

# Corporate governance report

The governance of Fingerprint Cards AB (publ.) (FPC) is distributed among the various corporate bodies according to the laws, rules and processes to which they are subject. Corporate governance defines the decision-making systems and structure through which shareholders directly or indirectly control the company. FPC is a Swedish public limited-liability company listed on NASDAQ Stockholm Midcap list. A Swedish public limited liability company with listed securities is obliged to comply with the rules that affect the company's governance, of which the most important are:

- The Swedish Companies Act
- The Annual Accounts Act
- Nasdaq, Stockholm: Regulations for Emmitter. The regulations contain clear guidelines for the company's communication with and information to the market.
- The Swedish Code of Corporate Governance: The Code is part of the business community's self-regulation aimed at improving corporate governance in Swedish listed companies. It supplements the Swedish Companies Act and other public regulations by stipulating a higher norm than the minimum requirements of the law for what can be generally regarded as good corporate governance. Good corporate governance entails that companies are driven by the interests of shareholders as guiding stars. This

promotes confidence in companies from the public and the Swedish and international equity markets, which in turn will generate better conditions for capital procurement for the Swedish business community. By this, good corporate governance contributes to the efficiency of the business community and to more rapid growth and increased dynamics in the Swedish economy. A Swedish limited liability company with listed securities is also subject to legislation and regulations pertaining to securities, their trading, market and price-sensitive information:

- The Financial Instruments Trading Act
- The Swedish Act concerning Reporting Obligations for Certain Holdings of Financial Instruments
- The Market Abuse Penalties Act.
- The Swedish Financial Supervisory Authority's regulations.

### Major shareholdings

For information on shareholders whose holdings directly or indirectly exceed one tenth of the voting rights for all of the shares in the company; refer to page 27 of the Administration Report.

### Shareholders' influence and Shareholders' Meetings

FPC is a CSD-registered company, which means that the company's share register is maintained by Euroclear Sweden AB.

At December 31, 2015, FPC had 13,743 shareholders. Ultimately, it is FPC's shareholders who determine corporate governance.

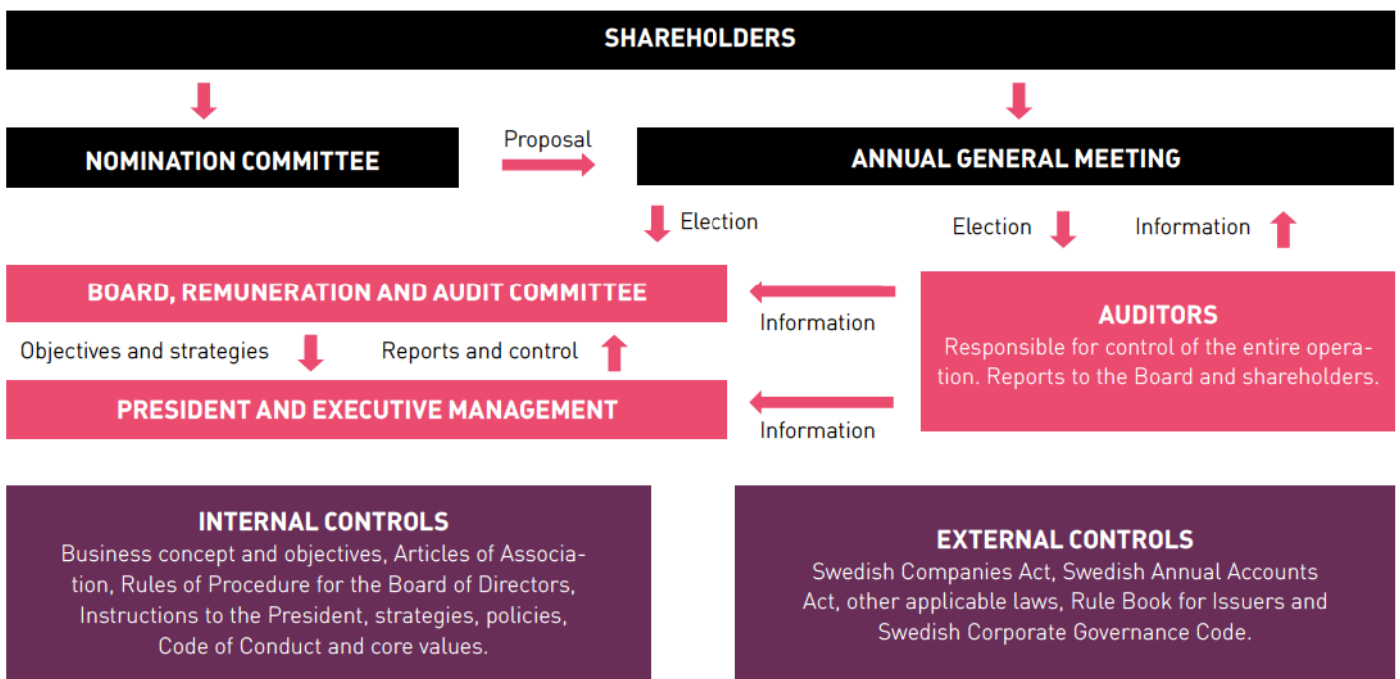
Shareholders exercise their voting right at General Meetings, the highest decision-making body.

The Annual General Meeting (AGM) makes decisions in the company's most fundamental control document, the Articles of Association.

The AGM approves the income statement and balance sheet for the preceding fiscal year, discharges the Board from liability, elects a new Board, elects auditors, resolves on remuneration of the Chairman of the Board, Board members and auditors and resolves on guidelines for the remuneration of senior executives and changes in the number of shares and their structure.

Notification of the AGM is dispatched no earlier than six and no later than four weeks prior to the Meeting. The notice is to include information regarding the manner of and the final date for notification of attendance, the right to participate and vote at the Meeting, a numbered agenda showing the matters to be addressed, information on the appropriation of earnings, and the main content of other proposals.

Shareholders or their representatives may vote for the full number of shares



owned or represented. One Class A share carries 10 votes and one Class B share carries one vote at the Meeting. Notifying intention to attend the AGM is primarily through e-mail, in accordance with the instructions in the official notification. For participation as a representative, the shareholder must issue a power of attorney to the representative. If the shares are registered with a nominee, they must be re-registered in the shareholder's name in the share register no later than the record date of the Meeting. The record date is stated in the notification of the meeting. Official notification of an Extraordinary General Meeting (EGM), at which the matter of the company's Articles of Association is to be dealt with, must be issued no earlier than six weeks and no later than four weeks prior to the Meeting. Notification of any other EGMs must be issued no earlier than six and no later than three weeks ahead of the Meeting.

Proposals concerning matters to be dealt with by the Meeting must be addressed to the Board and be submitted well in advance of the issuance of the notification of the Meeting. Prior to the AGM on June 3, 2015, a request from shareholders to have a matter addressed by the Meeting must be received no later than April 15, 2015 to be included in the notice convening the Meeting.

Most resolutions at the General Meeting are passed by a simple majority. In certain cases, the Swedish Companies Act states that resolutions must be passed by a qualified majority, for example, resolutions regarding amendments of the Articles of Association, which require the support of at least two-thirds of shareholders in terms both of the votes cast and the shares represented at the Meeting.

#### 2014 AGM

The AGM for the 2013 fiscal year was held in Gothenburg on June 4, 2014. Notification of the Meeting was published on May 7, 2014. Shareholders attending the Meeting represented 26.39% of the number of votes and 12.36% of the number of shares.

Resolutions passed by the Meeting included:

- Approval of the income statement and balance sheet for fiscal year 2013.
- Approval of the appropriation of profit where profit was brought forward to the next financial year.
- Discharge of liability for the Board and President for 2013.
- Resolution that the number of Board members should be five.
- Determination of Board fees, SEK 350,000 to the Chairman of the Board and SEK 220,000 per year to Board members.
- Determination of the remuneration of the auditors.
- Election of Board members and Chairman of the Board, where no changes were resolved.
- Election of auditors, where no changes were resolved.
- Resolution concerning the Nomination Committee.
- Determination of guidelines for senior executives.
- Authorization of the Board during the period up until the next AGM to make decisions regarding the issue of up to 10,000,000 Class B shares. Preferential rights for shareholders may be disappplied on issuance.
- Authorization of the Board during the period up until the next AGM to make decisions regarding the issuance of up to 10,000,000 Class B shares. Issuance is to be conducted subject to preferential rights for shareholders.

#### Nomination Committee and nomination process

The AGM resolves on the appointment of the Nomination Committee. At the 2014 AGM, the Nomination Committee's proposals regarding Board members were presented, and the following members were subsequently elected as Board members: Christer Bergman, Urban Fagerstedt, Tord Wingren, Alexander Kotsinas and Johan Carlström. Urban Fagerstedt was elected Chairman of the Board.

Members of the Nomination Committee were determined at the AGM. The period in office of the Nomination Committee extends until such time as a new Nomination Committee is appointed. The Nomination Committee is to appoint from its own numbers a chairman who must not be the Chairman of the Board. Should a member of the Nomination Committee step down from the Committee before the 2015 AGM, the members of the Nomination Committee are entitled to jointly appoint another representative of the major shareholders to replace the outgoing member.

FPC's Nomination Committee consists of:

- Dimitrij Titov (Nomination Committee's Chairman, independent in relation to the company).
- Tommy Trollborg (Independent in relation to the company)
- Lars Söderfjell (Representing the shareholder Sunfloro AB, which holds 17.59% of the votes)

The tasks of the Nomination Committee ahead of AGM 2014 are to issue:

- A proposal regarding the Chairman of the Meeting
- A proposal regarding the Board of Directors
- A proposal regarding the Chairman of the Board

Name	Function	Elected	Stepped down	Committee work	Independent* vis-à-vis		Chairman	Fees 2014/2015	Fees 2013/2014
					Company	Major shareholders			
Christer Bergman	Member	Aug 8, 2008	-	Remuneration Committee, Audit Committee	Yes	No	15	220,000	120,000
Urban Fagerstedt	Chairman	June 4, 2009	-	Remuneration Committee, Audit Committee	No	Yes	18	350,000	200,000
Tord Wingren	Member	June 18, 2013	-	Remuneration Committee, Audit Committee	Yes	No	14	220,000	120,000
Alexander Kotsinas	Member	Nov 26, 2013	-	Remuneration Committee, Audit Committee	Yes	No	18	220,000	120,000
Johan Carlström	Member	Nov 26, 2013	-	Remuneration Committee, Audit Committee	No	Yes	14	-	-

- A proposal regarding auditors
- A proposal regarding remuneration of Board members
- A proposal regarding remuneration of auditors
- Proposal regarding the composition of the Nomination Committee prior to the 2015 AGM.
- Shareholders may submit proposals to the Nomination Committee, by sending them to:

investrel@fingerprints.com

### Board of Directors

The Board comprises five members. FPC's Board has ultimate responsibility for controlling and leading operations between AGMs. Board members are elected annually by the AGM for the period up until the end of the next AGM. Changes in the composition of the Board between the AGMs may be made through a resolution of an Extraordinary General Meeting, or by a member choosing to resign prematurely from his/her assignment. Board members have broad and extensive experience from business and industry and all members are or have held corporate presidents functions. A number of them have other assignments as board members for relevant companies as viewed from management, market, technology or international perspectives.

The Swedish Corporate Governance Code (the Code) includes provisions to the effect that a majority of the Board members elected at the AGM are to be independent in relation to the company and executive management, and that at least two of the independent members are also to be independent vis-à-vis shareholders who control 10% or more of the shares or votes in the company.

An assessment by the Nomination Committee concluded that all five members are independent in relation to the company and executive management. Three of the members are independent in relation to major shareholders. In line with the Code, the Chairman of the Board is also elected at the AGM.

There are no rules determining the maximum period during which a Board member may remain in office. The Articles of Association state that the Board must consist of four to seven members and the Board currently comprises five members.

During 2014, no changes were made to the Board and its members.

The Board is responsible for FPC's organization and manages FPC's business on behalf of the shareholders. The Board continuously assesses FPC's financial situation and ensures that FPC is organized

so that bookkeeping, management of funds and the company's financial situation in general are controlled in a satisfactory manner. The Board appoints the President and makes decisions concerning matters involving the strategic direction of operations and the company's overall organization.

The Board sets corporate policy and instructions for ongoing operations. These are headed by the President. The President provides the Board with a regular flow of information about events that are of significance for the Group's development, financial results, position, liquidity or other important matters about which the Board should be kept informed. The President may be elected to the Board; however, in line with the Swedish Companies Act, the said person may not be elected as Chairman of the Board in a public limited liability company.

The Board members at the end of 2014 are presented separately on page 65 of the Annual Report.

### Rules of Procedure for the Board of Directors

Pursuant to the Swedish Companies Act, the Board has established working procedures and an instruction for the President. These state how work is to be allocated between the Board as a whole, its committees and between the Board Chairman and President. This is a complement to the Swedish Companies Act and the Articles of Association. The Board evaluates and adopts work procedures annually at the first Board meeting after the AGM. This meeting is called statutory Board meeting. In addition to the Board's working procedures and instructions, policies are in place stating the purpose, framework and responsibility for individual business areas and functions. As stated in the work procedures for the Board of Directors and other provisions, the Chairman of the Board is responsible for ensuring that the work of the Board is conducted efficiently and that the Board fulfills its obligations.

These include organizing and supervising the work of the Board and creating optimal conditions for its work. In addition, the Chairman of the Board ensures that Board members are continuously updated and that they increasingly familiarize themselves with the company's operations, and that new members receive a suitable introduction. The Chairman is to be available as an adviser and discussion partner for the President but also evaluates the latter's work as well as presenting the resulting assessment to the Board. The Chairman is responsible for the evaluation of the Board's performance and informs the Nomination Committee of the results of the evaluation.

### Board meetings

During 2014, the Board held 19 meetings. The year was characterized by a continued high level of activities that required decisions by and consultation with the Board; insider investigation pertaining to the President Johan Carlström, election of acting President, the AGM, new share issue, redemption of warrants and continuous decisions concerning extensive development projects, a business operation that developed positively with successes in the market and business volumes that rose 145% compared with 2013.

FPC's employees participate in Board meetings when required as presenters of information.

The annual work cycle of the Board commences with the statutory meeting after the AGM. At this meeting, the Board's working procedures and the instruction for the President are adopted. Recurring items on the agenda for subsequent meetings during the year include the Group's executive management debriefings as regards business conditions, operations, organization, financial results, position and cash and cash equivalents. The budget and business plan for the next year are dealt with by the Board in the autumn and before Christmas.

In conjunction with the end of the quarter, meetings are held to make decisions regarding the publication of quarterly, six-month and year-end reports. Ahead of the AGM, meetings are held to make decisions regarding the notification, annual report, corporate governance documents and other matters for the AGM. In addition, the Board is required to hold meetings regarding Extraordinary General Meetings, new share issues and other decision-making activities.

### Remuneration Committee

The Remuneration Committee evaluates and prepares matters regarding remuneration and employment terms for executive management, and draws up guidelines for the remuneration of the President and senior executives for approval by the AGM. The Remuneration Committee ensures that remuneration matches the prevailing market terms for comparable positions in other companies and that the company's pay offering is thus competitive. The Board sets the President's remuneration.

Remuneration of other senior executives is decided by the President following consultation with the Remuneration Committee. At FPC, the entire Board handles the Remuneration Committee's tasks.

### Audit Committee

The task of the Audit Committee is to support the work of the Board by ensuring high-quality internal control, financial reporting and external auditing. Among other responsibilities, this involves examining interim and year-end reports ahead of publication and dealing with all critical accounting issues and assessments. The Board meets the external auditor on at least one occasion. At FPC, the entire Board handles the Audit Committee's tasks.

### Audit

At the 2010 AGM, KPMG, with Johan Kratz as the auditor-in-charge, was elected as FPC's auditor.

Johan Kratz has been an authorized public accountant since 1995. Johan Kratz is also an auditor for other companies including Akzo Nobel Pulp & Performance Chemicals AB, IAC Group Sweden AB, Nobel Biocare AB and Sector Alarm AB.

The auditor examines the administration, financial statements, internal procedures and control systems, interim financial statements and interim reports, six-month accounts and six-monthly reports, year-end financial statements and Annual Report, and issues a statement regarding the Board's reports in conjunction with decisions made on matters such as new share issues and warrant programs. Each year, the Board meets with the auditor to receive the auditor's report as to whether the company's organization is appropriately configured to ensure that accounting, management of funds and conditions in general are controlled satisfactorily. The company's auditor reported to the Board on one occasion, and to the President on one occasion in the 2014 fiscal year. During 2014, the auditor attended the AGM on June 4.

### President

Johan Carlström resigned as FPC's President on September 11, 2014.

Jörgen Lantto was appointed the new Acting President to manage operating activities. The allocation of responsibility between the Board and the President is defined in written instructions for the President as adopted by the Board. The President reports to the Board and regularly presents a report on how operations are progressing in terms of the goals and strategies established and decisions made by the Board.

### Internal control

FPC is a rapidly growing organization. The President has, to a certain extent, delegated

responsibility for internal control to department managers. Responsibility entails that there are appropriate instructions and procedures for operations that are to be regularly monitored and reported. Responsibility is limited by defined amounts and proximity to the managers' own positions. Responsibility for internal controls, compliance with rules and operational risks are thus an integral part of executive responsibility and places demand on leadership.

The financial policy includes frameworks for investments, cash management, currency hedging and the granting of credit in connection with sales. Credit is granted only if there is good reason to assume that the credit recipients will meet their obligations. Otherwise, sales are conducted against advance payment. FPC seeks to ensure the continuance of its historically low customer bad-debt losses, thereby contributing to profitability and a solid financial position.

### Guidelines for remuneration of Board members

The Chairman and members of the Board are remunerated in accordance with AGM resolutions. No separate remuneration is paid for committee work. Remuneration for 2014/15 amounted to SEK 350,000 to the Chairman of the Board and SEK 220,000 to Board members, totaling SEK 1,010,000. Board members appointed during the year receive fees in relation to the remaining period until the next AGM.

Board members who receive salary from FPC do not receive board fees.

### Guidelines for remuneration of senior executives

The Remuneration Committee, which is appointed from among Board members, prepares guidelines in respect of pay and other employment terms for the President and senior executives and presents the Board with proposals in respect of these issues. The Board determines the salary and other remuneration paid to the President. Remuneration of the President and other senior executives comprises basic salary, variable remuneration, other benefits, pension and financial instruments. Variable remuneration is capped at 40% of total salary. The term "other senior executives" refers to the individuals who, in addition to the President, constitute Group management. As of the salary review in 2012, most of the revised remuneration will be allocated to the variable share in an effort to increase the performance-based

salary to a maximum of 40%. The period of notice is a maximum of six months for either party. If the company terminates employment, severance pay is payable in an amount corresponding to not more than six monthly salaries. During the period of notice of no longer than six months, full salary and employment benefits are paid. Decisions regarding share and share-price-based incentive programs are made by the General Meeting. All pension provisions are to be of the defined-contribution category.

External information is provided via the website ([www.fingerprints.com](http://www.fingerprints.com)) and through press releases.

Inquiries regarding information, investment and the Nomination Committee may be made to [investrel@fingerprints.com](mailto:investrel@fingerprints.com).

### Internal control

Pursuant to the Swedish Code of Corporate Governance, the Board is to ensure that the company maintains adequate internal controls and keep itself continuously informed of and evaluate how the company's system for internal control functions. Furthermore, the Board submits a report on the organization of the internal control of the financial reporting and, if internal control is not in place, evaluates the need of such a function and motivates its opinion.

### Control environment

The fundamental platform in the control environment for financial reporting consists of the guidelines and controlling documents including the Board's working procedures and instruction to the President as described earlier in the corporate governance report, as well as the allocation of responsibility and authority that is adapted to the business organization. It is primarily the President's responsibility as part of daily operations to maintain the control environment as designated by the Board. The President reports regularly to the Board in line with set procedures. In addition to the above, reports are submitted by the auditor.

### Risk

Risk assessment is performed on a continuous basis and comprises the identification and management of any risks that could impact business activities and financial reporting. The primary risk within the framework of financial reporting is the risk of material errors in the financial reporting. Risk management comprises part of the business activities' processes and various

methods are utilized to ensure that risks are managed in compliance with regulations, instructions and procedures with the aim of providing correct information.

#### Control activities

Control activities are designed to manage the risks that the Board and Group management assess as essential for the internal control of the financial reports.

Control activities aimed at preventing, identifying and correcting errors and deviations are evaluated. Assignment of responsibility and organization comprise the structure for the control. Follow-up is performed in each respective area of responsibility as it is for the entire operations. Allocation of attestation rights and authority is part of the structure for control activities as are clear rules for decisions regarding investment, sales, procurement and contracts. Control activities are also based on the business concept, strategies and goals, and on issues that are critical for operations. A high degree of IT security is a prerequisite for favorable internal control of the financial reporting. The IT strategy focuses on security and functionality where security is the most important since no security usually results in weakened functionality.

External financial reporting with accompanying controls is performed on a quarterly basis and internal financial reporting is performed monthly. Financial control is performed based on a business plan which is broken down to the annual budget. The budget is revised during the year and is utilized to

produce forecasts and forms the basis for the follow up of actual results. In reporting, analysis and comments are reported on trends vis-à-vis the set goals. Control of development projects is performed through ongoing project monitoring and reporting of subprojects. Performance and costs expended are related to plans and budgets and the anticipated remaining project expenses for project completion are reported.

The operative control is supplemented by monitoring quality and performance from suppliers, customers and internal processes.

Liquidity and cash flow are followed up on an ongoing basis with the updating of forecasts and the resultant liquidity planning. The continuous analysis of the financial reporting on various levels is central to ensuring that the financial reporting does not contain material errors. Control activities and distribution among various functions are integral features throughout the financial reporting process.

#### Information and communication

FPC's policies and guidelines are of particular importance for correct accounting, reporting and information. FPC collaborates with news agencies, advisors concerning investment relations and communication consultants regarding external communication and information. The information is intended to increase awareness of FPC and increase confidence in FPC, its management and employees, while promoting business activities. FPC's policies and guidelines

are of particular importance for correct accounting, reporting and information. FPC collaborates with news agencies and communication consultants regarding external communication. The aim is to ensure that disclosure requirements are complied with in a correct and complete manner.

#### Follow-up

Compliance with the Board's working procedures, instructions, policies and procedures are followed up by the Board and Group management. The financial situation and business outlook are dealt with at Board meetings. The Board reviews financial reports and decides on publication prior to the publication of financial reports. The Board evaluates its work annually.

Interim, six-month and annual financial statements, with accompanying financial reports, are reviewed by the auditor. Monthly reports are submitted to the Board in the form of a President's report, which includes sections for business functions. The Executive Management Group meets frequently and regularly reviews business developments, financial trends, the company's position and influential events. The Board meets with the auditor during the year to review the audit of internal control and other assignments. Against this background, the Board has made the assessment that a separate internal audit function is not required.

#### Board of Directors

Gothenburg, April 28, 2015

#### Auditors' report on the Corporate Governance Report

To the AGM of Fingerprint Cards AB (publ)  
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The Board of Directors is responsible for the 2014 Corporate Governance Report, which is included in the printed version of this document on pages 61-64, and its preparation in accordance with the Annual Accounts Act.

Based on the Corporate Governance Report which we have read and our knowledge of the company and the Group, we believe that there is sufficient basis for our opinion.

This means that our statutory review of the Corporate Governance Report has a different focus and is substantially smaller in scope than an audit conducted in accordance with the International Standards on Auditing and other generally accepted auditing standards in Sweden. In our opinion, the Corporate Governance Report has been prepared and its statutory content is consistent with the other parts of the annual accounts and consolidated financial statements.

Gothenburg, May 5, 2015

KPMG AB  
Johan Kratz

Authorized Public Accountant