



# Annual Report with Sustainability Report 2011

**postnord**

# Corporate governance report



## Contents

Governance of PostNord.....	48
Annual General Meeting .....	50
Board of Directors.....	51
Group Management.....	55
Auditors .....	58
Internal governance and control of financial reporting.....	59
Universal service obligations.....	61

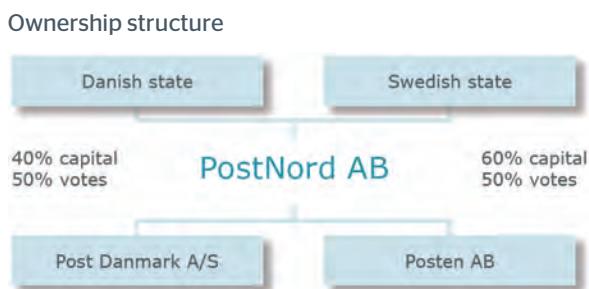
# Governance of PostNord

PostNord's overall goal is to create long-term value for its owners and other stakeholders and to ensure the fulfillment of its universal service obligations. One prerequisite for this is well-functioning corporate governance.

Characteristics of good corporate governance include a clear ownership structure and well-appointed Board of Directors as well as efficient processes and carefully prepared risk management. This Corporate Governance Report describes PostNord's corporate governance from this perspective, and has been prepared in accordance with the Companies Act, the Annual Reports Act and the Swedish Code of Corporate Governance.

## Ownership structure

PostNord AB (publ), corporate identity number 556771-2640, is a Swedish corporation owned 40% by the Danish state and 60% by the Swedish state. PostNord AB is the parent company of the PostNord Group. Votes are allocated 50/50 between the Danish and Swedish states.



## Governance structure

The highest decision-making bodies within PostNord are:

- The Annual General Meeting
- The Board of Directors
- The President and Group CEO assisted by group and executive management

The owners jointly nominate the Chairman of the Board and other Board members, propose directors' fees and nominate the AGM chairman and external auditors. The AGM is PostNord's highest decision-making body.

The Board of Directors holds overall responsibility for organization and administration of the company, through continuous monitoring and control of the operations. The Chairman of the Board leads the Board's work. The Audit and Compensation Committees assist the Board in these efforts.

PostNord's President and CEO is responsible for and manages the day-to-day management of the group based on the Board's guidelines and instructions. The President and CEO is assisted by group management and by an executive

management team comprised of members of group management.

The company's auditor is selected by the AGM and examines the Annual Report and Consolidated Financial Statements, the Board's and CEO's administration and the annual reports of subsidiaries, and produces an auditor's report. PostNord's internal audit function evaluates the company's internal governance and control.

## Corporate governance principles

As per agreement of PostNord's owners, PostNord's corporate governance is governed by Swedish law.

In addition to the below-referenced laws and statutes, the following corporate governance principles are applied (available at [www.regeringen.se](http://www.regeringen.se) and [www.fm.dk](http://www.fm.dk)):

- *Swedish state's ownership policy*

The ownership policy includes guidelines for external reporting and guidelines for terms of employment for executives. The ownership policy specifies that the Swedish Code of Corporate Governance ("the Code") shall be applied. PostNord shares are not listed on the stock exchange. According to the ownership policy, PostNord's Board of Directors is responsible for ensuring that the company produces annual, interim and year-end reports in accordance with the OMX Nordic Exchange listing agreement rules, and in accordance with applicable accounting legislation and generally accepted accounting practices. This also means that PostNord shall produce a corporate governance report that includes a report on the internal governance and control of financial reporting.

- *Board of Directors' Responsibility in State-owned Companies (Swedish state)*
- *Staten som aktionær (den danske stat).*

## Rules and regulations affecting the governance of PostNord

### External rules and regulations

- Danish and Swedish states' owner directives
- Swedish Companies Act
- Swedish state's ownership policy and guidelines for state-owned companies and Danish state's ownership principles (The State as Shareholder)

- Swedish Code of Corporate Governance
- Board of Directors' Responsibility in State-owned Companies (Swedish state)
- NASDAQ OMX Stockholm's issuer regulations
- Swedish Annual Reports Act
- International Financial Reporting Standards, IFRS
- Specific legislation, regulations, concessions and licensing terms concerning universal service obligations in Denmark and Sweden
- Laws and regulations in countries concerned
- Global Compact

### Internal rules and regulations

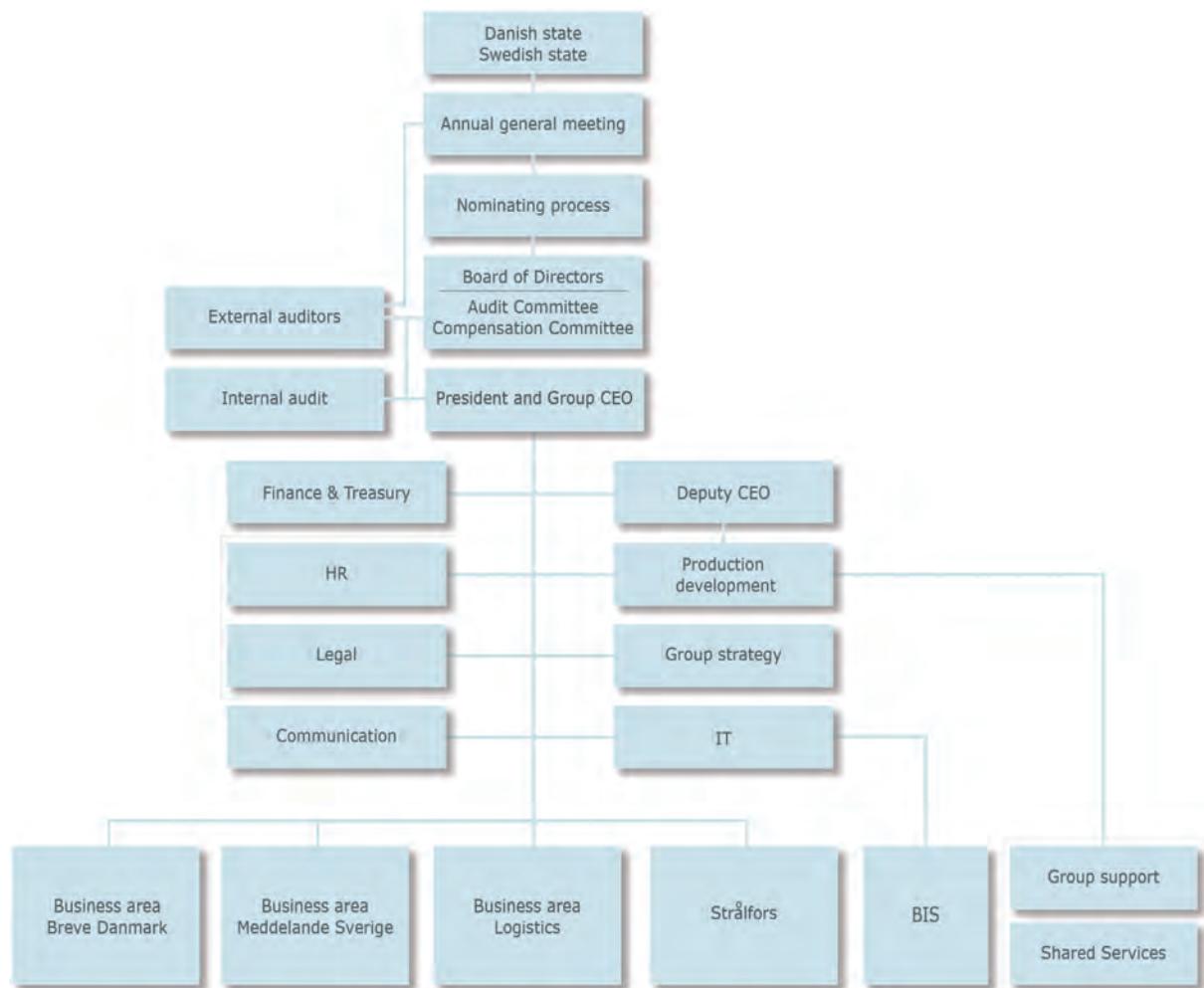
- By-laws
- Rules of procedure for the Board of Directors
- Board of Director's instructions to the CEO
- Delegated authorities
- Code of Conduct and policy documents
- Financial Accounting Manual
- Formal work plans of the Audit Committee and Compensation Committee
- Framework for internal governance of control of financial reporting

### Deviations from the Code

PostNord applies the Swedish Code of Corporate Governance, with the exception of the following Code provisions:

- Chapter 2 requirement for nominating committee. PostNord does not have a nominating committee, as the nomination and appointment of Board members is performed in accordance with the principles agreed upon by the owners. Nominations are made in cooperation with the owners.
- Chapter 4.5 requirement for board members' independence from owners. Protection for minority owners is not relevant to the governance of PostNord, which has only two owners. The reporting of board members' independence is therefore not relevant.
- Chapter 9.7 requirement for AGM resolution on share- and share price-related incentive programs. The rules concerning share-related incentive programs are not applicable, as the Danish and Swedish states together own 100% of the company's shares.

### Governance structure



# Annual General Meeting

Under the terms of the Companies Act, the AGM is the company's highest decision-making body. The Swedish Ministry of Finance and the Danish Ministry of Transport vote on behalf of the Swedish and Danish states at PostNord's Annual General Meeting. Each state nominates four Board members.

AGM resolutions are normally made by simple majority. In certain issues, however, the Companies Act and PostNord's by-laws stipulate that motions must be seconded by a higher proportion of the shares represented and votes cast.

The Board of Directors is responsible for providing notification of time and place of the AGM. A Notice of Annual General Meeting is advertised and is provided in PostNord's Annual Report and on the group website. Members of the Swedish and Danish Parliaments and the general public are invited to attend and ask questions at the AGM.

## 2011 Annual General Meeting

PostNord's 2011 Annual General Meeting was held on April 15, 2011. The AGM made the following resolutions:

- To adopt the income statement and balance sheet and consolidated financial statements.
- To distribute a dividend to the owners, in accordance with the Board and CEO's proposal, of SEK 0.50 per share, totaling SEK 1 billion.
- To discharge the Board and Directors and the CEO from liability for financial year 2010.
- To approve the proposed guidelines for compensation and other terms of employment for executives.
- That the Board of Directors shall be comprised of eight AGM-elected Board members and no deputy members.
- To reelect all Board members: Fritz H. Schur, Mats Abrahamsson, Ingrid Bonde, Gunnel Duveblad, Bjarne Hansen, Torben Janholt, Anne Birgitte Lundholt and Richard Reinius. To re-elect as Chairman of the Board Fritz H. Schur.
- To approve the proposals concerning Board member remuneration covering the period through the 2012 AGM. Board and Committee remuneration shall not be paid to members employed by the Swedish Government Offices. Auditor fees shall be paid upon invoice approval. To adopt economic targets for parent company.
- To amend the company's by-laws, including change of the company name to PostNord AB.

The complete minutes of the 2011 AGM are published on the group's website: [www.postnord.com](http://www.postnord.com)

## 2012 Annual General Meeting

PostNord's 2012 Annual General is planned for April 20, 2012 at 11:00 A.M. Information on date and time is published on the group's website: [www.postnord.com](http://www.postnord.com).

Notice of Annual General Meeting is published in Post och Inrikes Tidningar (the Swedish Official Gazette) and in Dagens Nyheter. Notification of the time and place of the AGM is also sent to the central offices of the Danish and Swedish Parliaments in conjunction with the issuance of the notice. AGM minutes are published as soon as they have been verified.

The public and members of the Swedish and Danish Parliaments can register via e-mail to attend the AGM at [ir@posten.se](mailto:ir@posten.se).

## Proposed guidelines for executive compensation

The Board of Directors proposes no changes to the guidelines adopted by the 2011 Annual General Meeting.

Total compensation for executives shall be well balanced, competitive, reasonable, appropriate, subject to a salary ceiling and shall promote good ethics and a good corporate culture. Compensation shall not market leading in relation to comparable companies, but shall be characterized by moderation.

Pension provisions for executives in Sweden should not exceed 30% of monthly salary. Employment contracts stipulate a retirement age of either 62 or 65. The notice period should not exceed twelve months in the event the employer terminates the employment contract and should not exceed six months if the employee terminates the employment contract. If the employer terminates the contract, the employee may receive severance pay equal to a maximum of twelve months' salary. Income earned from subsequent employment or comparable business activities during the period of notice should be deducted from the aforementioned severance package.

For executives employed in accordance with Danish labor law, full premium-based pensions are applied and the retirement age is determined pursuant to Danish labor law.

# Board of Directors

The Board of Directors holds overall responsibility for the organization and management of the company through regularly monitoring the business and ensuring appropriate organization, management, guidelines and internal controls. The Board decides on strategies and targets and makes decisions on major investments, acquisitions and divestment of operations.

## Composition of the Board

The Board is appointed by the AGM, which has determined that the Board shall be composed of eight AGM-elected Board members and no deputies. The Board also includes three employee representatives and their three deputies. The Swedish state's ownership policy prescribes that each gender shall have at least 40% board representation. The female/male distribution of PostNord's Board of Directors was 37.5%/62.5% in 2011.

## Board of Director's actions

### Working methods

The Board of Directors annually establishes rules of procedure regulating matters such as the Chairman's duties, information to the Board and the roles and responsibilities of the CEO and Board members. There is no other division of board tasks among board members than the committees presented in this report.

The Chairman of the Board is elected by the AGM, supervises the Board's work and is responsible for ensuring that this work is well-organized and carried out effectively. This includes the regular monitoring of the company's operations in dialogue with the CEO and making certain that other Board members receive the information and documentation necessary to ensure high quality discussions and Board decisions. The Chairman leads evaluation of the Board and CEO's work. The Chairman also represents the company in issues of ownership.

The CEO and other company officials participate in Board meetings in reporting or administrative capacities. Viveca Bergstedt Sten served as secretary to the Board of Directors through November 1, 2011; Palle Juliussen filled this role after that date.

### Board meetings and issues in 2011

The Board held five ordinary meetings and one statutory meeting in 2011. The Board's duties include the production of interim, year-end and annual reports. The Board dealt with these issues in 2011. The CEO presented the financial and market situation at all board meetings. Also during 2011, the Board adopted a new corporate strategy and a business plan

for 2012–2014. The Board regularly dealt with Audit and Compensation Committee reports and reports on internal control and financial affairs. The company's auditor reported on the year's audit work and the Board discussed these issues.

### Board meetings 2011

Date of meeting	Main topic	Additional key issues
02-23-2011	2010 annual financial statements	The PostNord brand Acquisition of Eek Transport AS
04-15-2011	Statutory board meeting	
05-17-2011	Interim Report	Production structure, Meddelande Sverige Merger of Swedish and Danish stamp production
08-29-2011	Interim Report	Investments in machinery for new Meddelande Sverige mail terminals New organization and management structure
11-08 & 09-2011	Interim Report	Strategic situation and options
12-13-2011	Business plan 2012–2014	Principles for CEO and executive compensation

### Board attendance 2011

Board member	Number of board meetings	Number of Audit Committee meetings	Number of Compensation Committee meetings
Fritz H. Schur	6/6	-	3/3
Mats Abrahamsson	6/6	-	3/3
Ingrid Bonde	6/6	-	3/3
Gunnel Duveblad	6/6	5/5	-
Bjarne Hansen	6/6	4/5	-
Torben Janholt	4/6	-	3/3
Anne Birgitte Lundholt	6/6	4/5	-
Richard Reinius	5/6	5/5	-
Lars Chemnitz	5/6	-	-
Alf Mellström	6/6	-	-
Kjell Strömbäck	5/6	-	-

## Audit Committee

The Audit Committee is tasked with preparing the Board to perform its duties of supervising and assuring the quality of the group's financial reporting. The Committee supervises the effectiveness of the company's internal governance and control as well as risk management systems and processes with regard to financial reporting. The Committee's formal work plan is established by the Board. The Audit Committee has no decision-making authority.

The Committee also assists the owners in selecting auditors. The Audit Committee, in addition to reporting to the Board on its efforts, regularly reviews the auditors' reports and determines whether the auditors are performing their task independently, objectively and cost-efficiently. The Audit Committee is the principal of the internal audit and its monitoring of internal governance and control, and remains apprised of internal audit reports.

The Committee is comprised of at least three Board members and meets at least four times per year. The company's external auditors participate in meetings(s) at which the year-end report, annual report and auditor's report are presented, as well as when they are needed for assessment of the group's financial position. The Committee chair is responsible for continually apprising the Board of the Committee's activities.

Audit Committee members were Gunnar Duvéblad (chair), Bjarne Hansen, Anne Birgitte Lundholt and Richard Reinius.

The Audit Committee met five times in 2011 and dealt with topics including:

- Implemented reviews of internal audit of full-year report, semi-annual report and quarterly reports
- Group auditor's reporting on year-end audit
- Supervision of financial reporting and effectiveness of PostNord's internal governance and control
- Supervision of risk management systems and processes

## Compensation Committee

The Compensation Committee is tasked with preparing and presenting proposals to the Board regarding compensation and other benefits for corporate management and remuneration principles for external directors serving on the boards of group subsidiaries. The Compensation Committee has no decision-making authority.

The Compensation Committee is comprised of at least three members. The Chairman of the Board chairs the Committee. The Committee meets at least twice per year. The Committee chair is responsible for regularly apprising the Board of the Committee's activities.

Compensation Committee members were Fritz H. Schur (chair), Mats Abrahamsson, Ingrid Bonde and Torben Janholt.

The Compensation Committee met three times in 2011 and dealt with topics including:

- Compensation and other provisions for executives
- Pension provisions for executives
- Specific issues regarding compensation for members of group management

## Compensation at PostNord

Decisions on compensation for the President and CEO are made by the Board of Directors. The Board deals with compensation issues through the Compensation Committee.

Salaries and wages for PostNord employees shall conform to market conditions. The CEO's employment terms are determined by the Board after preparation by the Compensation Committee. For additional details on compensation for executives, see Note 5, Employees, Personnel Expenses and Executive Compensation, in the consolidated financial statements.

Guidelines on executive compensation adopted by the 2011 AGM are presented in the group's 2010 Annual Report.

## Evaluation of Board and CEO actions

The Board conducts an annual evaluation of its own actions. The evaluation is carried out via a questionnaire and through discussions between the Chairman of the Board and Board members. Areas evaluated include the manner in which important decisions are prepared, discussed and managed; whether the right issues are brought up by the Board; the integrity of supporting documentation; and how well decisions and discussions are recorded in the minutes. Verbal and written feedback is provided to Board members.

The Board regularly evaluates the CEO's work by monitoring the business's progress toward set targets. A formal evaluation is performed once per year and is discussed with the CEO.

## Board members' remuneration

Remuneration for Board members was determined by the AGM held in April 2011. Remuneration for each elected Board member for the period through the next AGM is SEK 250,000, while the Chairman's remuneration is SEK 600,000. Members of the Audit Committee are paid SEK 50,000, while the chair receives SEK 62,500. Members of the Compensation Committee are paid SEK 25,000, while the chair receives SEK 37,500. Board and Committee member remuneration is not paid to members employed by the Government Offices.

## PostNord Board of Directors

**Fritz H. Schur**

Born 1951.  
B.Sc. in Economics and Business Administration.  
Chairman of the Board since April 2009. Chairman of Compensation Committee since 2009.  
Chamberlain and Consul-General. CEO or chairman of the board of Fritz Schur Group companies.  
Chairman of the board of DONG Energy A/S, F. Uhrenholt Holding A/S, SAS AB and C.P. Dyrvig & Co. A/S. Vice-chairman of Brd. Klee A/S.

**Mats Abrahamsson**

Born 1960.  
PhD (Tech).  
Board member since August 2009.  
Member of Compensation Committee since 2009.  
Professor at Linköping University.  
Board member of Dixma Consultant AB.

**Ingrid Bonde**

Born 1959.  
Master of Business Administration.  
Board member since August 2009.  
Member of Compensation Committee since 2009.  
CEO of AMF.  
Board member of the Center for Business and Policy studies (SNS).

**Gunnel Duveblad**

Born 1955.  
Systems Engineer.  
Board member since August 2009.  
Chair of Audit Committee since 2009.  
Board member of, inter alia, HiQ International AB, Stiftelsen Ruter DAM, Sweco AB and Aditro AB.

**Bjarne Hansen**

Born 1940.  
BSc (Shipping). PMD (Harvard Business School).  
Board member since August 2009.  
Member of Audit Committee since 2009.  
Partner, WingPartners IS.  
Chairman of the board of Billund Lufthavn A/S, Bel Air by Lastein A/S and subsidiaries, and PMG Construction A/S.  
Board member of F. Uhrenholt Holding A/S, Bacher Work Wear A/S, Newco AEP A/S, O.W. Bunker and Trading A/S, Ove Wrist A/S, Monali Aps, Eva Vind K/S, Torvegade K/S.  
Director, Rosenborg Partners Aps.  
Director, Bjarne Hansen Aps.

**Torben Janholt**

Born 1946.  
Bachelor of Commerce.  
Board member since August 2009.  
Member of Compensation Committee since 2009.  
CEO of J Lauritzen A/S.  
Board member of A/S United Shipping & Trading Company, Danmarks Rederiforening, European Community Shipowners' Association. Chairman of the board or board member of several Lauritzen Group companies.



**Anne Birgitte Lundholt**

Born 1952.  
BSc (foreign trade) and Master of Political Science.  
Board member since April 2009.  
Member of Audit Committee since 2009.  
Ambassador-at-Large, Danish Ministry of Foreign Affairs.  
Chairman of the board of Naviair, FOF Danmark and Bornholms Erhvervsfond. Board member of Svaneke Bryghus A/S.



**Richard Reinius**

Born 1967.  
Master of Business Administration.  
Board member from April 2009 through February 2012. Member of Audit Committee from 2009 through February 2012.

#### Employee representatives



**Lars Chemnitz**

Born 1957.  
Union representative appointed by 3F.  
Board member since January 2010.



**Alf Mellström**

Born 1956.  
Union representative appointed by Union of Service and Communication Employees (SEKO).  
Board member since August 2009.  
Employed by Posten since 1978.



**Kjell Strömbäck**

Born 1950.  
Union representative appointed by Union of Civil Servants (ST).  
Board member since August 2009.  
Employed by Posten since 1968.  
Board member of ST.

#### Deputy employee representatives

**Peder Madsen**

Born 1953.  
Union representative.  
Deputy employee representative since January 2010.  
Employed by Post Danmark since 1990.

**Isa Merethe Rogild**

Born 1949.  
Union representative.  
Deputy employee representative since August 2009.  
Board member of Post Danmark A/S since 1995. Employed by Post Danmark since 1966.

**Anne Marie Ross**

Born 1951.  
Union representative appointed by Union of Service and Communication Employees (SEKO).  
Deputy employee representative since August 2009.  
Employed by Posten since 1971.  
Ordinary board member of SEKO.

# Group Management

The Board of Directors is responsible for appointing and dismissing the CEO. Group management is appointed by and assists the CEO. The CEO leads the work performed by group management and the executive team. The CEO is responsible for the day-to-day management of the company and the group in accordance with the Board's guidelines and instructions.

The relationship between the Board and the CEO is regulated by the rules of procedure and the Board's instructions to the CEO. Lars Idermark has been PostNord's President and CEO since March 1, 2011.

Changes were made to the group's management structure during the third quarter of 2011, aimed at improving maneuverability and earnings focus. Two group functions were phased out. Two new positions were established: Executive Vice President and Deputy CEO, and Vice President of Corporate Strategy. A unit for Production Development including Corporate Support & Shared Services was established.

An executive team was also established. The executive team will focus on making decisions on and prioritizing strategic business-critical issues, ensuring the implementation of approved business strategies and identifying, initiating and monitoring business-critical group initiatives.

PostNord's executive team and group management are jointly responsible for ensuring that the group's business is developed to the maximum possible extent and is in line with the direction established by the Group Board of Directors.

PostNord's executive team is comprised of:

- Lars Idermark, President and CEO
- K.B. Pedersen, Executive Vice President and Deputy CEO
- Mats Lönnqvist, Executive Vice President and CFO
- Palle Juliussen, HR Director and General Council
- Head of Corporate Strategy (recruitment underway)

Following the changes, PostNord's group management is comprised of:

- The executive team
- Andreas Falkenmark, Head of business area Meddelande Sverige
- Finn Hansen, Head of business area Breve Danmark
- Henrik Höjsgaard, Head of business area Logistics
- Per Samuelson, Head of Strålfors
- Johanna Allert, Head of Production Development including Group Support & Shared Services
- Per Mossberg, Director of Corporate Communications
- Joss Delissen, CIO

## PostNord Group Management



**Lars Idermark**

Born 1957.  
Master of Business Administration.  
President and CEO since 2011.  
Previous positions: President and CEO of KF, CEO of the Second AP Fund, Executive Vice President and Deputy CEO of FöreningsSparbanken AB/Swedbank, Executive Vice President and CFO of Föreningsbanken AB, President and CEO of LRF Holding AB.  
Chairman of the Board of Swedbank AB. Board member of Chalmers University of Technology.



**K. B. Pedersen**

Born 1948.  
Trained at the Danish Post and Telegraph Service.  
Executive Vice President and Deputy CEO since 2011. Member of executive team. Member of group executive management since 2009.  
Previous positions: Executive Vice President and Head of group function Operations Development, Deputy CEO of Post Danmark A/S and P&T.  
Board member of De Post-La Poste (Belgium) and e-Boks A/S.



**Mats Lönnqvist**

Born 1954.  
Master of Business Administration.  
Executive Vice President and CFO since November 2011. Member of executive team. Member of group executive management since 2011.  
Previous positions: Executive Vice President and CFO of SAS, CFO of Eniro, senior investment manager at Ratos, Executive Vice President and CFO of Esselte, Executive Vice President and CFO of Biacore and CFO of Securum.  
Board member of Intellecta AB, Relacom AB, Biolin Scientific AB, Camfil AB, Spendrups Bryggeri AB, Østasiatiske Kompagni A/S, Bordsjö Skogar AB, Oracon AB and other companies.



**Joss Delissen**

Born 1963.  
Master of Business Administration.  
Senior Vice President and Chief Information Officer since 2009.  
Member of group executive management since 2009.  
Previous positions: CIO of Posten AB and various positions at Unilever, most recently as Director of Solutions Architecture.



**Andreas Falkenmark**

Born 1955.  
Master of Laws.  
Senior Vice President and Head of business area Meddelande Sverige since 2009.  
Member of group executive management since 2009.  
Previous positions: President of Posten Meddelande AB, CEO of NK Förvaltnings AB, CEO of Duka AB, CEO of Coop Sverige AB, CEO of Observer Northern Europe.



**Finn Hansen**

Born 1956.  
Master of Science.  
Senior Vice President and Head of business area Breve Danmark since 2009.  
Member of group executive management since 2009.  
Previous positions: Deputy Director of Distribution, Deputy Director of Mail Production and Transport, various management positions at Post Danmark A/S.

**Johanna Allert**

Born 1975.  
Master of Engineering.  
Senior Vice President and Head of Production Development including Group Support & Shared Services since 2011.  
Member of group executive management since 2011.  
Previous positions: head of development, group function Operations Development.

**Palle Juliussen**

Born 1948.  
Master of Laws.  
Senior Vice President and HR Director and Director Legal Affairs since 2011.  
Member of executive team. Member of group executive management since 2009.  
Previous positions: member of Post Danmark A/S general management with HR as area of responsibility, Director of Tele Danmark.

**Per Mossberg**

Born 1953.  
BSc (Econ.)  
Senior Vice President and Head of Group Communications since 2009.  
Member of group executive management since 2009.  
Previous positions: Head of Corporate Communications at Posten AB, partner at JKL AB, Executive Vice President of Telia AB, Senior Vice President at Trygg-Hansa SPP AB, Nobel Industries and Bofors AB, CEO of Näringslivets EU-fakta and Näringslivets Ekonomifakta.

**Henrik Höjsgaard**

Born 1965.  
Studied economics.  
Senior Vice President and Head of business area Logistics since 2009.  
Member of group executive management since 2009.  
Previous positions: CEO of Posten Logistik AB, ship broker in Denmark, the UK and Hong Kong, head of TNT International Express in Denmark, CEO of TNT International Express in Sweden, President and CEO of Busslink in Sweden, CEO of Keolis Nordic AB.

**Per Samuelson**

Born 1957.  
Master of Business Administration.  
President of Strålfors since 2009.  
Member of group executive management since 2009.  
Previous positions: CEO of Strålfors AB, lecturer at Stockholm School of Economics and IFL and various positions within the Perstorp and PLM groups, most recently as divisional manager and member of PLM's group management.  
Board member of BTJ Group AB, Chamber of Industry and Commerce of Southern Sweden and Aniagra.

## Auditors

Ernst & Young AB is the appointed auditor, with authorized public accountant Lars Träff as the managing auditor. The auditors meet with the Board at least once per year and also participate in a number of Audit Committee meetings. In 2011,

the Board met with the auditors during one board meeting, during which Board members were able to present questions to the auditors.

See also Note, Audit Fees and Reimbursement of Expenses.

# Internal governance and control of financial reporting

The Board of Directors is responsible for ensuring that internal governance and control is regulated primarily by the Swedish Companies Act. This responsibility is specified by PostNord in the rules of procedure, where internal governance and control is defined as a process by which the Board, the CEO and employees provide a reasonable level of assurance for the reliability of financial reports. Financial reporting includes interim reports, year-end reports and the major portion of annual reports.

## Framework

PostNord's framework for internal governance and control is based on the framework developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). Internal governance and control constitute an integrated part of the business and is divided into a number of control areas based on targets for the group's operations.

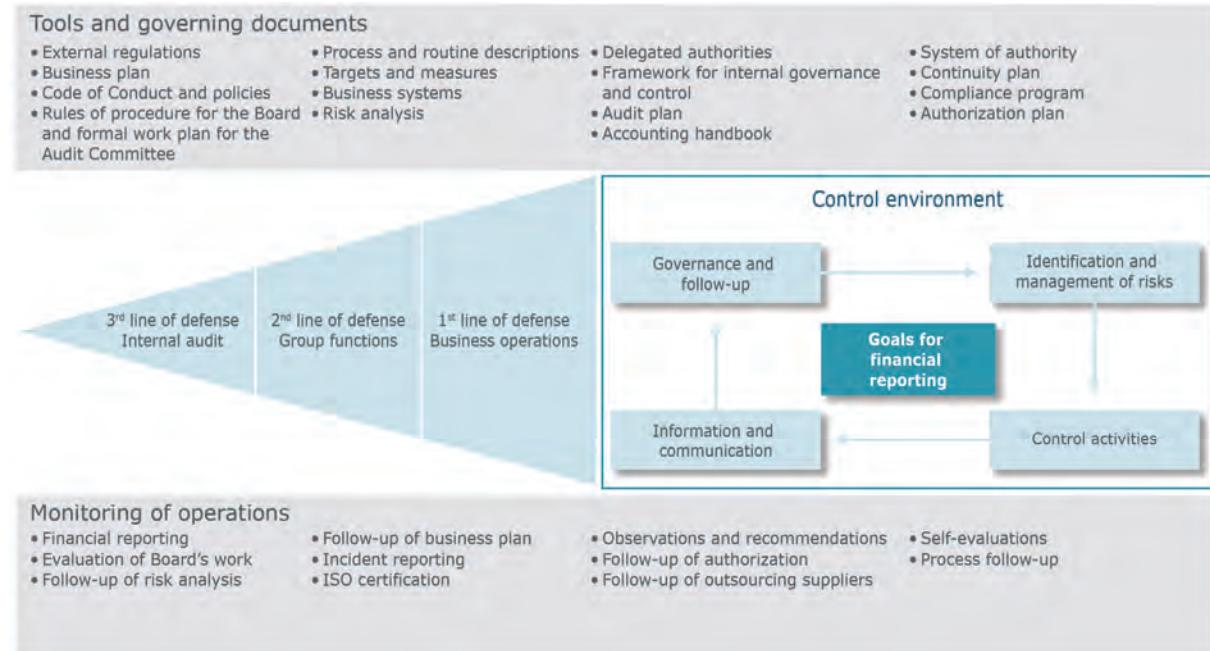
The group utilizes a "three lines of defense" model to illustrate the way in which responsibility for internal governance and control has been organized. The first line of

defense is the management of PostNord's business operations, which are responsible for identifying and managing operational risks within their own areas of responsibility.

The second line of defense – several governance and control functions that make up PostNord's group functions – has the task of supporting the first line of defense. Group functions are also authorized to issue group-wide rules and guidelines within their own functional areas of responsibility and are responsible for monitoring compliance thereto. These rules and guidelines are meant to ensure that applicable laws and regulations are observed and that the business is managed in such a way as to achieve established goals. The second line of defense may also conduct its own inspections and take steps to identify and manage any risks and errors that may have gotten by the first line of defense.

The third line of defense is the independent review and control function comprised of the group's internal audit, tasked with examining the effectiveness and reliability of the group's internal governance and control.

## Internal governance and control at PostNord



## Control environment

A good control environment is ensured by, among other things, clearly defining and communicating details about the organization, decision-making paths and allocation of authority within the group.

The Board's work and responsibilities are governed by the Board's rules of procedure. The Audit Committee is

responsible for preparing the Board to monitor and assure the quality of the group's financial statements. The Committee oversees the effectiveness of the company's internal governance and control as well as risk management systems and processes concerning financial reporting. The Committee's work helps ensure that reporting is



accurate and reliable through measures including regular discussions with PostNord's management and external auditors and the examination of accounting principles applied and accounting issues that are brought to the Committee's attention.

The duties and powers of the President and CEO are governed by instructions established by the Board of Directors. Decision-making authority within the group is governed by delegated authorities, which is based on the delegation of responsibilities established by the Board in its rules of procedure. The delegated authorities set forth the decision-making authority delegated by the CEO to the managers who report to him. These managers may then further delegate their decision-making authority within their respective areas of responsibility.

Documents of importance are jointly signed by authorized signatories designated by the Board. PostNord has an internal audit function tasked with examining the effectiveness of internal governance and control. This is performed regularly in accordance with an annual audit plan adopted by the Audit Committee. The function reports to the Board and to the CEO.

PostNord applies the ownership policy of the Swedish state, and this constitutes a major portion of the control environment. In addition, the group has a Code of Conduct and various policy documents that are also part of the control environment.

## Identification and management of risks

In 2011 PostNord's operations were guided by a target picture covering four target areas: employees, processes, customers and owners. Internal governance and control is based on analyses conducted by group companies and units of risks that the company's established targets will not be attainable. Risk analysis results are dealt with on a regular basis by the Audit Committee and the Board, which evaluate and monitor financial reporting risks.

See also the Risk and Risk Management section.

## Control activities

The group conducts control activities to eliminate or limit the occurrence or effects of identified risks.

These activities include rules covering decision-making and authorization, verification, compliance, manual and programmed controls, and the effective division of duties and responsibilities in processes and routines. Governing documents and processes concerning accounting and financial reporting provide additional assurance of accurate and reliable reporting. These documents and processes are updated by the group's finance and treasury function when amendments are made to legislation, accounting rules, reporting requirements, et cetera.

The Shared Services unit delivers accounting, finance administration, customer invoicing, supplier payments and payroll services to the group's central operations. In Sweden, these services are delivered via partners. Shared

Services ensures that outsourced services are delivered with high quality to the consuming units. Delivery quality is ensured through the monitoring of partners' internal control activities and reporting on the achievement of agreed service levels and quality criteria to the cooperation forum.

The group's finance and treasury function is responsible for group accounts and consolidated financial statements and for the group's common business system, SAP. This responsibility includes regular analyses of the financial results of the business operations and group functions. The financial statement and reporting processes include controls for reporting, valuation, disclosure requirements and application of accounting principles.

## Information and communication

The Swedish state's ownership policy specifies guidelines, which PostNord follows, for external reporting applicable to state-owned companies.

The group's Financial Accounting manual and supplementary internal guidelines for accounting and closing procedures are regularly updated and are communicated to relevant employees via the group's intranet and other channels.

The Board and the Audit Committee receive financial reports on the group's position and earnings trends on a regular basis, and examine all quarterly accounts and group annual reports before they are published.

Information to the group's external stakeholders is communicated on an ongoing basis through press releases and PostNord's website. Financial reporting is also made directly to the Danish and Swedish owners.

## Governance and monitoring

PostNord's business activities are reported and evaluated monthly based on business objectives. PostNord's financial situation is discussed at each board meeting. Board committees play important roles in terms of compensation, financial reporting and internal governance and control.

The Audit Committee receives regular reports from the group's external and internal auditors. The Audit Committee monitors that action is taken to improve internal governance and control in view of the auditors' observations and recommendations.

All companies and group functions conduct annual assessments of the internal governance and control of financial reporting. A selection of companies and units are visited annually in order to verify the reliability of the self-assessments. Results are compiled by PostNord's unit for internal governance and control and self-assessment results are presented to the Audit Committee, the Board, business operations and group functions.

Based on the self-assessment responses received for 2011, the internal governance and control of financial reporting is deemed to function satisfactorily within the group.



**postnord**  
[www.postnord.com](http://www.postnord.com)