11
Total				4,070			

¹⁾ Relates to fees for the Annual General Meeting year 2014/2015.

²⁾ Until the 2014 Annual General Meeting, all Board members were members of the Audit Committee.



The Audit Committee provides continuous oral reports to the Board and submits proposals on issues that require a Board decision.

The company's auditor presented his review and observations to the Audit Committee on two occasions in 2014. In addition, the Audit Committee held five minutes meetings. Minutes are made available to all members of the Board and the auditor. The auditor also receives material from the Audit Committee. The Chairman of the Board maintains regular contact with the company's auditor.

Evaluation of the need for an internal audit

Ratos's core expertise is not industry-specific and Ratos's holdings today are represented in widely differing sectors and with a wide geographic spread. Furthermore, Ratos's mission means that holdings are acquired and divested. For these reasons a general internal audit function would be difficult to establish. With regard to Ratos and the need for an internal audit it has been judged more suitable to discuss and decide for each individual holding, so that this can accompany the holding when it is sold, rather than setting up an internal audit at Group level.

The parent company Ratos AB with approximately 50 employees is a relatively small company which lacks complex functions that are difficult to analyse. So the need to introduce an internal audit function for the parent company Ratos AB must therefore be regarded as negligible. Against this background, the Audit Committee has decided not to introduce an internal audit function at Group level or for the parent company Ratos AB.

Compensation to the Board of Directors

The 2014 Annual General Meeting resolved that compensation to the ordinary members of the Board should be paid of SEK 450,000 per member and year. Compensation to the Chairman of the Board should amount to SEK 1,000,000 per year. It was decided to pay an additional SEK 100,000 per year to the chairman of the Audit Committee and SEK 65,000 per year to other members of the committee. It was decided to pay SEK 50,000 per year to the chairman of the Compensation Committee and SEK 30,000 per year to other members of the committee.

4 Auditor

Ratos's auditor is appointed annually by the Annual General Meeting. Nominations are made by the Nomination Committee. The auditor is tasked on behalf of shareholders to examine the company's annual accounts and consolidated financial statements as well as the administration of the company by the Board and the CEO and the corporate governance work. The review work and auditor's report are presented at the Annual General Meeting.

At the 2014 Annual General Meeting the audit firm PricewaterhouseCoopers was elected as auditor until the next Annual General Meeting. PwC has appointed Peter Clemetson as Senior Auditor. In addition to his assignment in Ratos, Peter Clemetson is senior auditor for, among others, Volvo and SKF.

Auditor's fees

Compensation is paid to the company's auditor in accordance with a special agreement on this matter in accordance with a resolution at the Annual General Meeting. In 2014, audit fees in the parent company amounted to SEK 2m and SEK 35m in the Group. In addition, the parent company paid SEK 1m in fees for other assignments to the company's auditor and the Group as a whole paid fees for other assignments amounting to SEK 30m. The Board has established guidelines for the relation between auditing fees and consulting fees. These guidelines are continuously monitored by the Audit Committee which also evaluates the content of both auditing and consulting services.

5 Governance in Ratos Ratos's principles for active ownership and the exercise of its ownership role

Ratos's mission over time is to create the highest possible returns through professional, active and responsible exercise of its role as owner in a number of selected companies and investment opportunities. Ratos's owner policy includes specific strategic foundations that provide a basis for how we choose to act as owner and how we view corporate governance. One of these foundations is that Ratos's holdings must be independent of each other, strategically, operationally and financially. Ratos shall add and create value as owner but value creation and governance are therefore not identical in all situations. Having a clear division of responsibility between owner, board and CEO is important for governance of Ratos's holdings as well as for the parent company Ratos AB and is therefore a key part of Ratos's success as an owner and for the business model. Read more about Ratos's exercise of its ownership role on ► pages 8-12.

Investment decisions and evaluation of existing holdings

The decision-making procedures for Ratos's Board and the CEO relating to investment activities stipulate that all significant acquisitions of, and add-on investment in, companies that are to be included among Ratos's holdings must be decided by the Board. This also applies to the sale, wholly or partially, of a holding. An evaluation of all the holdings is performed every year in which an analysis of holding strategy, results and forecasts for future years are presented. These evaluations are

presented to the Board by the person responsible for the holding in conjunction with the Board meeting in January.

CEO and management group

The CEO is appointed by the Board and is responsible together with the management group for daily operations in Ratos in accordance with the Board's instructions. The CEO provides the Board with regular updates on operations and ensures they receive information on which to base well considered decisions.

The management group at Ratos consists from February 2015 of the CEO, two deputy CEOs, head of Corporate Communications and one Investment Director. The role of the management group is to prepare and implement strategies, manage corporate governance and organisational issues and monitor Ratos's financial development.

Development of events in the holdings as well as updating of ongoing investment processes are dealt with at weekly meetings in a broader group comprising the CEO, deputy CEOs, people responsible for holdings, CFO, Debt Manager and the head of Corporate Communications.

Ideas for acquisitions are analysed by the investment organisation together with the CEO and are also discussed in an internal new investment group, whose main role is to provide feedback on indicative bids made by Ratos in connection with investment processes. After completion of due diligence a basis for decision is sent to Ratos's Board, which has the role of Investment Committee. (Read more about the route to acquisition in the section Ratos as owner).

Remuneration to the CEO

Information on remuneration to the CEO is provided in Note 9 on ► pages 114-117.

Guidelines and principles for remuneration to senior executives

The guidelines for remuneration and incentive systems for key people as set out below were approved by the 2014 Annual General Meeting. The following guidelines were applied throughout 2014.

The incentive system for the company's business organisation is of major strategic importance for Ratos. Against this background, a remuneration and incentive system has been drawn up designed to offer competitive terms at the same time as the company's employees are motivated to work in the interests of shareholders.

The incentive system comprises a number of components – basic salary, variable salary, pension provisions, call options and synthetic options – and rests on five basic principles:

- Ratos's employees shall be offered competitive basic terms of employment in an industry where competition for qualified employees is intense and at the same time be encouraged to remain with Ratos.
- Both individual efforts and the Group's performance must be linked to clear targets set by the Board.
- Variable salary paid shall be linked to the results development that benefits shareholders. Variable salary for senior executives does not

fall due until certain conditions have been met with regard to return on the company's equity and is paid over a multi-year period. The cost of each year's variable salary, however, is booked in its entirety in the year in which the compensation was earned.

- Each year the Board sets a limit for the total variable salary, which shall amount to a maximum of approximately one per cent of the company's equity at the start of the financial year.
- Key people at Ratos shall be encouraged to have the same perspective as the company's shareholders which will be achieved through reasonably balanced option programmes where employees can share in price rises alternatively realised increases in value, but also take a personal risk by paying a market premium for the options.

With regard to the costs for proposed option programmes, refer to the Board's proposal regarding call options and synthetic options. Pension benefits are generally paid in accordance with the ITP Plan. In the event of pension benefits which deviate from the ITP Plan defined contribution pension benefits are applied.

The Board shall be entitled to deviate from these guidelines if special circumstances should prevail.

Variable salary

Variable salary is not paid to senior executives until certain conditions regarding return on the company's equity have been met. The requirement for payment of variable remuneration is that consolidated profit before tax, adjusted for minority effects in minority-owned subsidiaries, shall correspond to at least 5% of opening equity. A ceiling has been stipulated at a total of SEK 125m in variable remuneration, which falls due in the event of adjusted profit before tax of 25% of opening equity.

An earnings bank for the result that forms the basis for calculation of variable remuneration is applied. This means that earnings which in a certain year exceed the ceiling are transferred to the next year and increase the earnings on which remuneration is calculated. Earnings that are less than the threshold amount are also transferred and charged against earnings on which remuneration is based in the following year.

Adjusted profit before tax for 2014, including the earnings bank, provided variable remuneration of SEK 30.6m to be paid in 2015-17. Payment of variable salary is allocated over three years with 50% in the first year and 25% per year in the remaining two years.

Call option programmes

Annual general meetings from 2001 onwards have decided on call option programmes directed to senior executives and other key people within Ratos. Employees have paid a market premium for the call options in all programmes. Acquisition of call options is subsidised by the purchaser receiving extra remuneration corresponding to a maximum of 50% of the option premium after deduction for 55% standard tax, whereby the remuneration is divided into equal parts for five years. Call options are issued on treasury shares and have a maturity of 4-5 years.

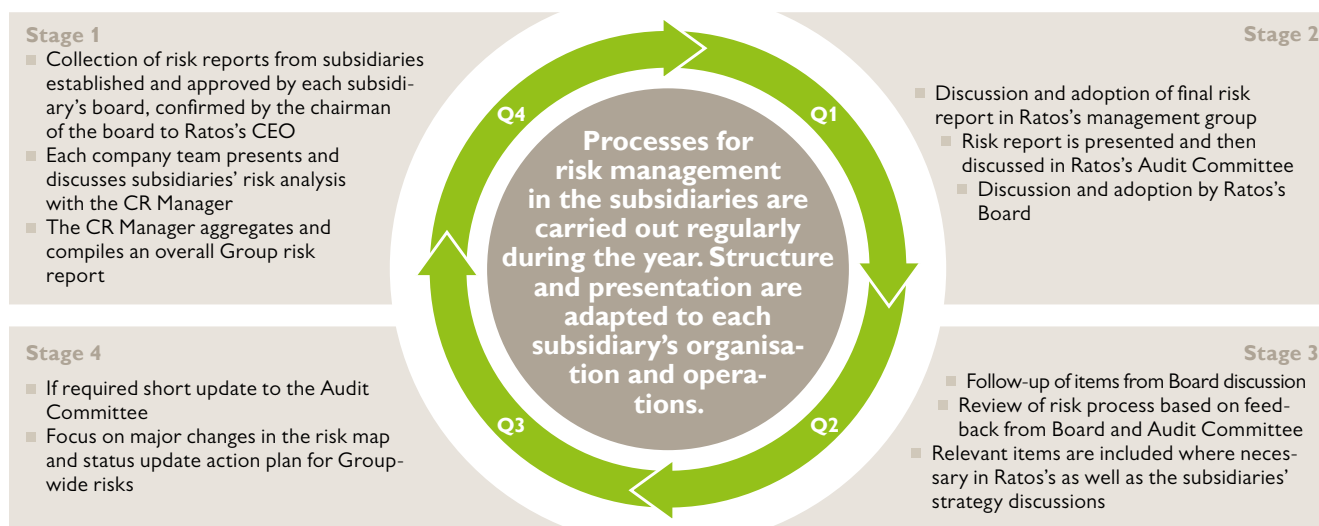
TERMS FOR CALL OPTIONS OUTSTANDING AT 31 DECEMBER 2014

Maturity	Price/option SEK	Exercise price SEK/share	Right to purchase number of shares	Number of options	Corresponding number of shares
2010 - 20 March 2015	16.60	124.20	2.03	529,500	1,074,885
2011 - 18 March 2016	11.80	156.40	1.02	640,000	652,800
2012 - 20 March 2017	4.70	74.40	1	1,149,200	1,149,200
2013 - 20 March 2018	11.50	72.00	1	585,900	585,900
2014 - 20 March 2019	7.30	66.50	1	574,500	574,500
				3,479,100	4,037,285

Outstanding options correspond to 1.3% of the total number of shares.

RATOS'S INTERNAL RISK PROCESS

Ratos's internal risk process takes into account a broad spectrum of risks: strategic, operational, financial risks as well as risks related to compliance and sustainability issues such as the environment, social responsibility and business ethics/corruption.



Synthetic options

The 2014 Annual General Meeting, like all Annual General Meetings since 2007, resolved on a cash-based option programme related to the Ratos's investments in the holdings. The programme is carried out through the issue of synthetic options that are transferred at market price. The programme gives the CEO and other key people within Ratos an opportunity to share in the investment result of the individual holdings. Options related to an individual investment only have a value if Ratos's annual return on the investment exceeds 15%. The total value of the issued options at the closing date will be a maximum of 3% of the difference between the actual realised value for Ratos's investment at the closing date and the cost increased by 15% per year.

Internal control

The Board has ultimate responsibility for preparing an effective process for Ratos's risk management and internal control. The purpose is to provide reasonable assurance that operations are conducted in an

appropriate and effective manner, that financial reporting is reliable and that laws as well as internal regulations are complied with. This work is conducted through structured board work as well as by tasks being delegated to management, the Audit Committee and other employees. Responsibility and authority are defined in instructions for powers of authorisation, policies and manuals which provide guidelines and guidance for the Group's operations and employees.

Furthermore, the board of each subsidiary is responsible for ensuring that the company in question complies with laws and regulations as well as for compliance with internal policies and guidelines.

Ratos's risk management process

Ratos conducts an annual review of risks where significant risks in its own operations and the holdings are summarised and discussed in Ratos's management and Board.

As part of good corporate governance, the holdings are expected to have a continuous process for identifying, assessing and managing

RECOMMENDED RISK MANAGEMENT PROCESS FOR RATOS'S SUBSIDIARIES



1 IDENTIFICATION – Ratos recommends a broad process where all relevant operational and strategic areas are covered, in order to identify the companies' biggest risks. Each holding should identify and discuss risks at a suitable level in the organisation in a company-adapted process.

2 CLASSIFICATION – classification and ranking of identified risks, for example based on probability, degree of impact, type of risk and time perspective.

3 MANAGEMENT – a plan for how identified risks should be managed should be drawn up with activities and means to eliminate/reduce/monitor the risk and specifying who is responsible.

4 REPORTING – the risk assessment and management plans should be presented and discussed in each company's board at least once a year.

5 REPORT TO OWNER – a report which summarises the biggest risks at Ratos and the holdings is compiled and presented to Ratos's Board annually.



their risks. Each holding's CEO and management have operational responsibility for having an appropriate risk management process in place which is approved by the holding's board.

During the year Ratos worked to strengthen its subsidiaries' risk processes through clearer communication of expectations, requirements and responsibilities, which requires a structured effort. All subsidiaries' chairmen were asked in 2014 to confirm to Ratos's CEO that the company concerned has implemented an appropriate process for management of the holding's risks.

Ratos's greatest risks are summarised in the Director's report ► page 75.

Ratos supports the subsidiaries with proposals for structure, models, etc., for work with risk management, see illustration on the previous page.

Internal control of financial reporting

Internal control of financial reporting is based on how operations are conducted and how the Ratos organisation is built up. Each holding is independent of other holdings owned by Ratos and has a dedicated company team that consists of two Ratos employees, one of whom is responsible for the holding. The team works actively in the holdings' boards.

Internal control of financial reporting is designed to be appropriate in Ratos AB, as well as in the holdings, and is evaluated and decided by each board and management.

Authority and responsibility within Ratos are communicated and documented in internal guidelines, manuals, etc. This applies, for example, to the division of work between the Board and the CEO and other bodies set up by the Board, instructions for powers of authorisation, as well as accounting and reporting instructions. This also serves to reduce the risk of irregularities and inappropriate favouring of a third party at the company's expense.

Ratos's company teams evaluate reporting from the holdings from an analytical viewpoint. Performance and risks that are identified are communicated monthly by the person responsible for the holding to the CEO who where appropriate in turn reports to the Board. Ahead of an acquisition a due diligence assessment of the company is performed which includes an analysis of accounting effects, a review of capital structure and a financial risk analysis.

The holdings' application of IFRS in their reporting and how they comply with the principle choices Ratos has made are followed up in conjunction with the quarterly accounts. Ratos Accounts has prepared a guide for the holdings for their reporting for this purpose.

Accounts relating to acquisitions and investments, as well as major transactions and accounting issues, are also reviewed with Ratos's auditor. In parallel with the annual evaluation, which is described on ► page 83, impairment testing is performed for each holding.

Quality assurance for financial reporting

It is the opinion of the Board that the quality of a company's reporting is primarily determined by the organisation's competence in accounting matters as well as how the accounting, reporting and finance functions are staffed and organised. At Ratos, the entire investment organisation is deeply involved in reporting from the holdings. This means, that the quality of the accounting and reporting of the holdings is continuously examined and developed.

Ratos Accounts is organised and manned on the basis of the need to ensure that the Group maintains a high accounting standard and complies with IFRS and other standards within accounting. Working duties include preparing regular accounts mainly for the parent company, and preparing closing accounts for both the parent company and the Group. A total of seven people are employed within the function headed by the company's Finance Manager. The employees have long professional experience in financial control, reporting and accounting. The Debt Management function comprises one person with many years of experience of banking and finance issues.

Ratos's mission includes investing in and developing wholly or partly owned companies. The aim is not that these companies' systems and reporting should be integrated into the Ratos Group but resources are used for follow-up and development of financial reporting from subsidiaries and associates. Ratos's aim, as part of the value-creating work with the companies, is to create independent and high-quality organisations with a quality of financial reporting that corresponds to that of a listed company.

The process and its built-in controls are described on the opposite page.

PROCESS FOR FINANCIAL REPORTING



1 REPORTING FROM HOLDINGS

The holdings report according to a set timetable an income statement every month and a complete reporting package every quarter. The reporting package is designed in accordance with current legislation, rules and accounting practice. Reporting is entered directly into a group-wide electronic consolidated reporting system with built-in controls designed to assure quality. As guidance for this reporting, Ratos has prepared a reporting manual intended for the holdings that provides clear instructions on how reporting should be carried out. The holdings' accounting and finance functions are invited once a year to seminars organised by Ratos which mainly examine year-end reporting and regular reporting, but also topical issues within reporting, accounts and finance.

2 RATOS ACCOUNTS' CONTROL WORK

The material reported by the holdings is examined analytically and evaluated regarding completeness and accuracy and compliance with Ratos's accounting principles. In the event of any discrepancies the holding is contacted. In conjunction with reporting the financial information is sent to each company team.

3 THE INVESTMENT ORGANISATION'S ANALYSIS AND ASSESSMENT

The investment organisation analyses the material on the basis of the knowledge available on each holding. The material is checked to ensure that it agrees with information provided to the holdings' boards.

4 RATOS ACCOUNTS' PROCESSING AND CONSOLIDATION

Any deviations noted in reconciliation are corrected both in the legal consolidated financial statements and in the information presented at holding level following a dialogue with the holding concerned. Consolidation includes a number of reconciliation controls. Reconciliation includes contributions to total equity per holding and checking that changes in equity are in accordance with completed transactions.

5 REPORTING TO BOARD AND MANAGEMENT

Board and management receive at every quarterly closing extensive in-depth material about both the Group and the individual holdings. Ratos Accounts also prepares an analysis of results for Ratos's management on a monthly basis.

6 AUDIT

A review is performed of subsidiaries' closing accounts as per September (hard close) and as per December. A hard close is carried out in order to prepare and facilitate the audit of the complete report for the full year. In these periods the material reported in stage 1 is audited and approved by the auditor of each holding. The audit of consolidated financial statements takes place in parallel. A review is performed of associates.

7 TRAFFIC LIGHT SYSTEM/AUDIT

Ratos Accounts receives all the audit reports relating to the holdings which are followed up using a so-called "traffic light system" where any observations made by auditors on the holdings are graded and assigned a red, yellow or green light according to their significance and risk. These observations are then followed up both overall for one holding and within different areas, for example internal control and disputes. An assessment is also made if there are observations that should be followed up for the Ratos Group as a whole. A follow-up is performed three times a year in conjunction with a hard close, review of year-end accounts and in the Audit Committee meeting in August. All audit observations are followed up until they are graded green by Ratos Accounts.

8 AUDIT COMMITTEE'S ROLE

The Audit Committee receives a summary of the traffic light control, described above, as well as an audit report from Ratos's auditor. In conjunction with the September closing accounts and annual accounts, Ratos's auditor presents an oral audit report to the Audit Committee and there is then an opportunity for Ratos's Audit Committee to ask complementary questions. These meetings are attended by Ratos's CEO, Deputy CEO responsible for finance, administration and compliance as well as the CFO who then presents Ratos's own traffic light follow-up as well as certain other related issues.

9 EXTERNAL REPORTING

Ratos publishes its interim and year-end reports as well as an annual report through press releases and publication on the website. Earlier reports can be downloaded from the website. The Annual Report is printed in Swedish and English and sent to those who wish to receive it. In addition, financial information about the holdings is published on Ratos's website.

Board of Directors & CEO

Board's and CEO's holdings at 31 December 2014



Arne Karlsson

Non-independent Chairman of the Board since 2012. Non-independent Board member 1999-2012. CEO of Ratos 1999-2012.

MSc Econ. Born 1958, Swedish.

Chairman of Bonnier Holding, Ecolean, Einar Mattsson, the Swedish Corporate Governance Board, SNS (Centre for Business and Policy Studies) and the World's Children's Prize Foundation. Board member of AP Møller-Maersk, Bonnier and Fortnox. Member of the Swedish Securities Council. Formerly CEO of Atle Mergers & Acquisitions 1996-98, Head Analyst Atle 1993-98, President of Hartwig Invest 1988-93, Aktiv Placering 1982-88.

Shareholding in Ratos (own): 181,200 B shares.

Options in Ratos: 78,000 call options/2010, 200,000 call options/2011.



Lars Berg

Independent Board member since 2000.

MSc Econ. Born 1947, Swedish.

European Venture Partner in Constellation Growth Capital. Chairman of Net Insight. Board member of Norma Group (Frankfurt) and Tele2. Previously member of executive management of Mannesmann with special responsibility for the Telecom Division 1999-2000, President and CEO of Telia 1994-99 and Senior positions within Ericsson 1970-94.

Shareholding in Ratos (own and related parties): 20,000 B shares, 80 preference shares.



Staffan Bohman

Independent Board member since 2005.

MSc Econ. Born 1949, Swedish.

Chairman of CibesLift and Höganäs, Deputy Chairman of Rezidor Hotel Group, the Board of Trustees of SNS and the Swedish Corporate Governance Board. Board member of Atlas Copco and Boliden and member of the Royal Swedish Academy of Engineering Sciences.

Formerly President and CEO of Gränges and Sapa 1999-2004.

President and CEO of DeLaval 1992-99.

Shareholding in Ratos (own): 90,000 B shares.



Annette Sadolin

Independent Board member since 2007.

LL.B. Born 1947, Danish.

Board member of Blue Square Re NL, DSB, DSV, Ny Carlsberg Glyptotek, Skodsborg Kurhotel, Topdanmark and Østre Gasværk Teater. Formerly Deputy CEO of GE Frankona Ruck 1996-2004, CEO of GE Employers Re International 1993-96, Deputy CEO of GE Employers Re International 1988-93.

Shareholding in Ratos (own): 8,264 B shares.

SECRETARY TO THE BOARD

Until October 2014, lawyer Tore Stenholm, Tore Stenholm Advokatbyrå AB. Subsequently lawyer Ingrid Westin Wallinger, Ramberg Advokater AB, has been secretary to the Board.



Charlotte Strömberg

Independent Board member since 2014.

MSc Econ. Born 1959, Swedish.

Chairman of Castellum. Board member of Bonnier Holding, Boomerang, Intrum Justitia, Karolinska Institutet, Skanska and Rezidor Hotel Group.

Formerly CEO of Jones Lang LaSalle Nordic. Executive positions in Carnegie Investment Bank and Alfred Berg/ABN AMRO.

Shareholding in Ratos (own and related parties): 10,000 B shares, 100 preference shares.



Jan Söderberg

Non-independent Board member since 2000.

MSc Econ. Born 1956, Swedish.

Chairman of Söderbergföretagen and My Big Day. Board member of Blinkfyrar, Elisolation, Henjo Plåtteknik, NPG and Smelink. Member of the Lund School of Economics Management Advisory Board and the Ragnar Söderberg Foundation.

Shareholding in Ratos (own and related parties): 14,973,776 A shares, 416,800 B shares, 6,600 preference shares.

CEO



Per-Olof Söderberg

Non-independent Board member since 2000.

MSc Econ. MBA Insead. Born 1955, Swedish.

Chairman of Byggdialog, Inkludera Invest and Söderberg & Partners. Board member of the Stockholm School of Economics Association, Stockholm Chamber of Commerce, Stockholm City Mission, among others.

Formerly CEO of Dahl 1990-2004.

Shareholding in Ratos (own and related parties): 16,705,964 A shares, 18,000 B shares, 90 preference shares.



Susanna Campbell

Not a member of the Board.

CEO of Ratos since April 2012.

MSc Econ. Born 1973, Swedish.

No significant assignments outside Ratos.

Employed by Ratos since 2003. McKinsey & Company 2000-03.

Alfred Berg Corporate Finance 1996-2000

Shareholder in Ratos (own): 19,000 B shares.

Options in Ratos: 39,000 call options/2010, 40,000 call options/2011, 150,000 call options/2012, 90,000 call options/2013, 100,000 call options/2014.

AUDITOR

At the 2014 Annual General Meeting the auditing firm PricewaterhouseCoopers AB with authorised public accountant Peter Clemedtson as Senior Auditor, was elected for the period until the 2015 Annual General Meeting has been held.