A female employee with braided hair, wearing a blue and black Postnord uniform, is walking towards the camera while carrying a white cardboard box. She has a 'postnord' name tag and a pen in her pocket. In the background, other employees in similar uniforms are working in a warehouse setting.

## Annual and Sustainability Report 2017

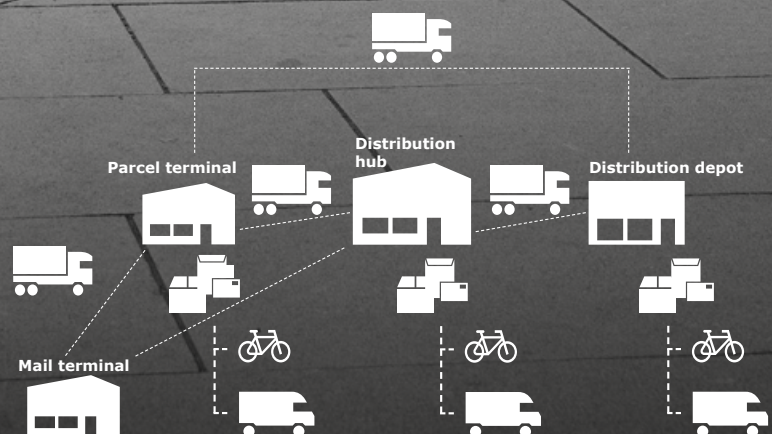
**postnord**





#### Cover picture

Janne Kristensen is a member of the team at the distribution hub at Hjørring, Denmark. On January 21, 2018, the changeover to the new production model in Denmark became fact. At the same time, Danish and international postal history was made. Building on the logistics network will lay the foundations for efficient and scalable distribution of letters and ensure a competitive logistics offering for the future.





# Corporate governance for sustainable, long-term value creation

Properly functioning corporate governance is one of the requirements for creating long-term value for owners and other stakeholders. This Corporate Governance Report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance.

## 1. Shareholder structure

PostNord AB (publ), corporate identity number 556771-2640 ("PostNord") is a Swedish public limited company that is owned 40% by the Danish State and 60% by the Swedish State. Voting rights are shared 50/50 between the two governments. The Company is the Parent Company of the PostNord Group.

## 2. Control and organizational structure

The main decision-making bodies at PostNord are the Annual General Meeting (AGM), the Board of the Directors and the President and Group CEO, assisted by the Group Executive Team.

The owners nominate the Chair of the Board and other Board members, propose directors' fees and nominate the AGM chair and an external auditor. The AGM is PostNord's highest decision-making body.

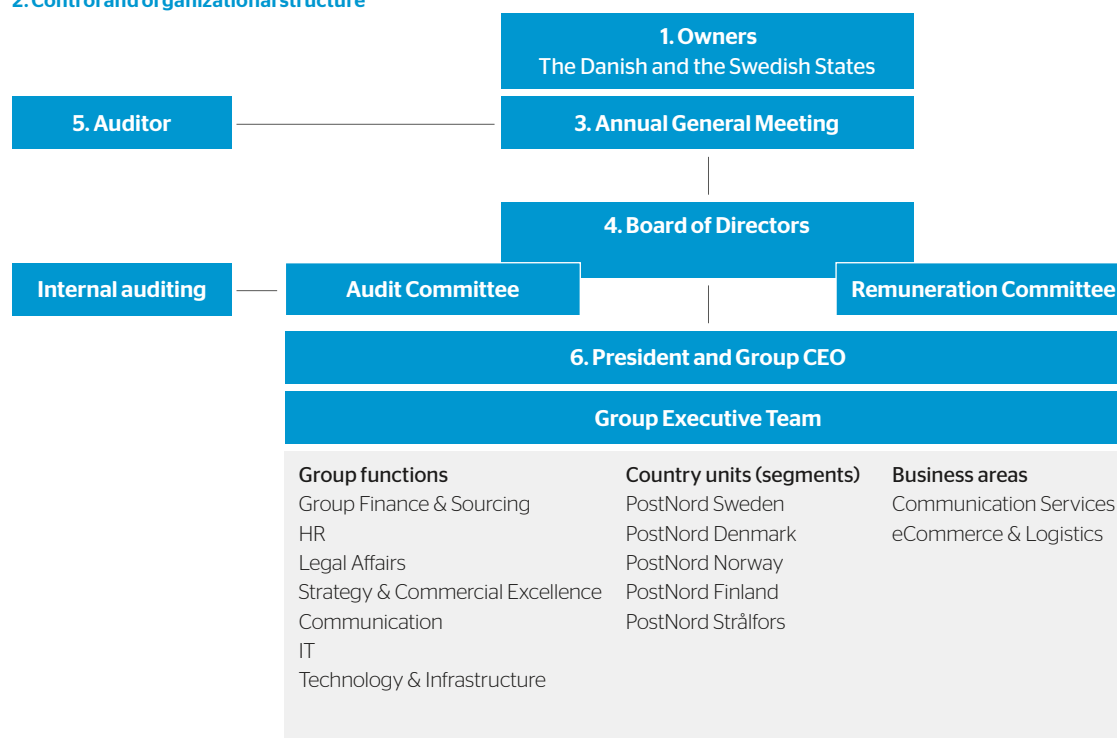
The Board of Directors has the overall responsibility for the organization and administration of the Company through continuous monitoring and control of operations. The Chair of the Board oversees the work of the Board. The Audit and Remuneration Committees assist the Board in its work.

PostNord's President and Group CEO is responsible for and oversees the day-to-day management of the Group based on the Board's guidelines and instructions. The President and Group CEO is assisted by the Group Executive Team.

The Company's external auditor is elected by the AGM and examines the Annual Report and Consolidated Financial Statements, the administration by the Board and the CEO, 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, in which the country organizations are responsible for optimizing marketing and sales activities, production structure and organization across all business areas. The second level is made up of the business areas. The business areas are responsible for marketing and service development in their particular field throughout the Nordic region, across the boundaries of the country organizations. Postal licenses, however, are tied to the legal structure; this means that formal responsibility for compliance with the conditions of the licenses follows the legal structure.

## 2. Control and organizational structure



### Internal and external regulations

PostNord falls within the remit of a number of internal and external regulations, including:

#### External regulations

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

#### Postal regulations

- The UPU Convention, the EU's Postal Directive and national legislation and directives in Sweden (e.g. the Swedish Postal Services Act and the Postal Ordinance) and Denmark (e.g. the Danish Postal Services Act, the Post Danmark A/S Act and the Order on Conveyance by Post and Postal Services).

#### Internal rules and regulations

- The Articles of Association, the Board's rules of procedure (including Instruction to the President and Group CEO) and the Audit and Remuneration Committees' rules of procedure
- Document hierarchy for the Group's governing documents
- Code of Conduct and Group policies (see also pages 32–33).
- Delegated authorities for PostNord AB.
- Operational governance
- Framework for internal governance and control of financial reporting.
- Guidelines for determining terms of employment for senior executives.

#### Articles of Association

PostNord's Articles of Association govern, for example, where the Board of Directors is domiciled, the limits for the Company's share capital and the Company's financial year. The Articles of Association do not contain any specific provisions as to appointment or discharge of Board members, or as to an amendment of the Articles of Association. Furthermore, the Articles of Association did not contain any restrictions as to how many votes each shareholder can cast at the AGM. The current Articles of Association are available on PostNord's website, [www.postnord.com](http://www.postnord.com).

### Deviations from the Swedish Code of Corporate Governance

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

- Deviation from section 2 Nominating committee – requirement for a 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 through consultation between the owners. As a result, references to the nominating committee in points 1.2, 1.3, 4.6, 8.1 and 10.2 also do not apply.
- Deviation from section 4.5, requirement for Board members' independence from owners. The purpose of the rule is to protect minority owners. However, protection for minority owners is not relevant to the governance of PostNord. PostNord only has two owners and an account of the independence of the Board members is thus of no relevance.

### 3. Annual General Meeting

Under the provisions of the Swedish Companies Act, the AGM is the Company's ultimate decision-making body. The Swedish Ministry of Enterprise and Innovation and the Danish Ministry of Transport vote on behalf of the Swedish and Danish States, respectively, at PostNord's Annual General Meeting. Each State nominates four Board members in the Company. The AGM appoints Board and auditor, resolves on how to distribute the Company's earnings, discharges the Board and CEO from liability, and makes decisions on other matters as set out in legislation and the Company's Articles Of Association. The AGM must be held no later than April 30 in accordance with the ownership policy of the Swedish State. Notice of the Annual General Meeting is sent by mail to shareholders and is advertised in the daily press, through information in the 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.

#### Annual General Meeting 2017

The 2017 AGM was held on April 27, 2017. The AGM adopted the Group's and Parent Company's income statement and balance sheet and voted to discharge the Board of Directors and the CEO from liability for the 2016 financial year. The AGM also adopted guidelines for remuneration to senior executives and remuneration to Board members and the auditor. Jens Moberg was re-elected Chairman of the Board. The AGM re-elected Mats Abrahamsson, Gunnel Duveblad, Christian Ellegaard and Anitra Steen. As Torben Janholt and Magnus Skåninger declined re-election and Mette Grunnet resigned from the Board in February 2017, Jesper Lok, Peder Lundquist and Måns Carlson were elected to the Board as new members. Accounting firm KPMG AB was re-elected as auditor through the close of next year's AGM, with authorized public accountant Tomas Gerhardtsson as senior auditor. The complete minutes of the Annual General Meeting are posted on [www.postnord.com](http://www.postnord.com).

#### Annual General Meeting 2018

PostNord's 2018 AGM will take place on April 26, 2018 at PostNord's Group headquarters at Terminalvägen 24, Solna, Sweden.

#### Proposed guidelines for remuneration to senior executives

The Board proposes that the AGM adopt guidelines for remuneration to senior executives. The proposals are in essence unchanged from the guidelines that the AGM voted on in 2017 and are summarized in Note 5.

### 4. Board of Directors

The Board of Directors exercises overall responsibility for the organization and management of the Company via regularly monitoring the business and ensuring appropriate organization, management, guidelines and internal controls. The Board adopts strategies and targets and takes decisions on major investments, acquisitions and divestments of operations.

### Composition of the Board

According to PostNord's Articles of association, the Board shall consist of eight members. 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 members elected by employee organizations and their three deputies. The Swedish State's ownership policy regarding the composition of the Board is that the representation of each gender on the Board shall be at least 40%. The female/male distribution of PostNord's Board of Directors was 25%/75% in 2017 (ordinary members elected at the AGM).

### The work of the Board

#### Work procedures

The Board of Directors adopts rules of procedure annually. These govern matters such as the Chair's duties, information to the Board of Directors and the roles and responsibilities of the President and Group CEO and Board members. There is no division of the work of the Board between Board members, other than that performed by the Audit and Remuneration Committees, both of which are appointed by the Board of Directors in accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance.

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

#### Board meetings and issues in 2017

In 2017, the Board met on 15 occasions, including the statutory first meeting and one per capsulam meeting. The CEO described the state of the business and the market situation at each meeting. The CFO reported on the Group's economic and financial position and performance.

The Board also approved the Group's strategy and business plan, and on an ongoing basis addressed reports from the Audit and Remuneration Committees, as well as reports on internal control and financial activities. During the year, close focus remained on restructuring of the Danish business and dialogue with the owners on financing. The Board of Directors also focused on quality and image issues. The Company's auditor delivered an account of the year's auditing activities and these issues were discussed.

### Board Committees

#### The Audit Committee

The Audit Committee is tasked with preparing the Board for performing 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 rules of procedure are established by the Board. The Audit Committee has no decision-making power. The Committee also assists the owners in selecting an auditor.

The Audit Committee shall regularly review the auditor's reports and determine whether the auditors are performing their task independently, objectively and cost-efficiently. The Audit Committee, in consultation with the Group Executive Team, is the instructing body for the internal audit and its monitoring of internal governance and control, and remains apprised of internal audit reports.

### Board of Directors attendance, 2017

Director	Board meetings	Audit Committee	Remuneration Committee
Jens Moberg	15/15	-	2/2
Mats Abrahamsson	15/15	-	2/2
Måns Carlson <sup>1)</sup>	10/10	3/3	-
Gunnel Duveblad	15/15	7/7	-
Christian Ellegaard	15/15	7/7	1/1
Jesper Lok <sup>1)</sup>	7/10	2/3	-
Peder Lundquist <sup>1)</sup>	10/10	2/3	-
Mette Grunnet <sup>2)</sup>	0/2	0/1	-
Torben Janholt <sup>3)</sup>	3/5	-	1/1
Magnus Skåninger <sup>3)</sup>	5/5	4/4	-
Anitra Steen	14/15	-	2/2
Kristofer Björklund <sup>4)</sup>	5/10	-	-
Lars Chemnitz <sup>5)</sup>	11/12	-	-
Bo Fröström <sup>6)</sup>	4/5	-	-
Johan Lindholm	15/15	-	-
Sandra Svensk <sup>7)</sup>	3/3	-	-

<sup>1)</sup> Elected at AGM in April 2017

<sup>2)</sup> Resigned from Board in February 2017

<sup>3)</sup> Resigned at AGM in April 2017.

<sup>4)</sup> Resigned in August 2017.

<sup>5)</sup> Resigned in October 2017

<sup>6)</sup> Elected in August 2017

<sup>7)</sup> Elected in October 2017

The Committee is made up of at least three Board members and meets at least four times per year. The Company's external auditor participates in meetings at which the annual accounts, annual report and auditor's report are presented, as well as when needed for assessment of the Group's financial position. The Chair of the Committee is responsible for regularly apprising the Board of the Committee's activities.

During 2017, the Committee's members were Gunnel Duveblad (Chair), Christian Ellegard, Måns Carlson, Jesper Lok and Peder Lundquist. The Committee met a total of seven times. The topics discussed include the following:

- The Group auditor's report on the year-end report and interim report and on audits of the end-of-period accounts.
- Review of financing proposals and financing simulations.
- Review of finance policy.
- Monitoring of the Company's financial reporting and process, as well as recommendations and proposals as regards ensuring the reliability of the financial reporting.
- Monitoring of the financial control system, with respect to the efficacy of the Company's internal controls, internal auditing and risk management.
- Auditing and monitoring of the impartiality and independence of the external auditors.
- Procurement and assessment of external auditors.
- Proposals and recommendations for the AGM's resolution on election of auditors.

#### *The Remuneration Committee*

The Remuneration Committee is tasked with preparing and presenting proposals to the Board regarding remuneration and other terms of employment for the Company's management. The Remuneration Committee has no decision-making powers.

The Remuneration Committee is made up of at least three members. The Chair of the Board of Directors chairs the Committee. The Committee shall meet when warranted. The Chair of the Committee is responsible for regularly apprising the Board of the Committee's activities.

During 2017, the members of the Committee were Jens Moberg (Chair), Mats Abrahamsson, and Anitra Steen. The Committee met in total on two occasions.

The topics discussed include the following:

- Remuneration and other provisions for senior executives.
- Pension provisions for senior executives.
- Remuneration to members of the Group Executive Team.
- Evaluation of goal attainment and potential, together with succession planning for senior managers.

#### **Evaluation of the work of the Board of Directors**

The Board of Directors is required to ensure, in accordance with the Board's Rules of Procedure, that the work of the Board is reviewed once a year via a systematic and structured process in order to develop the work procedures and efficiency of the Board and its members.

Areas to be further evaluated include, for example, whether the right issues are addressed by the Board, the integrity of supporting documentation and how accurately decisions and discussions are recorded in the Board minutes. During 2017, external consultants were engaged in connection with the Board evaluation. The evaluation took place in the form of questionnaires to the Board, CEO and some members of the Group Executive Team. The findings of the review were presented by the external consultant at the Board meeting in December and were discussed by the Board. In addition, the Chair of the Board communicated the findings to the Company's owners at a meeting.



### Remuneration to the members of the Board of Directors

Remuneration for Board members was determined by the 2017 AGM. Remuneration for each elected Board member for the period through the next AGM is SEK 290,000, while the Chair's remuneration is SEK 670,000. The fee for the work of the Audit Committee is SEK 55,000 for members and SEK 70,000 for the Chair. The fee for the work of the Remuneration Committee is SEK 25,000 for members and SEK 37,500 for the Chair. Board and Committee member remuneration is not paid to members employed by the Government Offices of Sweden or by any of the Danish ministries. A fee comprising the equivalent of a Swedish base amount (SEK 44,800) shall be paid to Swedish employee representatives and their deputies who take part in Board meetings.

### 5. Auditors

PostNord's 2017 AGM appointed KPMG AB as the Company's auditors, with authorized public accountant Tomas Gerhardsson as senior auditor. The auditors meet with the Board at least once per year and also participated in a number of Audit Committee meetings. In 2017, the Board met with the auditor at one Board meeting. No member of Group Management attended the meeting. The Board members have thus had the opportunity to ask the auditor questions. See also Note 7, Fees and reimbursement of expenses to auditors.

### 6. President and Group CEO and Group Executive Team

The Board of Directors is responsible for appointing and dismissing the President and Group CEO. The CEO appoints, and is assisted by, the Group Executive Team.

The President is responsible for day-to-day administration of the Company according to the Board's guidelines and directions. The relationship between the Board of Directors and the CEO is governed by the Board's rules of procedure and the instructions to the CEO.

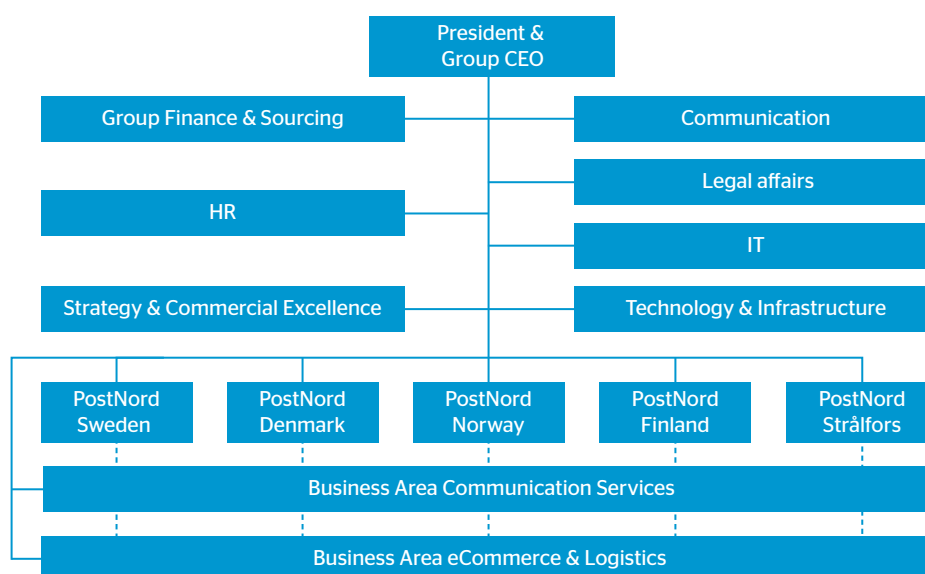
The CEO is accountable to the Board for the day-to-day running of the business and is responsible for implementing the strategic direction set by the Board. Alongside the Board, the Group Executive Team is the Group's decision-making body and is jointly responsible for ensuring that the Group's business develops in line with the strategic direction established by the Board of Directors. The CEO oversees the work of the Group Executive Team.

The Board continuously 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.

#### *Remuneration at PostNord*

Decisions on terms of employment and remuneration for the President and Group CEO are taken by the Board of Directors. The Board addresses remuneration issues via the Remuneration Committee. Salaries and wages for PostNord employees shall be in line with the market. For further details on remuneration for senior executives, see Note 5, Employees, personnel expenses and remuneration to senior executives, in the consolidated financial statements. Guidelines on remuneration to senior executives adopted by the 2017 AGM are available in their entirety at [www.postnord.com](http://www.postnord.com) under Corporate Governance.

### PostNord - organization





## Our values

### *Reliable*

PostNord keeps its promises and delivers everywhere, securely, at the right time and to the right place.

### *Business partner*

PostNord is a professional business partner to its customers and helps them solve their communication and logistics challenges.

### *Accessible*

PostNord is always close to its customers, listens to them and takes an active interest in the challenges they meet.

### *Sustainable*

PostNord creates value for its customers and owners, is a socially responsible company and works actively to reduce the environmental impact of its activities.

## Our mission

PostNord connects people and businesses reliably, efficiently and on time.

## Our vision

PostNord delivers world-class communication and logistics solutions to satisfied customers.

PostNord adheres to several external regulations, including the OECD's Guidelines for Multinational Enterprises ([oecd.org](http://oecd.org)), the UN's Guiding Principles on Business and Human Rights ([ohchr.org](http://ohchr.org)) and the UN Global Compact ([unglobalcompact.org](http://unglobalcompact.org)). PostNord signed up to the Global Compact in 2010. The Global Compact is based on ten principles, which in turn are based on the UN Universal Declaration of Human Rights ([un.org](http://un.org)), the ILO Declaration on Fundamental Principles and Rights at Work ([ilo.org](http://ilo.org)), the Rio Declaration on Environment and Development ([unep.org](http://unep.org)), and the UN Convention against Corruption ([unodc.org](http://unodc.org)). These regulations are reflected in PostNord's Code of Conduct.

The Code of Conduct (the Code) incorporates the Group's shared principles and policies in for example quality and security, human rights, diversity and equal opportunity, sustainability in the supply chain, social commitment and sponsorship, business ethics, including conflicts of interest and competition, and work on environmental issues. The Code is discussed at annual employee performance meetings and at recruitment. The Code is to be observed by all employees. Managers have a particular responsibility to set a good example and create the right conditions for employees to act as a role model and a good ambassador for PostNord. The Code is linked to PostNord's whistleblower system, the special reporting procedure that may be used anonymously. Employees can always raise ques-

tions regarding the Code with their immediate manager. Questions about the Code may also be addressed to the PostNord corporate functions for Sustainability, Human Resources or Legal Affairs. During the year, an e-learning course with instruction in the Code of Conduct was developed.

PostNord also observes a Code of Conduct for Suppliers based on the principles in the Code of Conduct and applicable to all purchasing categories throughout the Group. The Code of Conduct also entitles PostNord to verify compliance with the Code's requirements, and to terminate the agreement if deviations identified are not remedied within the period agreed. During 2017, an e-learning course with instruction in the Code of Conduct for Suppliers was developed. The e-learning for suppliers and both codes are available at [postnord.com](http://postnord.com).

**WE SUPPORT**





### Governance for accountability and sustainability throughout operations

One of the Group's strategic priorities is to integrate sustainability aspects into everything we do and to ensure that PostNord is a leader in the sector. PostNord should conduct a sustainable business, in other words it should act as a responsible business that benefits all stakeholders. Activities are controlled and followed up using non-financial and financial targets set according to stakeholder expectations and approved by the Board of Directors. Certain financial targets are established by the owner via AGM resolutions. This means that social, economic and environmental parameters must be taken into account in strategic and operational activities.

As well as complying with the law, directives and general regulations in the sector, PostNord must observe the Swedish State's ownership policy and guidelines for State-owned businesses. This includes the pursuance of a carefully considered and well-established policy and strategy, together with strategic targets for sustainable enterprise. Like other State-owned companies, PostNord's performance is measured against both financial and non-financial targets.

Control of PostNord's work on sustainability is exercised from PostNord's highest level of management, the

Group Executive Team, in which the Head of Group HR and Sustainability had overall responsibility for sustainability issues, including the environment, in 2017. As of January 1, this responsibility was transferred to the Chief Communications Officer. The Group's environmental working group consists of representatives of the sustainability section and the Group's country organizations. The function of the working group is to ensure that work on strategic environmental issues is carried out, and to share experiences and positive examples in the Group.

The responsibility for driving forward Group-wide efforts in sustainability in the supply chain falls to Group Sourcing. The function is responsible for the strategic control and follow-up on the Group's work in sustainability in the supply chain. During the year, work on requirement specification and follow-up of compliance in the supply chain progressed. For example, a reference group made up of suitable representatives of Group functions and country organizations were linked to Group Sourcing's work on sustainability in the supply chain. Outcomes for the strategic sustainability targets (lower carbon dioxide emissions, women in management positions and sustainability in the supply chain) are followed up quarterly through reporting to the Group Executive Team and the Board.

### Code of Conduct, Code of Conduct for Suppliers and other policies in responsible governance

The Code of Conduct clearly defines PostNord's fundamental approach within the most important areas and is binding on all subsidiaries and all employees in all parts of PostNord. The Group's quality policy, environmental policy, health and safety policy, road safety policy and anti-corruption policy form separate sections of the Code of Conduct.

*The Code of Conduct comprises the following areas:*

- Customers and quality assurance
  - Security and business continuity
  - Secure, reliable information management
  - Road safety
- Working conditions
  - Basic human rights
  - Occupational safety and health
  - Diversity and equal opportunity
  - Opportunities for development
- Business partners and social commitment
  - Sustainability in the supply chain
  - Coordinated purchasing
  - Societal commitment and sponsorship
- Environment
  - Systematic and transparent environmental work
- Business ethics
  - Inappropriate influence
  - Conflicts of interest
  - Duty of information disclosure and use of insider information
- Responsibility, implementation of and compliance with the Code
- Reporting of incidents – whistleblowing

*PostNord's Code Of Conduct for Suppliers comprises:*

- Health and safety
- Labor law and human rights
- Environmental work
- Anti-corruption
- A supplementary code, with requirements aimed at suppliers of road transportation is also available.

*Other policies in responsible governance:*

- Enterprise risk management policy
- Finance policy
- Tax policy
- Diversity policy
- Instructions on external benefits and business entertainment
- Trade sanctions policy
- Competition law policy
- Procurement policy
- Travel policy
- Instructions on PostNord whistleblower procedure
- Policy and instructions on information security
- Information and insider information policy
- PostNord security & business continuity policy

### Code of Conduct

PostNord's Code of Conduct, adopted by the Board in 2014, was updated in spring 2016. It sets requirements for how the Group must act in the areas of sustainable enterprise that are relevant to PostNord. The Code supplements applicable law and external regulations and is the starting point for all relevant intra-Group policies and regulations. The Code applies to all Group employees and relevant parts of the Code are also to be incorporated into agreements with business partners. Ultimate responsibility for compliance rests with the Group Executive Team. However, all employees are responsible for complying with applicable rules, including both laws and other mandatory external and internal rules. PostNord's managers have a specific responsibility for setting a good example and ensuring that their employees are aware of and understand the rules that apply to the business.

### Anti-corruption

PostNord shall be a good player in the community, and so it is especially important that the business should be characterized by good business ethics. PostNord has a zero tolerance policy on corruption. The Code of Conduct includes rules, for example, on handling of conflicts of interest, sponsorship and cooperation. All forms of market activity and business entertainment must comply with generally accepted principles and applicable industry practice, wherever these involve stricter requirements than those of the law.

A Group-wide instruction supplementing the Code of Conduct specifies the circumstances in which external benefits and business entertainment may be offered and accepted by PostNord. The rules apply to all employees and sub-contractors and are based on parts of the Swedish Code of Business Conduct, administered by the Swedish Anti-Corruption Institute (IMM). The instruction is supported by material for a training program. Typically, purchasers and salesmen run a higher risk of becoming involved in corruption. PostNord offers special training in topics such as anti-corruption legislation, aimed at employees in these categories.

### Tax

Public authorities, investors and society are demanding more transparency from companies as to how and where they pay tax. The Swedish State's ownership policy lays down that State-owned enterprises are expected to act responsibly in the area of tax. As a major player in the Nordic region and one of its biggest employers, PostNord pays substantial amounts in various statutory taxes. In 2017, PostNord's Board of Directors adopted a tax policy to be applied by PostNord AB and its subsidiaries.

According to the policy, PostNord is to operate in accordance with all applicable laws and regulations in the countries where operations are conducted, and is to comply with relevant international guidelines. Furthermore, the Group strives to develop mutually respectful relationships with national tax authorities, based on insight and trust, and conducts its tax affairs in a transparent way.

PostNord also strives for low tolerance regarding tax risk and does not employ controversial tax arrangements.

### Competition on equal terms

The Code of Conduct emphasizes how important it is to respect PostNord's special compliance program regarding competition law. During the year, PostNord sales personnel and major account executives, together with employees in Sweden, Denmark, Finland and Norway with special duties in the compliance program relating to competition law, received training in competition law. This training is given on a regular basis.

### Follow-up of compliance

One of the ways in which compliance at PostNord is followed up is via PostNord's special reporting (whistleblower) procedure, which allows anonymous reporting in the event of suspicions of certain types of violation. The system is accessed via PostNord's Group intranet and [www.postnord.com](http://www.postnord.com). During the year, no case arose in which a subsequent investigation indicated any serious breach of PostNord's Code of Conduct. However, more than ten individuals were dismissed from the Group for non-compliance with the Code. PostNord checks systematically on compliance with legislation in the work environment and environmental sectors. In 2017, PostNord was not subject to any legal judgments with binding effect where serious breaches of the law on the part of PostNord were established. However, damages of SEK 0.4m were paid as a result of failings identified in the work environment. PostNord was not subject to any fines in connection with violations of environmental legislation or other external environmental regulations. The same applies to anti-corruption and competition law. However, in May 2017 the Danish Competition and Consumer Authority issued a final ruling that Post Denmark had abused its dominant position in the market for magazine post in the 2007-2009 period.

### Certified management system

PostNord's business management system incorporates governing documents and process descriptions. The system is certified under the standards on Quality (ISO 9001) and Environment (ISO 14001) for Group functions, business areas, PostNord Sweden, PostNord Denmark and PostNord Strålfors. PostNord Sweden and PostNord Denmark are also certified under the standard on Occupational Health and Safety (OHSAS 18001) PostNord Norway has its own certified business management system for quality and the environment. Certification of the business management system involves regular internal evaluations and external audits, which form an important part of the striving for improvement.

### Diversity and workplace equality

PostNord bases its diversity and equality policy on the assumption that differences among people make a workplace more dynamic and attractive. Managers shall serve as role models in this work and actively promote equality



and diversity, according to the Group-wide guidelines on equality and equal treatment plans. The objective is to underpin a common strategic direction, level of ambition and long-term structured program to promote equality and diversity

The initiative "Move - Change for Diversity" aims to bring diversity issues into the spotlight throughout the Group. An active diversity and equality program helps to ensure that both organization and management groups better reflect the world outside and our customers. The manager concerned is responsible for the equality issue in the recruitment process and for equality and diversity activities in general, with support from the HR function.

PostNord does not tolerate any kind of offensive behavior in the workplace. Should harassment or offensive behavior nevertheless occur, several options for reporting have been clearly outlined.

### Competence provision

PostNord has an overarching competence provision plan for up to 2020. The plan is reviewed annually. An assessment of competence requirements based on the Group's strategy and business plan is in progress as part of the annual business planning process. Where necessary, the findings will lead to an action plan.

### Environment

The Group's environmental aspects are regularly reviewed and assessed. Instructions on practical management of PostNord's environmental impact are part of the business management system, for example actions to be taken in incidents that may affect the environment, chemicals handling and waste management. The instructions are based on the precautionary principle. When businesses are established or relocated, and when new products and services are developed, environmental impact assessments are performed in part to minimize environmental risks. The Group's environmental work is evaluated internally through internal controls and evaluations for example.

### Suppliers

PostNord's sustainability requirements for suppliers are detailed in PostNord's Code of Conduct for Suppliers, which is based on the requirements in the Group's Code of Conduct. Where necessary, PostNord also makes product- or service-specific demands in addition to the Code of Conduct for Suppliers. In November 2016, the Code was updated with the addition of PostNord's Code of Conduct for Suppliers of Overland Transport. The aim is to simplify and clarify PostNord's requirements for all suppliers, including specific requirements that PostNord makes of suppliers of overland transport services. The Code of Conduct for Suppliers is available at [www.postnord.com](http://www.postnord.com).

### Safety and continuity

To ensure that letters and parcels are delivered on time to the right recipient, PostNord works systematically on both preventing and countering crime, and ensuring resilience

to disruptions and breakdowns. In 2017, resources were again invested in raising security awareness and strengthening security provision in our production facilities and fleet. More crimes, which have attracted international attention through their modus operandi, have been successfully solved via systematic investigation, and followed by prosecution. The total number of crimes against the Group, including theft and fraud, was reduced in 2017.

During the year, a capability for statistical security analysis was established in the Group, which alongside delivery data for earlier years in the same project, made a measurable contribution to preventing crime and improving delivery quality. In addition, new functionality will be brought in to enable trends and specific crimes to be anticipated. This capability is based on the concepts of "business intelligence" and "big data".

PostNord's business continuity management program adheres to the ISO 22301 standard and efforts are in progress to review and adapt our capacity to maintain deliveries in the event of disruptions and breakdowns of various types. During the year, advanced system support was procured and developed in conjunction with the supplier. This will enable efficiency improvements and snapshots of the continuity analyses for the Group's critical deliveries and their mutual dependencies. The Group function and its activities underwent external auditing during the year, with good results on all points.

### Information security and privacy protection

As one of the Nordic area's leading players in communication services, the PostNord Group bears an important responsibility for guaranteeing information security of personal data and for mitigating threats and operational risks associated with the processing of personal data within the scope of the services provided.

During the year, a systematic program of security-enhancing measures was completed on schedule, including adaptation of security measures in line with the requirements of the General Data Protection Regulation. This work was performed in conjunction with external partners and will help PostNord to maintain a balanced level of information security for the organization's information assets.

In 2017, no complaints were received from public authorities regarding the treatment of personal data. However, two known incidents regarding customer and personal data occurred in Denmark. In the first, customer data was revealed through an error by a sub-contract supplier/sub-processor, and in the second a mailing of letters was addressed wrongly. Actions were taken to ensure that as far as possible these types of incident will not happen again.

## Board's report on internal governance and control of financial reporting

### Organization

The Board of Directors is ultimately responsible for ensuring the Company has an effective system of internal governance and control. The Board's rules of procedure define internal governance and control of financial reporting as a process through which the Board, the President and Group CEO and employees ensure beyond reasonable doubt that the financial reporting is reliable. The Audit Committee is tasked with preparing the Board to perform its duty of assuring the quality of the Company's financial reporting. 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 work is performed via regular meetings with PostNord's management and external auditors, and via examination of accounting principles applied and at adoption of new accounting standards or valuation matters.

PostNord's operational governance is based on the Group's set financial and non-financial goals. Details are available in a summary document, Operational Governance for the PostNord Group. The document describes the organization and deals with issues such as general internal division of roles and responsibilities. The governing principles consist most importantly of management by objectives and decentralized profit center responsibility. The document is linked to the Group's delegated authority procedure. PostNord's principles of internal governance and control are based on the framework developed by the Committee of Sponsoring Organisations (COSO) of the Treadway Commission.

The Group's operational structure differs from its legal structure. As a main principle, organization and governance are based on the operational structure. The PostNord Group runs its business in the form of a matrix organization. The matrix organization comprises segments made up of country organizations (CO), Sweden, Denmark/Germany, Norway, Finland and Strålfors, together with two business areas (BA), BA Communication Services and BA eCommerce & Logistics. The organization also includes Strategy & Commercial Excellence and Group functions.

### Governing documents

PostNord's delegated authority procedure and other governing documents are intended to facilitate and ensure compliance. The delegated authority procedure, which applies to all companies in the Group, is mandatory and governs the right of decision within the Group. The delegated authority procedure is based on the division of responsibilities, adopted by the Group Board of Directors in its rules of procedure, between the Board of Directors and President/Group CEO. Its aim is, through delegation of authority, to ensure effective internal governance and control. The Group Board of Directors' rules of procedure define the matters that require decision by the Board of Directors. The President's areas of authority comprise everything not subject to decision by the Board, under the law or the Board's rules of procedure (or specific Board decisions). See also page 31.

### Risk assessment

Management and managers in segments (the country organizations), the business areas and for Group functions are responsible for identifying and managing risks within their respective areas of responsibility. This takes place within the framework of the Group's organization-wide risk management process and via regular follow-up and business review in the Group's units. Risks associated with financial reporting are identified and evaluated along with other types of risks. Financial reporting risks are also addressed by the Audit Committee and the Board, which evaluate and monitor the management of these risks on a regular basis. See also the section on Risk Management, page 26.

### Control activities

Governing documents and processes concerning accounting and financial reporting are updated by the Group's Finance function in the event of amendments to legislation, accounting rules, reporting requirements, etc. The year-end accounting and reporting process includes controls for accounting principles, valuation and disclosure requirements. The control activities also include checks for compliance with decision-making and authorization rules, verification, reconciliation, manual and programmed checks and the division of duties and responsibilities in processes and routines. To a large extent, finance and payroll administration services are outsourced. Quality is ensured through the monitoring of internal control activities and reporting on compliance with agreed service levels and quality criteria. The Group's Finance function is responsible for consolidated reporting and consolidated year-end accounts. This responsibility includes analyses of the financial results of the segments (the country organizations), the business areas and Group functions.

### Information

The Swedish State's ownership policy specifies guidelines for external reporting applicable to State-owned companies. As PostNord has issued listed bonds, the regulations governing listed companies are applied. The Group's governing financial reporting documents are updated continuously and are published via the Group's intranet, among other channels. The Board and Audit Committee receive and review all quarterly reports and the Group's annual report and sustainability report before publication. Information to the Group's external stakeholders is communicated through press releases and PostNord's website. Financial reporting is also addressed directly to the Danish and Swedish owners.

### Follow-up

- PostNord's business activities are reported and evaluated monthly, measured against business objectives for the units with profit center responsibility. PostNord's financial situation is discussed at each Board meeting.
- Self-monitoring enables early detection and management of any risks and errors. The Board's independent audit and control function is conducted by the Group Internal Audit function, which is tasked with evaluating PostNord's processes for governance, risk identification and risk control.



- The Audit Committee receives regular reports from the Group's external and internal auditors and follows up to ensure that measures are taken on the basis of the auditors' observations and recommendations.
- The Group's companies and Group functions conduct an annual self-assessment of the internal governance and control of financial reporting. Results are compiled by the Group's Finance function and presented to the Audit Committee and to the Group's country organizations and Group functions.
- In 2017 and 2016, certain sections of the reports that the Group's companies and units presented in the self-assessment were subject to verification via a limited review by the Group's external auditors.



# Board of Directors



## Jens Moberg

Born 1962.  
Graduate Diploma in Business Administration.  
Chair of the Board since April 2013.  
Chair of the Remuneration Committee since April 2013.  
Previous experience includes positions at IBM Denmark and subsequently at Microsoft Corporation, most recently as Corporate Vice President.  
Chair of the boards of Grundfos Holding, LE34, Herlufsholm Skole og Gods and VisioLink.  
Board member of Axcel and Poul Due Jensens Fond.  
Own and closely-related parties' holdings of PostNord bonds: O.



## Mats Abrahamsson

Born 1960.  
PhD (Tech).  
Board member since August 2009.  
Member of Remuneration Committee since 2009.  
Professor at Linköping University.  
Chair of the board of Almi Företagspartner Östergötland.  
Board member of Dixma Consultant AB.  
Own and closely-related parties' holdings of PostNord bonds: O.



## Måns Carlsson

Born 1968.  
MSc Engineering, KTH Royal Institute of Technology; MBA, INSEAD.  
Board member since 2017.  
Member of the audit committee since 2017.  
Deputy Director at the Swedish Ministry of Enterprise and Innovation's Department for State-Owned Enterprises.  
Formerly equities analyst and investment manager at Brummer & Partners, consultant at Bain & Company.  
Own and closely-related parties' holdings of PostNord bonds: O.



## 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.  
Chair of the board of HIQ International AB, Team Olivia Group AB, Global Scanning A/S and Stiftelsen Ruter Dam.  
Board member of Dustin Group AB and Sweco AB.  
Own and closely-related parties' holdings of PostNord bonds: O.



## Christian Ellegaard

Born 1969.  
BS and MBA.  
Board member since April 2013.  
Member of Audit Committee since April 2013.  
Former Member of corporate management at Berendsen Plc, CEO of Facility and various positions within the Berendsen Group, including CEO in Denmark.  
Vice chair of the board of Det Danske Madhus A/S.  
Own and closely-related parties' holdings of PostNord bonds: O.



## Jesper Lok

Born 1968.  
MBA.  
Board member since 2017.  
Member of the audit committee since 2017.  
Previous: CEO Falck, CEO ALLIANCE+, CEO DSB, various positions within A.P. Møller-Mærsk Group: CEO Svitzer, Country Manager, Nigeria and Pakistan, etc.  
Chairman of the Board J. Lauritzen A/S and Dagrofa.  
Vice Chairman of the Board Newsec Datea and UNICEF Denmark.  
Own and closely-related parties' holdings of PostNord bonds: O.

Jens Moberg has informed the Group's owners – the Swedish and Danish States – that he will not be standing for re-election at the AGM, to be held on April 26, 2018. Jens will remain as Board chairman until the 2018 AGM.





#### **Peder Lundquist**

Born 1970.  
MSc, Political Science.  
Board member since 2017.  
Member of the audit committee since 2017.  
Deputy Director-General, Ministry of Finance, Denmark.  
Previous: Deputy Director-General, Danish Ministry of Climate, Energy and Building; Administrative Director, Corporate Affairs and Budget Office, Danish Ministry of Transport; and work on economic issues at Denmark's EU Representation Office, Brussels.  
Own and closely-related parties' holdings of PostNord bonds: 0.



#### **Anitra Steen**

Born 1949.  
Bachelor of Arts.  
Board member since April 2013.  
Member of Remuneration 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.  
Chair of the boards of Akademiska Hus AB and AFA Försäkring. Board member of Oral Care Holding SWE AB and Attendo AB.  
Ordinary member of the Swedish Press Council.  
Own and closely-related parties' holdings of PostNord bonds: 0.



#### **Employee representatives**

##### **Bo Fröström**

Born 1960.  
Union representative appointed by the Union of Civil Servants (ST).  
Board member since August 2017.  
Employed by Posten since 1979.  
Own and closely-related parties' holdings of PostNord bonds: 0.



##### **Johan Lindholm**

Born 1979.  
Union representative appointed by the Union of Service and Communication Employees (SEKO).  
Board member since April 2015.  
Deputy employee representative since April 2012.  
Employed by Posten since 1999.  
Own and closely-related parties' holdings of PostNord bonds: 0.



##### **Sandra Svensk**

Born 1977.  
Union representative appointed by the Union of Service and Communication Employees (SEKO).  
Board member since October 2017.  
Deputy employee representative April 2015–October 2017.  
Employed by PostNord since 1995.  
Own and closely-related parties' holdings of PostNord bonds: 0.

#### **Employee representatives, deputies**

##### **Daniel Hansen**

Born 1980.  
Union representative appointed by the Union of Service and Communication Employees (SEKO).  
Deputy employee representative since October 2017.  
Employed by PostNord since 1999.  
Own and closely-related parties' holdings of PostNord bonds: 0.

##### **Ulrika Nilsson**

Born 1974.  
Union representative appointed by the Union of Service and Communication Employees (SEKO).  
Deputy employee representative since October 2017.  
Employed by PostNord since 2004.  
Own and closely-related parties' holdings of PostNord bonds: 0.

##### **Ulf Sjödin**

Born 1956.  
Union representative appointed by the Union of Civil Servants (ST).  
As a union representative, he represents Saco.  
Deputy employee representative since April 2015.  
Employed by PostNord since 1997.  
Own and closely-related parties' holdings of PostNord bonds: 0.

## Group Executive Team



### **Håkan Ericsson**

Born 1962.  
BSc Economics.  
President and Group CEO since October 1, 2013.  
Previous positions: President of Carlson Wagonlit Travels, CEO of Loomis Cash Handling, Executive Vice President at SAS, Managing Director of DHL European freight operation, and senior positions in the Danzas, ASG and Fraktarna logistics groups.  
Own and closely-related parties' holdings of PostNord bonds: 0.



### **Johanna Allert**

Born 1975.  
Master of Science Industrial Engineering.  
Chief Technical Officer since 2014.  
Member of Group Executive Team since 2011.  
Previous positions: Head of Group Operations Development function, including Group Support & Shared Services.  
Own and closely-related parties' holdings of PostNord bonds: 0.



### **Thomas Backteman**

Born 1965.  
B.A.Sc. Economics.  
Chief Communications Officer since 2017.  
Member of Group Executive Team since 2017.  
Previous positions: Chief Communications Officer at Swedband and Studsvik, Partner at Hallvarsson & Halvarsson and Brunswick Group. Chairman of the board of Teach for Sweden and Member of the board at SWE Cycling.  
Own and closely-related parties' holdings of PostNord bonds: 0.



### **Gunilla Berg**

Born 1960.  
BSc Economics.  
Chief Financial Officer (CFO).  
Member of Group Executive Team since September 29, 2014.  
Previous positions: Vice President and CFO of the Teracom, SAS and KF Groups.  
Board member at Atlas Copco AB and ÅF AB.  
Own and closely-related parties' holdings of PostNord bonds: 0.



### **Björn Ekstedt**

Born 1965.  
MBA, MSc in Industrial Management and Engineering.  
Chief Information Officer (CIO) since March 2016.  
Member of Group Executive Team since 2016.  
Previous positions: CIO at Sandvik AB, a number of executive IT-positions at Sandvik AB and Vattenfall AB, Chief Controller and Colonel at the Swedish Armed Forces and a number of senior military positions in the Air Force.  
Own and closely-related parties' holdings of PostNord bonds: 0.



### **Annemarie Gardshol**

Born 1967.  
Master of Engineering.  
CEO of PostNord Strålfors Group since 2015.  
Member of Group Executive Team since 2012.  
Previous positions: Head of e-Commerce & Corporate Clients, Chief Strategy Officer (CSO) and executive positions at Gambro and as a management consultant at McKinsey & Company.  
Board member of SCA AB and EssityAB.  
Own and closely-related parties' holdings of PostNord bonds: 0.



### **Finn Hansen**

Born 1956.  
Master of Science.  
Chief Group Human Resource and Sustainability since 2013.  
Member of Group Executive Team since 2009.  
Previous positions: Head of Business area Breve Danmark, Deputy Director of Distribution, Deputy Director of Mail Production and Transport and various management positions at Post Danmark A/S. Own and closely-related parties' holdings of PostNord bonds: 0.



### **Anders Holm**

Born 1957.  
Market economist.  
Head of PostNord Sweden since 2014.  
Member of Group Executive Team since 2014.  
Previous positions: Head of Posten Logistik AB in Sweden, Sales and Marketing Director at Posten Logistik AB in Sweden, and various positions at UPS, most recently as Nordic CEO.  
Own and closely-related parties' holdings of PostNord bonds: 0.



### **Peter Kjaer Jensen**

Born 1969.  
MBA.  
Head of PostNord Denmark since June 1, 2016.  
Member of Group Executive Team since 2014.  
Previous positions: Head of business area PostNord Logistics and Various managerial positions at Maersk Line, Maersk Logistics and Damco International A/S.  
Own and closely-related parties' holdings of PostNord bonds: 0.



**Tim Jørnsen**

Born 1966.  
Economist.  
Head of e-Commerce & Logistics since January 1, 2017.  
Member of Group Executive Team since 2016.  
Previous: Executive VP Posten Norway/ Bring Nordic logistics operations outside Norway and also MD Palletways Europe and UPS Nordic and other leading positions within UPS UK, Brussels and Europe.  
Own and closely-related parties' holdings of PostNord bonds: 0.



**Kristina Lilja**

Born 1967.  
Master of Laws.  
General Counsel and Board Secretary.  
Member of Group Executive Team since January 1, 2015.  
Formerly VP and legal counsel at Husqvarna and positions as corporate lawyer or general counsel at companies including Hi3G Access (3), IFS and Cybercom.  
Own and closely-related parties' holdings of PostNord bonds: 0.



**Robin Olsen**

Born 1970.  
Master of Engineering; Master of Management.  
Head of PostNord Norway & Finland since 2014.  
Member of Group Executive Team since 2014.  
Previous positions: Head of PostNord Logistics in Norway and CEO of Tollpost Globe AS.  
Own and closely-related parties' holdings of PostNord bonds: 0.



**Jan Starrsjö**

Born 1960.  
BSc of Economics.  
Head of Strategy & Commercial Excellence since 2016.  
Member of Group Executive Team since 2016.  
Previous positions; VP Sales PostNord Mail Sweden and other executive positions within Posten AB.  
Previously also: CEO for a venture capital firm and a IT services firm and management consultant at McKinsey & Co.  
Own and closely-related parties' holdings of PostNord bonds: 0.



**Charlotte Svensson**

Born 1967.  
Studies at Stanford, Chalmers, Göteborgs University of Gothenburg and University of Karlstad.  
Head of Business Area Communication Services since 2017.  
Member of Group Executive Team since 2017.  
Previous positions: Chief Technical Officer at Bonnier Group, Chief Commercial & Digital Officer at Bonnier News, CIO at Dagens Nyheter and CEO InvoiceIT.  
Own and closely-related parties' holdings of PostNord bonds: 0.

The following changes were made effective on February 1, 2018. Annemarie Gardshol became the new Head of PostNord Sweden. Annemarie Gardshol has most recently served as CEO of the PostNord Strålfors Group. The former Head of PostNord Sweden, Anders Holm, is to become Head of Corporate Clients, International Linehails and Customs Clearance, as well as of PostNord Finland, and remains a member of the Group Executive Board. Ylva Ekborn takes over as new CEO of the PostNord Strålfors Group and joins the Group Executive Board. Ylva Ekborn has most recently been serving as CEO of PostNord Strålfors Sweden. Finn Hansen will retire during the year, as announced earlier, and will therefore leave PostNord's Group Executive Team. Until further notice, the person in PostNord's Group Executive Team responsible for HR issues will be Jan Starrsjö, the Group's Head of Strategy and Sales Processes.



## Contact persons

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## Financial calendar

Interim report January–March 2018	April 26, 2018
Annual General Meeting	April 26, 2018
Interim report January–June 2018	July 18, 2018
Interim report January–September 2018	October 26, 2018
Year-end financial report 2018	February 1, 2019



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**We deliver!** PostNord is the leading supplier of communication and logistics solutions to, from and within the Nordic region. We ensure postal service to households and businesses in Sweden and Denmark. With our expertise and strong distribution network, we develop options for tomorrow's communication, e-commerce, distribution and logistics in the Nordic region. In 2017, the Group had around 31,000 employees and sales of just over SEK 37 billion. The Parent Company is a Swedish public limited company with Group headquarters in Solna, Sweden. Visit us at [postnord.com](http://postnord.com)