

Annual Report 2013



Corporate Governance

71	Governance of PostNord
75	Annual General Meeting
76	Board of Directors
80	Group Executive Team
83	Internal governance
85	Universal service obligations

Governance of PostNord

PostNord aspires to generate long-term value for its owners and other stakeholders and to ensure the fulfillment of its universal service obligations on commercial grounds. One prerequisite for this is well-functioning corporate governance.

Characteristics of good corporate governance include a clear ownership structure and an effective, 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 PostNord Group. Votes are allocated 50/50 between the Danish and Swedish States.

Key principles and regulations affecting the governance of PostNord

External rules and regulations

- Swedish Companies Act.
- Swedish State's ownership policy and guidelines for state-owned companies and Danish State's ownership principles (The State as Shareholder)¹⁾.
- Swedish Code of Corporate Governance.
- NASDAQ OMX Stockholm's regulations for issuers.
- Swedish Annual Accounts Act.
- International Financial Reporting Standards, IFRS.
- Other relevant legislation.
- UN Global Compact.

¹⁾ Available at www.regeringen.se and www.fm.dk.

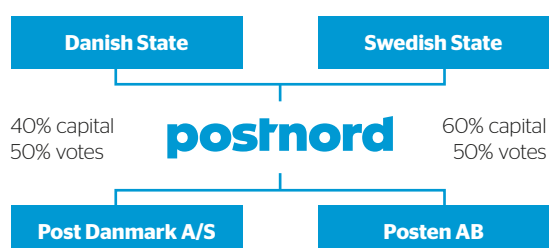
External postal regulations

- UPU Convention.
- EU Postal Directive.
- Postal Services Act (Sweden).
- Postal Ordinance (Sweden).
- Licensing terms for Posten AB (Sweden).
- Laws and ordinances on electronic communication (Sweden).
- Post Danmark A/S Act (Denmark).
- Postal Operations and Postal Services Act (DK).
- Postal Services and Postal Operations Ordinance (Denmark).
- Ordinance on fees under the Postal Act (DK).
- Ordinance on compensation scheme for USO financing (DK).
- Individual license for Post Danmark A/S (Denmark).
- Accounting Regulations for Post Danmark A/S (Denmark).

Internal rules and regulations

- By-laws.
- Rules of procedure for the Board of Directors.
- Rules of procedure for Audit Committee and Compensation Committee.
- Board's instructions to the CEO.
- Decision-making procedure for PostNord AB.
- Operational governance of PostNord Group, including group policies (see below).
- Accounting manual.
- Framework for internal governance and control of financial reporting.
- Compliance program in areas including competition law.
- Guidelines for determining terms of employment for executives.

Ownership structure



Group policies

PostNord’s group-wide policies include:

- Code of Conduct (includes below-listed policies).
- Financial policy.
- Environmental policy.
- Quality policy.
- Work Environment policy.
- Security policy (including IT and information security).
- Information and insider policy.
- Acquisition policy.

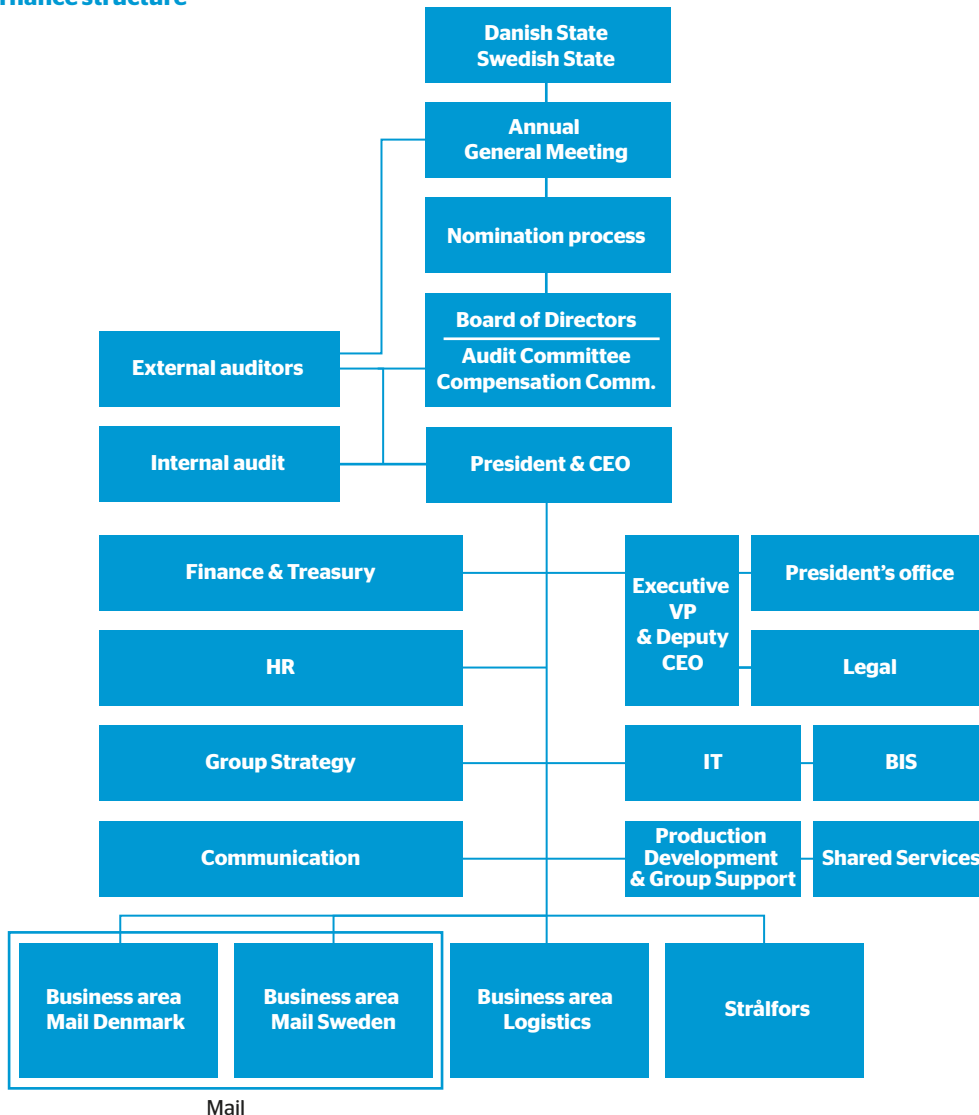
- Media policy.
- Credit policy.

Governance structure

The principal decision-making bodies within PostNord are:

- The Annual General Meeting.
- The Board of Directors.
- The President & Group CEO assisted by the Group Executive Team.

Governance structure



New organizational structure in 2014

PostNord will implement a new organization as of March 31, 2014. Purposes for the change include creating greater clarity for customers, increasing focus on e-commerce and expanding potential synergies for the business.

The change involves, among other things, the introduction of a matrix organization. Country units will be formed (Sweden, Denmark and Norway/

Finland) to allow for greater uniformity for customers and the establishment of integrated production models. At the same time, a Nordic Mail business area and a corporate strategic unit for e-commerce (responsible for market and service development in each Nordic area) are being formed. Strålfors will continue to operate as a subsidiary and will be strongly aligned with business area Mail.

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 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 & CEO is responsible for and leads the day-to-day management of the group based on the board's guidelines and instructions. The President & CEO is assisted by the Group Executive Team.

The company's external 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.

The group's operational structure differs from its legal structure. As a main principle, organization and governance are based on the operational structure. Postal concessions, however, are tied to the legal structure/legal entities (Post Danmark A/S, Posten AB); accordingly, formal responsibility for concessions follows the legal structure.

Governance model

PostNord's governance model is comprised of seven main elements. Core group governance includes Formal Governance, Functional Governance and Situation-specific Governance. Together with PostNord's strategy and plans, these determine the scope, conditions and direction for group operations.

The other elements are (1) management by objectives for the group's top managers, (2) management and operation of group projects and (3) operational management system with associated quality, environmental and work environment certification, as well as monitoring and assessment of operations with the EFQM Excellence Model. Sustainability aspects are integrated into the governance model.

Excellence Model (EFQM)

Since 2012, PostNord has used the EFQM (European Foundation of Quality Management) model to monitor and evaluate the operational management system. This model is based and focused on value creation for all significant stakeholders - owners, customers, society and employees. The model has a holistic perspective in terms of the management and development of the business and is comprised of five action criteria and four result criteria.

Governance model pursuant to PostNord's operational governance



The Excellence Model aims to:

- Ensure a holistic perspective of the business.
- Strengthen competitiveness.
- Create understanding and cohesiveness between action and result.
- Create direction and progress by linking everyday actions and priorities to vision and desired position.
- Create clear customer value.

To help with Excellence Model implementation, a training program was conducted in 2012 and 2013 for PostNord Group's top 250 managers along with several specialists.

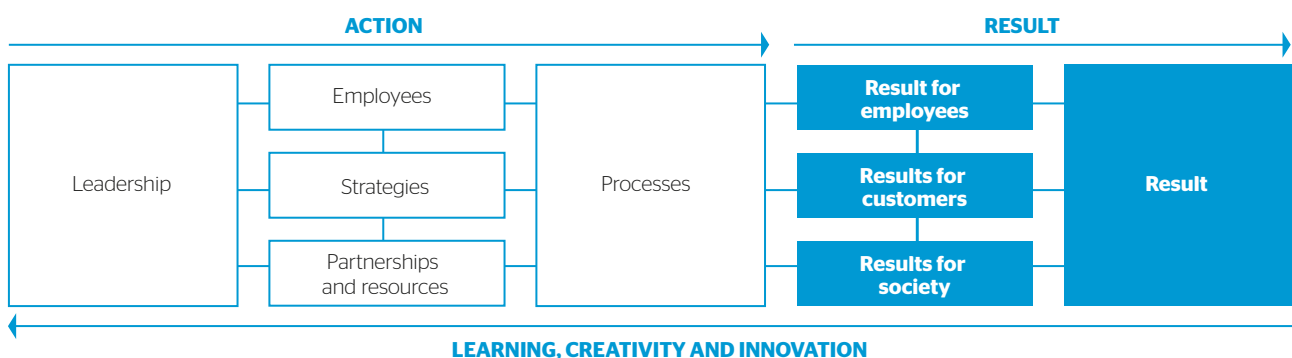
PostNord business areas and group functions conducted a self-evaluation pursuant to the model's provisions. Internal teams, comprised of people from the business areas and group functions, evaluated the group's units and provided feedback focused on each unit's strengths and improvement potential. The Group Executive Team is responsible for translating improvement potential into action.

Deviations from the Swedish Code of Corporate Governance

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 between the owners.
- Chapter 4.5 requirement for board members' independence from owners. The objective of the rule is to protect minority 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.

Excellence Model



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 sent by mail to the shareholders and is advertised and published 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.

2013 Annual General Meeting

PostNord's 2013 Annual General Meeting was held on April 18, 2013. The AGM resolved as follows:

- To adopt the income statement, balance sheets and consolidated financial statements.
- To distribute a dividend to the owners, in accordance with the Board's proposal, of SEK 0.0515 per share, totaling SEK 103m.
- To discharge the Board of Directors and CEO from liability for financial year 2012.
- To approve the proposed guidelines for compensation for executives.
- That the Board of Directors shall be comprised of eight AGM-elected board members and no deputies.
- To newly elect Jens Moberg as chairman of the board; to reelect board members Mats Abrahamsson, Gunnel Duveblad, Jonas Iversen and Torben Janholt; and to newly elect Christian Ellegaard, Sisse Fjelsted Rasmussen and Anitra Steen as board members.
- To approve the proposals concerning board member and committee member remuneration covering the period through the 2014 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 newly elect accounting firm KPMG AB, with authorized public accountant Helene Willberg as auditor in charge, as auditor through the close of the 2014 AGM.

The complete minutes of the 2013 Annual General Meeting are published on the group's website: www.postnord.com.

2014 Annual General Meeting

PostNord's 2014 Annual General Meeting is scheduled for April 23, 2014. Information on the meeting time is published on the group's website: www.postnord.com.

Notice of Annual General Meeting is sent in letter format to the shareholders and is published in Post och Inrikes Tidningar (the Swedish Official Gazette) and on the group's website. Information on issuance of the notice is published 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.

Proposed guidelines for executive compensation

The Board of Directors proposes the following guidelines for executive compensation (summary of proposed compensation policies):

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.

Individual money purchase pension plans are taken out for the President & CEO and other executives employed pursuant to Swedish labor law with contributions not to exceed 30 percent of fixed monthly salary. Required insurance is taken out within the scope of this contribution. The retirement age is currently 62 or 65, and shall be 65 in future recruitments. For executives employed pursuant to Danish labor law, full premium-based pensions are applied and the retirement age is determined under Danish labor law.

In new employment contracts, the notice period should not exceed six months in cases where the employer terminates the contract. Previous employment contracts with a notice period of 12 months in cases where the employer terminates the contract will remain in force. In cases where the employment contract is terminated by the employee, the notice period should be six months. 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.

Executives should not receive variable salaries. According to other principles included in the government's guidelines for employment terms for executives in state-owned companies, variable salaries may be paid to other employees.

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.

The Board of Directors 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 38%/62% in 2013 (ordinary members).

Board'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 of Directors and the

roles and responsibilities of the CEO and board members. There is no other division of board tasks among board members other 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's and CEO's work. The chairman also represents the company in issues of ownership.

Board meetings 2013

Date of meeting	Main topic	Ytterligare väsentliga frågor
02-21-2013	2012 annual financial statements	Audit procurement Terminal investment in Oslo
04-18-2013	Statutory board meeting	
04-24-2013	Acquisition of logistics business	
05-14-2013	Interim report	PostNord AB financial strategy
06-03-2013	Personnel issues	Investment, sorting equipment
07-08-2013	Personnel issues	
08-26-2013	Interim report	
09-20-2013	Company signatories	PostNord's group strategy
11-06-2013	Interim report	
12-10-2013	2014-16 business plan	Principles for CEO and executive compensation

Board meeting attendance 2013

Board member	Number of board meetings	Number of Audit Committee meetings	Number of Compensation Committee meetings
Jens Moberg ¹⁾	9/9	-	1/1
Mats Abrahamsson	10/10	-	2/2
Gunnel Duveblad	10/10	6/6	-
Christian Ellegaard ¹⁾	7/9	4/5	-
Sisse Fjelsted Rasmussen ¹⁾	7/9	4/5	-
Jonas Iversen	10/10	6/6	-
Torben Janholt	10/10	-	2/2
Anitra Steen ¹⁾	8/9	-	1/1
Fritz H. Schur ²⁾	1/1	-	1/1
Ingrid Bonde ²⁾	1/1	-	1/1
Bjarne Hansen ²⁾	1/1	1/1	-
Anne Birgitte Lundholt ²⁾	1/1	1/1	-
Ann-Christin Fällén	10/10	-	-
Alf Mellström	8/10	-	-
Lars Chemnitz	10/10	-	-

¹⁾ Elected to the board by April 18, 2013 AGM.

²⁾ Resigned from the board as of April 18, 2013 AGM.

Board meetings and issues in 2013

The board held ten meetings in 2013, including one statutory meeting. The board's duties include the production of interim, year-end and annual reports. The board dealt with these issues in 2013. The CEO presented the financial and market situation at all board meetings. An important part of the board's work in 2013 was to recruit a new CEO. A recruitment committee was appointed for this purpose, under the leadership of the chairman of the board, Jens Moberg, and with board members Mats Abrahamsson, Torben Janholt and Jonas Iversen. The board also dealt with group strategy, acquisitions, employment issues and business plans during 2013. During the year the board regularly dealt with Audit and Compensation Committee reports and reports on internal control and financial affairs.

The board also dealt with issues regarding PostNord's sustainability work and its goals in this area, based on owner sustainability initiatives. Board members participated in seminars and discussions on sustainability with the Swedish owner.

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.

Up to and including the time of the April 18th AGM, Audit Committee members were Gunnel Duveblad (chair), Bjarne Hansen, Anne Birgitte Lundholt and Jonas Iversen. As of the April 18th AGM the Committee was comprised of Gunnel Duveblad (chair), Christian Ellegaard, Sisse Fjelsted Rasmussen and Jonas Iversen. Jonas Iversen resigned as a board member and member of the Audit Committee on February 14, 2014.

The Audit Committee met six times in 2013 and dealt with topics including:

- Implementation of 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.
- Procurement of external audit.

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 of Directors chairs the Committee. The Committee shall meet when warranted. The Committee chair is responsible for regularly apprising the board of the Committee's activities.

Up to and including the time of the April 18th AGM, Compensation Committee members were Fritz H. Schur (chair), Mats Abrahamsson, Ingrid Bonde and Torben Janholt. As of the April 18th AGM the Committee was comprised of Jens Moberg (chair), Mats Abrahamsson, Anitra Steen and Torben Janholt.

The Compensation Committee met two times in 2013 and dealt with topics including:

- Compensation and other provisions for executives.
- Pension provisions for executives.
- Specific issues regarding compensation for members of the Group Executive Team.

Compensation at PostNord

Decisions on compensation for the President & 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. For details on executive compensation, see Note 5, Employees, Personnel Expenses and Executive Compensation in the consolidated financial statements.

Guidelines on executive compensation adopted by the 2012 AGM are outlined in PostNord's 2012 Annual Report and can be read in their entirety on the group's website.

Evaluation of Board of Directors and CEO actions

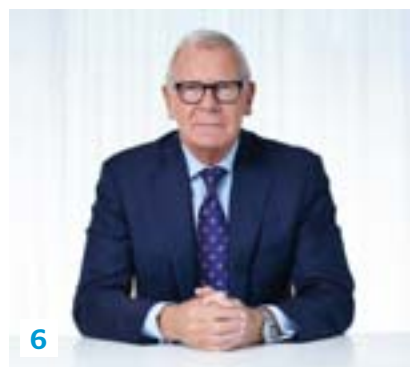
The board conducts an annual evaluation of its own actions. The evaluation is carried out via a questionnaire and through discussions between the chairman of the board and board members. Areas evaluated include the manner in which important decisions are prepared, discussed and managed; whether the right issues are addressed 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.

Due to the fact that a new chairman was appointed by the AGM held on April 18, 2013 and a new President & CEO took office on October 1, 2013, the annual evaluation of Board of Directors and CEO actions will first be conducted in early 2014.

Board member remuneration

Remuneration for board members was determined by the 2013 AGM. 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 Swedish Government Offices.



PostNord Board of Directors

1. Jens Moberg

Born 1962.
 Graduate Diploma in Business Administration.
 Chairman of the board since April 2013.
 Chairman of the Compensation Committee since April 2013.
 Previous experience includes positions at IBM Denmark and subsequently at Microsoft Corporation, most recently as Corporate Vice President.
 Chairman of the boards of Grundfos Holding and Herlufsholm Skole og Gods. Director of Axcel and Poul Due Jensens Fond.

2. Gunnel Duveblad

Born 1955.
 Systems Engineer.
 Board member since August 2009.
 Chair of Audit Committee since 2009.
 Previous positions include CEO of EDS Northern Europe and managerial posts at IBM.
 Chairman of the board of Team Olivia AB, Global Scanning A/S and Stiftelsen Ruter Dam.
 Directorships include HIQ International AB and Sweco AB.

3. Mats Abrahamsson

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

4. Christian Ellegaard

Born 1969.
 MBA.
 Board member since April 2013.
 Member of Auditing Committee since April 2013.
 Member of corporate management at Berendsen Plc and CEO of Facility. Previously held various positions with the Berendsen group, including CEO in Denmark.

5. Sisse Fjelsted Rasmussen

Born 1967.
 BA in Business Administration, MSc in Business Economics and Auditing.
 Board member since April 2013.
 Member of Auditing Committee since April 2013.
 CFO/group executive of Scandinavian Tobacco Group. Previously Nordic Financial Controller for Grey Global Group. Background as auditor at Deloitte and Arthur Andersen.

6. Torben Janholt

Born 1946.
 Bachelor of Commerce.
 Board member since August 2009.
 Member of Compensation Committee since 2009.
 Previous positions include CEO of J Lauritzen A/S.
 Chairman of the board of Otto Suenson A/S.
 Director of A/S United Shipping & Trading Company, Danmarks Rederiforening and Lloyd Concept Store.



PostNord Board of Directors, *cont'd.*

7. Anitra Steen

Born 1949.
Bachelor of Arts.
Board member since April 2013.
Member of Compensation Committee since April 2013.
Previous positions include CEO of Systembolaget, Director-General of the National Tax Board, State Secretary at the Swedish Ministries of Education and Finance.
Chairman of the boards of AB Svenska Spel, Telge Inköp AB, AFA Försäkring and Iris Invest AB. Director of Det Naturliga Steget.

Employee representatives

8. Lars Chemnitz

Born 1957.
Union representative appointed by the Union of Service and Communication Employees (SEKO).
Member of the board since January 2010.

9. Alf Mellström

Born 1956.
Union representative appointed by SEKO.
Board member since August 2009.
Employed by Posten since 1978.

10. Ann-Christin Fällén

Born 1955.
Union representative appointed by the Union of Civil Servants (ST).
Board member since May 2012.
Employed by Posten since 1977.

Deputy employee representatives

Peter Madsen

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

Isa Merethe Rogild

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

Johan Lindholm

Born 1979.
Union representative appointed by SEKO.
Deputy employee representative since April 2012.
Employed by Posten since 1998.

Fritz H. Schur resigned as chairman of the board and Bjarne Hansen, Ingrid Bonde and AnneBirgitte Lundholt resigned as board members at the AGM held on April 18, 2013. Jonas Iversen resigned as a board member on February 14, 2014. Patrik Jönsson, Deputy Director at the Ministry of Finance, has been co-opted to the board for the period until PostNord's AGM of April 23.

Group Executive Team

The Board of Directors is responsible for appointing and dismissing the CEO. The Group Executive Team is appointed by and assists the CEO, who leads the work performed by the 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 of Directors and the CEO is regulated by the rules of procedure and the board's instructions to the CEO. The President/CEO is personally accountable to the board for the day-to-day operation of the business and responsible for carrying out the strategic direction determined for the business.

Håkan Ericsson has been PostNord's President & CEO since October 1, 2013. He succeeds Lars Idermark, who served as President & CEO from March 1, 2011 through May 15, 2013. Executive VP and Deputy CEO Knut B. Pedersen served as President & CEO during the interim period.

Group Executive Team

The Group Executive Team is 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 Board of Directors.

The forthcoming change to the group's organizational structure in 2014 involves, among other things, the implementation of a matrix organization with country units and business area/group-wide strategic units/subsidiaries. The PostNord Group Executive Team was introduced on February 1, 2014, with a composition that reflects the new organizational structure.

The Group Executive Team is comprised of:

- President & Group CEO.
- Executive Vice President and Deputy CEO.
- Head of Business Area PostNord Mail & Communication.
- Head of Business Area PostNord Logistics.
- President of Strålfors.
- Head of E-commerce & Corporate Clients; Chief Strategy Officer.
- Head of PostNord Sweden.
- Head of PostNord Denmark.
- Head of PostNord Norway and Finland.
- Chief Financial Officer.
- Chief Information Officer.
- Chief HR Officer.
- Chief Communications Officer.
- Chief Technical Officer.



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PostNord's Group Executive Team

1. Håkan Ericsson

Born 1962.
BSc (Economics).
President & Group CEO since October 1, 2013.
Member of group management/Group Executive Team since 2013.
Previous positions: President of Carlson Wagonlit Travel's North and Latin American operations (after serving as President of their EMEA and Latin American operations); CEO of Loomis Cash Handling; Executive Vice President of SAS; Managing Director of DHL European freight operations; and senior positions in the Dansaz, ASG and Fraktarna logistics groups.

2. K. B. Pedersen

Born 1948.
Trained at the Danish Post and Telegraph Service.
Executive Vice President and Deputy CEO since 2011.
Member of group management/Group Executive Team since 2009.
Previous positions: Executive VP and Head of Group Operations Development function; Deputy CEO of Post Danmark A/S and P&T. Director of bpost and chairman of e-Boks A/S.

3. Henrik Rättzén

Born 1965.
BSc (Economics).
Chief Financial Officer since 2012.
Member of group management/Group Executive Team since 2012.
Previous positions: Nordic CFO at Codan Trygg-Hansa; partner at KPMG. Director of Movestic Livförsäkrings AB.

4. Johanna Allert

Born 1975.
Master of Engineering.
Chief Technical Officer since 2014.
Member of group management/Group Executive Team since 2011.
Formerly Head of Group Operations Development function, including Group Support & Shared Services.

5. Henning Christensen

Born 1962.
Engineer.
Head of PostNord Denmark since 2014.
Member of group management/Group Executive Team since 2012.
Previous positions: Head of Business Area Mail Denmark; Head of Production & Transport (PRT) at Breve Danmark A/S; Deputy Director of Mail Production & Transport at Post Danmark; and Mail Center Director at the Copenhagen Post Office.

6. Joss Delissen

Born 1963.
BSc (Economics).
Chief Information Officer since 2009.
Member of group management/Group Executive Team since 2009.
Previously held a variety of positions at Unilever, most recently Director of Solutions Architecture.

7. Andreas Falkenmark

Born 1955.
Master of Laws.
Head of Business Area PostNord Mail & Communication since 2014.
Member of group management/Group Executive Team since 2009.
Previous positions: Head of Business Area Mail Sweden; CEO of NK Förvaltnings AB; CEO of Duka AB; CEO of Coop Sverige AB; and CEO of Observer Northern Europe.



8. Annemarie Gardshol

Born 1967.
Master of Engineering.
Head of E-commerce & Corporate Clients and Chief Strategy Officer since 2014.
Member of group management/Group Executive Team since 2012.
Previous positions: Head of Group Strategy; executive positions at Gambro within strategy, global marketing and most recently as Senior VP for R&D; management consultant at McKinsey & Company. Director of Etac AB.

9. Finn Hansen

Born 1956.
Master of Science.
Chief HR Officer since 2013.
Member of group management/Group Executive Team since 2009.
Previous positions: Head of Business Area Mail Denmark; Deputy Director of Distribution; Deputy Director of Mail Production & Transport; various management positions at Post Danmark A/S.



10. Anders Holm

Born 1958.
Market economist.
Head of PostNord Sweden since 2014.
Member of group management/Group Executive Team since 2014.
Previous positions: Head of Posten Logistik AB in Sweden; sales and marketing director at Posten Logistik AB in Sweden; various positions at UPS, most recently as Manager of European Strategy & Group Integration.

11. Per Mossberg

Born 1953.
BSc (Economics).
Chief Communications Officer since 2009.
Member of group management/Group Executive Team since 2009.
Previous positions: Head of Corporate Communications at Posten AB; partner at JKL AB; Executive VP at Telia AB; Senior VP at Trygg-Hansa SPP AB, Nobel Industrier and AB Bofors; and CEO of Näringslivets EU-fakta and Näringslivets Ekonomifakta. Chairman of the boards of CSR Sweden and Sveriges Kommunikatörer.



12. Robin Olsen

Born 1970.
Master of Engineering; Master of Management.
Head of PostNord Norway and PostNord Finland since 2014.
Member of group management/Group Executive Team since 2014.
Formerly Head of PostNord Logistics in Norway and CEO of Tollpost Globe AS.

13. Per Samuelson

Born 1957.
BSc (Economics).
President of Strålfors since 2009.
Member of group management/Group Executive Team since 2009.
Previous positions: lecturer at Stockholm School of Economics and IFL; various positions within the Perstorp and PLM groups, most recently as divisional manager and member of PLM's group management. Chairman of BTJ Group AB. Director of Chamber of Industry and Commerce of Southern Sweden, Priveq Advisory AB and Aniagra.

*Henrik Højsgaard resigned as Head of Business Area Logistics on December 31, 2013.
Mats Johansson is now Acting Head of Business Area PostNord Logistics.*

Auditors

PostNord's 2013 AGM appointed KPMG AB as the company's auditor, with authorized public accountant Helene Willberg as auditor in charge. The auditors meet with the board at least once per year and also participate in a number of Audit Committee meetings. In 2013, the board met with the auditors during one (1) board meeting, during which board members were able to present questions to the auditors.

See also Note 7, Other Expenses, Audit Fees and Reimbursement of Expenses.

Internal governance and control of financial reporting

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. 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. PostNord's group functions – a number of governance and control functions – constitute the second line of defense and are 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. This work is done on an ongoing basis pursuant to an annual auditing plan adopted by the Auditing Committee. The functions reports to the Board of Directors and the CEO.

Control environment

To ensure a good control environment, factors such as organizational details, decision-making paths and intra-group allocation of authority have been clearly defined and communicated 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 & 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. The internal audit function is tasked with examining the effectiveness of internal governance and control. The group also has Codes of Conduct and various policy documents that are part of the control environment.

Identification and management of risks

In 2013 PostNord's operations were guided by the governance model presented on page 73. The board's rules of procedure define internal governance and control of financial reporting as a process through which the board, the CEO and employees ensure the reliability of financial reporting. Risks associated with financial reporting are identified and evaluated along with other types of risks within the framework of the group's business-wide risk management process and through analyses of the group's various companies and units. Financial reporting risks are dealt with on a regular basis by the Audit Committee and the board, which evaluate and monitor the management of these risks. See also Risks and Risk Management, page 95.

Control activities

Control activities have been designed and implemented within PostNord 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 & 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 & 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.

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, for example via the group's intranet. 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 through press releases and PostNord's website. Financial reporting is also made directly to the Danish and Swedish owners.

Governance and monitoring

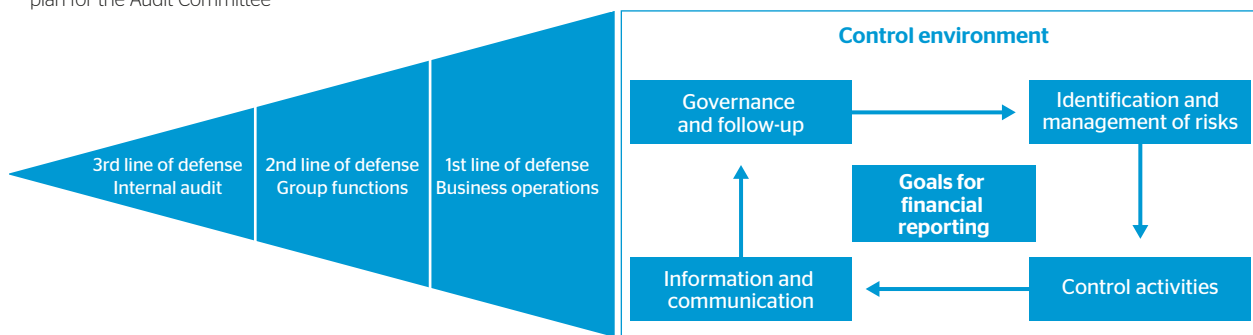
PostNord's business activities are reported and evaluated monthly based on business objectives. PostNord's financial situation is discussed at each board meeting. Board committees play important roles in terms of compensation, financial reporting and internal governance and control. The Audit Committee 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 an annual self-assessment of the internal governance and control of financial reporting. Results are compiled by PostNord's unit for financial reporting and tax, and self-assessment results are presented to the Audit Committee, the board, PostNord business areas and other group functions.

In 2013, portions of the self-assessment responses from the group's companies and units were subject to a limited review to verify the reliability of the self-assessment results. The review was conducted by the group's Finance & Treasury function and included six PostNord units. The review results showed no significant deviations from the self-assessment responses. Based on the self-assessment responses received for 2013, the internal governance and control of financial reporting is deemed to function satisfactorily within the group.

Internal governance and control at PostNord

Tools and governing instruments

- External regulations
- Business plan
- Codes of Conduct and policies
- Rules of procedure for the Board of Directors and formal work plan for the Audit Committee
- Process and routine descriptions
- Targets and measures
- Business systems
- Risk analysis
- Delegated authorities
- Framework for internal governance and control
- Audit plan
- Accounting handbook
- System of authority
- Continuity plan
- Compliance program
- Authorization plans



Monitoring of operations

- Financial reporting
- Evaluation of board's work
- Follow-up of risk analysis
- Follow-up of business plan
- Incident reporting
- ISO certifications
- Observations and recommendations
- Follow-up of authorization
- Follow-up of outsourcing suppliers
- Self-evaluation
- Process follow-up

Universal service obligations

PostNord subsidiaries Post Danmark A/S and Posten AB are commissioned to provide universal postal services in Denmark and Sweden, respectively. National legislation is based on the EU directive regulating postal services within the EU and on the Universal Postal Union treaty that regulates international mail.

Provisions in Denmark

Postal services in Denmark are regulated by the Danish Postal Act (postloven) and associated ordinances as well as Post Danmark A/S' individual license. The Postal Act includes provisions stipulating the assurance of good quality, "nationwide" postal delivery of addressed mail items. Under the Postal Act, the Ministry of Transport has the authority to designate Post Danmark to fulfill the delivery obligation.

Commercial postal operations must be licensed and all postal operators that distribute mail or parcels (those not covered contract) may be required to contribute to funding to the postal operation that holds the distribution obligation. In order to be eligible to receive such payment, Post Danmark is required to demonstrate that the net costs borne by the company for universal postal services represent an unreasonable financial burden. No claims for compensation have yet been made.

On June 26, 2013 the Danish Ministry of Transport announced that a broad parliamentary majority supports amendments to the Danish Postal Act. In view of the substantial drop in mail volumes in Denmark and in order to maintain good postal service adapted to market conditions, an agreement has been made to amend the delivery obligation terms and conditions as of 2014. The Danish Parliament approved the proposed changes on February 18, 2014. The new Act will provide relief for Post Danmark as holder of the postal delivery obligation - allowing, for example, the delivery of non-priority mail in four days rather than three. The requirement for 6-day-a-week delivery will remain in place, but delivery of private priority mail on Mondays may be priced individually. The changes also render possible structural changes to the service outlet network, meaning fewer full-service service points (privately managed post offices and "post storefronts") and more "post shops" run by partner outlets offering basic services (sending and receiving mail and parcels, including registered and insured mail items, and buying stamps).

Nationwide postal services and associated rights and obligations are set forth in the "Individual License for Post Danmark A/S". The individual license includes provisions for service level, quality and prices and specifies that Post Danmark shall distribute products covered by the delivery obligation on every Danish weekday (Monday - Saturday, although parcels are not distributed on Saturdays). Products covered by the distribution obligation are addressed letters; addressed daily, weekly and monthly periodicals; addressed mail items with standardized printed content (e.g., catalogs) weighing up to 2 kilos; addressed parcels weighing up to 20 kilos (with the exception of B2B parcels governed by contractual terms); and Braille material weighing up to 7 kilos. Addressed priority mail is delivered overnight and, under the new postal legislation from 2014, non-priority mail will be

delivered within 4 business days. Post Danmark sets the service requirement for C-mail (currently four business days). The quality requirement for letters and parcels is set at 93%.

Post Danmark shall maintain a "nationwide" service network of postal service points. Prices for services provided under the delivery obligation shall be cost-based, transparent and non-discriminatory. Only single mail items are required to be offered at uniform prices throughout the country. Single mail items include stamped letters and parcels not covered by agreement with Post Danmark. The Transport Ministry approves the price for domestic non-priority mail weighing up to 50 grams sent as single mail items. Post Danmark sets the price of other mail items. According to the new legislation, the delivery of priority mail to private individuals on Mondays may be priced individually by Post Danmark.

Provisions in Sweden

Universal postal services in Sweden are regulated by the Swedish Postal Services Act, postal statutes and concession terms issued by the Swedish Post and Telecom Agency (PTS).

The Postal Services Act mandates the provision of nationwide postal services that enable all residents of Sweden to receive letters and other addressed mail items weighing up to 20 kilos (universal postal service). Postal services must be of good quality, and it must be possible for everyone to receive such mailings delivered at reasonable prices. Pricing for universal postal services shall be transparent, non-discriminatory, cost-oriented and promote the efficient provision of postal service. Single mail items shall be delivered at uniform prices.

Under Swedish postal legislation, mail weighing up to 20 kilos must be collected and delivered on every weekday and at least five days a week nationwide. The postal statutes specify that at least 85% of the mail posted before a specified time and stamped for overnight delivery must be delivered on the following business day, nationwide. At least 97% of that mail shall be delivered within three business days. For overnight mail, a price limit applies to single mail items weighing up to 500 grams, so that their price may be raised no faster than the consumer price index. The price limit is a national regulation that not in line with the EU's postal directive.

The Postal Services Act imposes more stringent requirements on the operator appointed to provide universal postal services (Posten AB) than on other operators, including requirements for reasonable and transparent pricing and the reporting of prices and calculations to PTS.

Pursuant to postal legislation, PTS may appoint a provider of universal postal services. Postal Service Act legislative history indicates that no specific postal operator need be appointed if the market fulfills the requirement for universal postal services.

Unlike Posten, PTS has determined that the market cannot fulfill this requirement, and has appointed Posten AB to provide the service. Accordingly, Posten's prices and terms are subject to the postal legislation's sector-specific regulations and thus to requirements that are not imposed on Posten's competitors.

PTS licensing terms include provisions stipulating that Posten must publish price lists on its website along with all volume discounts for each service included in the universal postal service, disclosing the discount rate and volume ranges for the various discount levels as well as peak performance discounts and the basic principles for other discounts. The PTS requirements for price and discount disclosure are more far-reaching than those specified in the Postal Services Act legislative history (disclosure required only for basic principles of prices and discounts).

Regulation in Sweden and various interpretations as to what it entails have given rise to a number of lawsuits.

In its 2013 decision on Posten AB's calculation model (SAC), the Stockholm Administrative Court of Appeal held that Posten's distribution of "coordination gains" among the mail services at issue did not contravene the PTS licensing terms or the Postal Services Act and, accordingly, the PTS had no grounds to demand that Posten amend its accounting methods.

Posten AB appealed the PTS decision on 2012 licensing requirements – specifically, the requirement to publish discounts – to the Administrative Court in Stockholm. In its decision rendered on September 27, 2013 the court rejected Posten's appeal in its entirety. Posten appealed this decision to the Stockholm Administrative Court of Appeal.

Supervision in Denmark and Sweden

In Denmark, the Traffic Board (Trafikstyrelsen) is the national supervisory authority for postal services. The Traffic Board supervises Post Danmark and the other postal companies operating in the Danish market. In addition to Post Danmark A/S there are ten registered operators licensed to provide commercial postal services. Under Danish postal legislation, "postal operator" is defined as a business that provides commercial postal services for addressed mail items weighing up to 20 kilos. Commercial parcel delivery services covered by contractual provisions do not require a license. Upon request, postal operators must provide the Traffic Board with a number of details and must submit an audited statement of delivered postal volume quantity on an annual basis.

In Sweden, PTS supervision of postal operations to ensure compliance with postal legislation includes Posten's fulfillment of government requirements for universal postal services. PTS has granted licenses to conduct postal operations in Sweden to 32 companies.

According to the PTS report "Service and Competition 2013", PostNord Group fulfills government requirements in terms of service quality. In terms of the percentage of mail distributed on the following day, the group continues to exceed by a wide margin the minimum requirements stipulated by the terms of its license.

Special provisions - including provisions for sparsely populated areas

In Denmark, postal operator and service ordinances set forth regulations for the installation of mailboxes and apartment mailboxes. Mailboxes for all households must be located on the property line (in rural areas, no farther than 50 meters from the house). All multi-story buildings must install apartment mailboxes in the entrance area or outside the main entrance. People who are unable to collect their mail are entitled to have mail delivered to their door. Special rules apply for mail distribution to small islands. An extra day is added to the delivery time for parcels from Bornholm addressed nationwide.

In Sweden, PTS has issued general suggestions concerning the delivery of mail in the provision of the universal postal service. Among other things, the general guidelines state that, outside urban areas, mail should be delivered to mailbox clusters along the mail carrier's route. Mail items addressed to mail recipients living less than 200 meters down a side road should be delivered to the mailbox cluster on the main route. If there are at least two mail recipients who reside or work permanently for every kilometer of the side road, mail should be delivered along that road. Elderly and physically handicapped people are entitled to have their mail delivered to their property line, as opposed to the mailbox cluster, upon request. The PTS licensing requirements state that "mailing and drop-off points" shall be located close enough to each other as to take users' needs into account. This provision particularly affects Posten AB's partner outlet network in Sweden.

With respect to PTS requirements, during 2013 Posten AB undertook to maintain first-rate postal service in sparsely populated areas – specifically, to ensure the continued provision of postal service in these areas in a manner that meets the actual needs of society, including taking adequate account of environmental concerns. In return Posten is allowed, under special conditions and in specific cases, to make changes to postal service provision that are required to reflect changed conditions, even though these changes may deviate from universal service obligation terms.

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