



2018 Corporate Governance Report

The Corporate governance report

INTRODUCTION

Corporate governance, management and control of Oriflame are apportioned among the shareholders at general meetings of shareholders, the board of directors of Oriflame Holding AG (the Board), the Board's elected committees and the executive management in accordance with Swiss law, Oriflame Holding AG's articles of association and the organisational regulations implemented by the Board. Oriflame complies with the Swedish Code of Corporate Governance* (the Code) to the extent that the Swedish Code does not conflict with Swiss law or regulations.

In common with most EU corporate governance codes, the Code sets out recommendations rather than mandatory rules. The Code is based on the principle of comply or explain, whereby companies are allowed the freedom to deviate from the Code if they feel alternative solutions better fit their particular circumstances, provided that they report the deviation(s), describe the alternative solution(s) and explain the reasons why. Oriflame's deviations are reported and explained under the heading Comply or Explain.

This corporate governance report has been prepared in accordance with the Code.

COMPLY OR EXPLAIN

OHAG deviates from the Code concerning the appointment of the nomination committee and its tasks: According to Swiss company law the nomination of the members of the board of directors, its chairman, the external auditor as well as appointment of the chair of the general meeting are inalienable tasks of the board of directors. The nominations to the board of directors, chairman of the board and auditor are to be presented by the board of directors to the annual general meeting for approval. The board of directors' proposals to the annual general meeting can be prepared by a committee, pro-

vided that such committee only consists of members of the board of directors. In keeping with Swiss company law OHAG has therefore formed a nomination & governance committee consisting solely of OHAG directors. This is a deviation from the Code, which stipulates that the shareholders are to appoint (or specify how to appoint) the nomination committee members and that members of the board of directors can be part of the nomination committee but may not constitute a majority thereof. During 2018 OHAG also deviated from the Code by having the nomination committee consist of only two members (whereas the Code states that the nomination committee shall have no fewer than three members). However, in order to ensure relevant input from shareholders, OHAG's nomination committee consults with, inter alia, OHAG's five largest shareholders who are invited to participate in nomination committee meetings before the nomination committee proposals are finalized and put forward to the board. The nomination committee does furthermore not make any recommendation on auditor's remuneration as, under Swiss law, the remuneration of the auditors is not a shareholders' decision. Nor does the nomination committee of OHAG prepare any recommendations on board and committee remuneration as, in accordance with Swiss law, such recommendations are to be put forward to the annual general meeting by the board of directors, and can only be prepared by the remuneration committee.

OHAG deviates from the Code concerning the appointment of the remuneration committee: While the Code stipulates that the board of directors shall appoint a remuneration committee, the members of OHAG's remuneration committee are, in accordance with Swiss law, appointed by the general meeting.

OHAG furthermore deviates from the Swedish Code by not having its general meetings hosted in the Swedish language: OHAG's general meetings are hosted in English only. As OHAG is a Swiss company the location for general meetings of shareholders is in Switzerland. It has not been deemed warranted from ownership structure point of view to offer simultaneous interpretation of the general meeting into

* The latest version of the Swedish Code of Corporate Governance (effective as of 1 December 2016), including any amendments and instructions issued by the Swedish Corporate Governance Board, is available at www.corporategovernanceboard.se.

other languages than English. OHAG, however, translates the notice and agenda to its general meetings into Swedish (available for download and ordering on OHAG's website).

OHAG also deviates from the Code concerning the shareholders' influence on share and share-price related incentive schemes for the executive management as, under Swiss law, the arrangement of such schemes is one of the inalienable powers of the board. However, OHAG shareholders still have considerable influence on such remuneration schemes: Both the approval of conditional share capital increases, which are usually used to create shares for incentive schemes, as well as the approval of the aggregate amount of variable remuneration (regardless of whether paid out in cash or shares) to the board and executive management, lies within the discretion of the general meeting.

GENERAL MEETINGS

The supreme governing body of a Swiss stock corporation (Aktiengesellschaft) is the general meeting. A general meeting is normally convened by the board of directors. At least one general meeting shall be held per year. The annual general meeting takes place annually within six months of the end of the financial year. The agenda of the annual general meeting shall include the following items: (i) the approval of the management report, the annual financial statements and the consolidated financial statements, as well as the resolution on the appropriation of the profits as shown in the balance sheet, in particular, the declaration of dividends; (ii) the release from personal liability of the members of the board of directors and the persons entrusted with the executive management; (iii) the individual election of the members of the board of directors and the election from among them of the Chairman and the individual election of the members of the Remuneration Committee as well as the election of the independent proxy and the auditors; and (iv) the approval of the remuneration of the board of directors and executive management pursuant to the articles of association.

Extraordinary general meetings may be convened as and when required by the board of directors, the auditors or by a liquidator. Extraordinary general meetings shall be convened by the board of directors upon resolution by a general meeting or at the written request of one or more shareholders with voting rights representing an aggregate proportion of at least 10 per cent of the share capital, specifying the items and proposals to appear on the agenda and,

in case of elections, the names of the candidates. General meetings shall be held where the company has its registered office or at such other location determined by the board of directors. OHAG intends to hold its general meetings in Switzerland. Minutes from general meetings will be published on OHAG's website.

The right to participate at general meetings shall accrue to any shareholder who is entered in the share register kept by Euroclear Sweden or the company on the record date determined by the board of directors and who has notified OHAG thereof not later than the date specified in the notice to attend the general meeting. The notice to participate at a general meeting shall be given by the shareholder as specified in the notice to attend the general meeting. Attendance at the general meeting is not a prerequisite for exercising one's rights: Apart from voting on the agenda items electronically, a shareholder who does not personally attend a general meeting may exercise his or her rights at the meeting through a proxy or through the independent proxy. The independent proxy is obligated to exercise the shareholder's vote in accordance with the shareholder's instructions. As stated below, the independent proxy is appointed by the general meeting. Both natural persons and legal entities may be appointed as independent proxy.

Notice to attend a general meeting shall always take place through an announcement in the Swiss Official Gazette of Commerce (the equivalent to the Swedish Official Gazette (Sw. Post- och Inrikes Tidningar)) and may be sent by mail to each registered shareholder. Moreover, OHAG publishes a shortened version of the notice to attend a general meeting in a daily Swedish newspaper. The notice to attend shall be published and sent by mail, as applicable, not later than 20 calendar days prior to the general meeting. Furthermore, the notice to attend must contain a proposed agenda for the general meeting and shall clearly state the matters to be addressed at the general meeting. The notice to attend is also always made public via a press release and published on OHAG's website.

Written requests to convene an extraordinary general meeting may be given by one or more shareholders jointly representing at least ten per cent of the share capital. Such notice shall be sent to the board of directors and shall state the purpose of the general meeting as well as a proposed agenda. Furthermore, shareholders jointly representing shares with a nominal value of CHF 1,000,000 or at least 10 per cent of the share capital may demand that an item be placed on the general meeting agenda. Swiss company law stipulates the following inalienable powers of the general meeting:

- to determine and amend the articles of association;
- to elect individually the members of the board of directors and the external auditor;
- to approve the management report and the consolidated accounts;
- to approve the annual accounts and resolutions on the allocation of the disposable profit;
- to discharge the members of the board of directors;
- to pass resolutions concerning the matters reserved for general meetings by law or the articles of association.

Furthermore, a general meeting of a Swiss company with shares listed in Switzerland or abroad has the following additional inalienable powers regarding:

- election of the chairman of the board;
- election of the members of the Remuneration Committee;
- election of the independent proxy;
- resolutions concerning remuneration of directors and the executive officer as well as the remuneration of the advisory board (if applicable).

As a general rule, a shareholder may exercise his voting rights in proportion to the total nominal value of the shares owned or represented by such a shareholder, unless otherwise prescribed in the articles of association. The articles of association may limit the number of votes allocated to an owner of several shares. However, each shareholder is entitled to at least one vote. The voting rights of the shareholders are determined by the nominal value of the share. In this case, the shares with the lowest nominal value will be worth at least one tenth of the nominal value of the other shares. The articles of association may specify that voting rights are not dependent on nominal value with the result that each share carries one vote. The determination of the voting rights according to the number of shares does not apply to the appointment of auditors, the appointment of experts to inspect management practices or individual parts thereof, or a resolution on raising a liability action against a director of the board. OHAG's articles of association do not limit the number of votes allocated to any owner. Furthermore, OHAG has issued only one class of shares, with one and the same nominal value (CHF 1.50) and the same voting right for each share (one vote per share).

The general meeting passes resolutions and conducts its elections by an absolute majority of the votes represented, unless Swiss law or the articles of association provide otherwise. However, a general meeting resolution passed by a majority of at least two-thirds of the votes

represented and an absolute majority of the entire nominal capital represented at the general meeting in respect of which a right to vote may be exercised is required, inter alia, in the case of:

- the amendment of the objects of the company;
- the introduction of capital contributions with preferential voting rights;
- an increase in or easing of the restrictions on or the prohibition of the transferability of capital contributions;
- the restriction or revocation of subscription rights;
- the relocation of the registered office of the company;
- the dissolution of the company.

To the extent that personal notification is not required by law, all communications to the shareholders are deemed valid if published in the Swiss Official Gazette of Commerce. Communications by OHAG to its shareholders may also be sent by ordinary mail to the last address of the shareholder entered in the share register of the company.

Oriflame does not permit remote participation in general meetings. Oriflame does, however, enable shareholders to vote without being present by proxy as well as by electronic voting. Since it is listed on the Nasdaq Stockholm Exchange, Oriflame also hosts a shareholders' day in Stockholm in advance of the annual general meeting, where shareholders have the opportunity to meet with directors and management and to ask questions related to, inter alia, the annual general meeting. In advance of the 2018 annual general meeting, such shareholders' day was held on 27 March 2018.

BOARD OF DIRECTORS

The board of directors is responsible for the overall management of OHAG's business. Its duties include the issuing of all necessary directives, determination of the company's organisation, overall supervision of the persons entrusted with managing the company, implementation of resolutions of a general meeting, preparation of various company reports, accounting and minutes. The articles of association may authorise the board of directors to delegate the management or part of the company's business to individual members or third parties in accordance with its organisational regulations. These regulations regulate the management of the company's business, stipulate the bodies required to carry this out, define their duties and, in particular, regulate the company's internal reporting. Certain duties of the board of directors are, however, non-transferable and inalienable.

Swiss company law stipulates the following non-transferable and inalienable duties of the board of directors:

- the overall management of the company and the issuing of all necessary directives;
- determination of the company's organisation;
- the organisation of the accounting, financial control and financial planning systems as required for management of the company;
- the appointment and dismissal of persons entrusted with managing and representing the company;
- overall supervision of the persons entrusted with managing the company, in particular with regard to compliance with law, the articles of association, operational regulations and directives;
- compilation of the annual report, preparation for general meetings and implementation of their resolutions;
- notification of the court in the event that the company is over-indebted.

Moreover, the following resolutions are also non-transferable functions of the board of directors: Resolutions in connection with capital increases in accordance with Article 651a, 652g, 653g SCO (certain amendments of the articles of association) and Article 651 IV SCO (authorised capital increase), resolutions in accordance with Article 634a (subsequent contributions in respect of shares that are not fully paid-up) and certain resolutions in accordance with Swiss merger legislation.

In accordance with Article 14 of the articles of association, the Board has established rules of procedure which set forth how and when the Board convenes, including instructions for the allocation of duties and responsibilities within and between the Board, its committees and the executive management (the Organisational Regulations). The Organisational Regulations also contain instructions for financial reporting and set forth how reporting to the Board is to proceed.

The board of directors may comprise one or more members. It may include employees of Oriflame (in which case, labour law will be applicable) or fiduciary trustees. At least one director of the board must be authorised to represent the company and the company must be able to be represented by one person with sole signatory rights who is resident in Switzerland or by two persons with joint signatory rights who are residents of Switzerland. This latter requirement may be fulfilled by a director of the board or by an executive officer. Deputy directors may not be appointed according to Swiss law. Currently,

the Board consists of nine directors. The Board consists of principal shareholders and persons independent of such shareholders. The CEO is a member of the Board. Members of the board of directors are appointed for a period up until the end of the next annual general meeting. Except for the appointment of the chairman of the board as well as the members of the remuneration committee by a general meeting in accordance with the articles of association, the board may organise itself. The board of directors is required to have a secretary, who has certain duties and authorities according to Swiss law. The secretary shall assist the board of directors, its committees and the chairman of the board in coordinating and fulfilling their duties in accordance with the company's Organisational Regulations.

Meetings of the board of directors shall be held as often as required. According to the Organisational Regulations, the Board shall convene at least four times per year, of which at least one meeting is to focus on business strategy issues. During 2018, OHAG held nine board meetings, one of which was a two-day strategy meeting. The secretary at board meetings is in-house counsel Pontus Andreasson.

Minutes shall be taken at meetings of the board of directors. A notation shall be made in the minutes of the topics discussed as well as the resolutions adopted by the board of directors. The minutes shall be signed by the chairman of the board and the secretary. Resolutions of the board of directors may also be adopted by written consent, by telefax, by e-mail or any other means enabling the passing of resolutions by text, provided that none of the members demands verbal discussion. A member must participate personally at the board meeting (physically or remotely via phone or video conference), and may not exercise his or her rights at the meeting through a proxy.

The board meetings usually begin with a discussion of the business and financial performance of the Group. The various financial reports and the annual report are reviewed and approved before being published. Other topics discussed at board meetings include general strategies, overall business reviews, long and short-term targets, human resources, investments, capital distribution, compliance and remuneration. At the end of each year, the CEO and the CFO present the target and budget proposition for the following year to the Board, which then reviews and discusses the proposal during one or several board meetings. Following discussions and possible adjustments, the Board approves the target/budget parameters for the upcoming year.

2018 BOARD AND COMMITTEE ATTENDANCE

Board member	Board meetings	Remuneration committee meetings	Audit committee meetings	Nomination committee meetings
Alexander af Jochnick (Chairman)	9	4	5	2
Mona Abbasi	7	-	-	-
Magnus Brännström	9	-	-	-
Anders Dahlvig	8	-	-	2
Anna af Jochnick*	4	-	-	-
Jonas af Jochnick**	2	-	-	-

Board member	Board meetings	Remuneration committee meetings	Audit committee meetings	Nomination committee meetings
Robert af Jochnick	9	-	-	-
Anna Malmhake	8	-	-	-
Christian Salamon	8	-	5	-
Karen Tobiasen	7	4	4	-
Gunilla Rudebjer*	4	-	2	-
Total number of meetings	9	4	5	2

* Board member since 4 May 2018. ** Board member until 4 May 2018.

The directors participate in all discussions. Directors may, however, not vote or deliberate on any motion in which they have a conflict of interest. A director is not counted in the quorum of a meeting if a conflict of interest disallows him/her from voting on a particular motion. Directors shall declare the nature of any conflict of interest prior to deliberating and voting on the issue, and such declaration is entered in the minutes of the meeting.

The CFO is generally invited to all board meetings, and always to the board meetings convened to approve quarterly results. Other members of the Oriflame management are from time to time invited to board meetings in order to present issues related to their specific areas of responsibility. Auditing and internal control issues are carefully considered by the audit committee and then reported to the Board.

The auditors are invited to all regular audit committee meetings. At least once per year, the Board meets with the auditors without the CEO or other members of senior management being present. In advance of the 2018 year-end report, such a meeting took place on 13 February 2019.

Remuneration of the directors is determined by a resolution adopted by the annual general meeting. The 2018 annual general meeting resolved that the remuneration of the directors and committees until the next annual general meeting would amount to a maximum total of EUR 495,000 which was then divided as follows: EUR 80,000 to the Chairman of the Board; EUR 40,000 to each non-executive Director of the Board; EUR 15,000 to the chairman of the audit committee, and EUR 10,000 to each committee member.

Independence according to the Code: Directors Mona Abbasi, Anders Dahlvig, Anna Malmhake, Gunilla Rudebjer, Christian Salamon and Karen Tobiasen are deemed independent of Oriflame, its management and its major shareholders. Magnus Brännström is not independent of the company and its management, being the company's CEO. Robert af Jochnick is not considered independent of the company, being one of the co-founders of Oriflame and having been a director of Oriflame's board of directors since its foundation. Anna is not considered independent of the company as she within the past 3 years has held employment with the Oriflame group. Robert, Anna and Alexander af Jochnick are furthermore not deemed independent of Oriflame's major shareholders as they, together with other members of the af Jochnick family, are the largest shareholders of the company.

For more information about the directors, please see the section Board of Directors on pages 19–20 of this report.

NOMINATION & GOVERNANCE COMMITTEE AND NOMINATION PROCESS

Following the annual general meeting on 4 May 2018, the board established a nomination & governance committee from among its members. The purpose and aim of the nomination & governance committee is to ensure the quality of the board, its committees and the company's governance structure and to nominate candidates for the board, the chairman of the board, the members of board committees, the independent proxy as well as the external auditor of the

company. The aim of the nomination & governance committee is that elected directors will represent knowledge and competence relevant to Oriflame's operations.

The candidate nominations are prepared by the committee and are then resolved upon by the board of directors before being put forward to the annual general meeting for election or re-election.

The members of the nomination & governance committee are appointed by the board of directors each year following the annual general meeting. The nomination committee meets at least biannually. The members of the nomination & governance committee formed in 2018 consist of Alexander af Jochnick and Anders Dahlvig. Anders Dahlvig is chairman of the nomination & governance committee.

In order to reflect best corporate governance practice among companies listed on the Nasdaq Stockholm Exchange, the nomination & governance committee Charter stipulates that the nomination committee shall consult with, inter alia, the largest shareholders of the company. Such consultation took place in advance of the 2019 annual general meeting, when the nomination committee invited the five largest shareholders of the company to a nomination & governance committee meeting to consult and agree on their further involvement in the nomination process. The following shareholder representatives have been involved and given their input to the nomination committee in advance of the 2019 annual general meeting: Per Hesselmark (af Jochnick foundation), Per Colleen (Fourth Swedish National Pension Fund) and Ossian Ekdahl (First Swedish National Pension Fund). In addition, the af Jochnick family has been represented at the nomination committee meetings through Alexander af Jochnick.

In advance of the 2019 annual general meeting, the nomination & governance committee formed in 2018 has met three times – once during 2018 and twice during 2019. All meetings were attended by all committee members, and the shareholder representatives attended two of the three meetings.

In advance of the 2018 annual general meeting, the work of the nomination & governance committee comprised the following:

As a basis for its work, the nomination & governance committee commissioned an external consultant to carry out an evaluation of the board and its committees. The evaluation included interviews with each of the board members. The evaluation concluded that the

Board is very well-functioning, also in comparison with other listed companies, and that there is clarity between the roles of the owners, the Board and management. The evaluation also concluded that the Board is composed of individuals with relevant and complementary expertise and that all directors demonstrated a high level of commitment. Independent directors are included in full compliance with requirements that apply for publicly listed companies in Sweden.

The nomination committee has thereafter formulated its proposals for presentation to the board in advance of the annual general meeting to be held on 9 May 2019. The proposals relate to the:

- i. composition of the board of directors including appointment of the Chairman;
- ii. composition of the remuneration committee;
- iii. appointment of auditors; and
- iv. appointment of independent proxy for the next annual general meeting

Under Swiss law, the preparation of the proposals on remuneration of directors is not a task that can be delegated to the nomination committee. Such proposals have instead been prepared by the remuneration committee (see further below).

REMUNERATION COMMITTEE

As per mandatory Swiss law, Swiss companies whose equity securities are listed must have a remuneration committee. As per article 17 of the articles of association of the company, the remuneration committee consists of at least two members of the board of directors. Each member of the remuneration committee is elected individually by a general meeting for a term of office until the close of the next annual general meeting. The remuneration committee constitutes itself and elects a chair from among its members. It appoints its secretary who needs not be a director of the board or a member of the remuneration committee. The members of the remuneration committee elected by the annual general meeting held on 4 May 2018 for the time until the annual general meeting 2019 are Alexander af Jochnick (committee chair) and Karen Tobiasen. In-house counsel Pontus Andreasson has been secretary of the remuneration committee.

Members of the remuneration committee whose term of office expires are immediately eligible for re-election. If there are vacancies on the remuneration committee, the board of directors may appoint the missing members from among its members for the remaining term of office.

The remuneration committee supports the board of directors in establishing and reviewing the company's remuneration strategy and guidelines and performance criteria as well as in preparing the proposals to the general meeting regarding the remuneration of the board of directors and executive management. It may submit proposals and recommendations to the board of directors in other remuneration-related issues. The board of directors has established a charter, which defines purpose, composition and procedural rules for the remuneration committee, including its responsibilities and authorities for making proposals and decisions related to remuneration of the members of the board of directors and executive management in line with legal and regulatory requirements, the articles of association and the respective remuneration framework approved by the board of directors from time to time. The board of directors may delegate further responsibilities and authorities to the remuneration committee.

The purpose and aim of the remuneration committee is to ensure that Oriflame has access to the competence required at a cost appropriate to the company, and that the existing and future remuneration schemes have the intended effects for Oriflame's operations. The specific tasks of the committee are to review remuneration and other material terms of employment for Oriflame's executive directors, senior executives and other key personnel, monitor and evaluate programmes of variable remuneration for executive management and, in particular, to monitor and evaluate any share-based incentive programme. The remuneration committee is also responsible for drawing up the report on executive pay (the Compensation Report), which is put forward to the shareholders at the annual general meeting.

Based on its reviews, the remuneration committee prepares proposals for resolutions, to be discussed and approved by the Board. The remuneration committee meets when necessary but at least twice per year. During 2018, the remuneration committee met four times.

AUDIT COMMITTEE

The company's audit committee is appointed by the Board each year following the annual general meeting. The audit committee reviews internal and external information, works with the external auditor on the audit plan and internal controls and discusses with management the audit results. The audit committee reviews matters related to Oriflame's accounting, financial reporting and internal control as well as financial risk exposure and risk management. It also reviews the work of the auditors. Based on these reviews, the audit committee

prepares proposals for resolutions, subject to final approval by the Board. The audit committee meets at least biannually. In 2018, the audit committee met five times. The members of the audit committee during 2018 comprised Alexander af Jochnick, Christian Salamon (committee chair), Karen Tobiasen, and – since the AGM 2018 – Gunilla Rudebjer. The CFO and the Vice President Tax, Group Risk and Compliance report to the audit committee and, together with the company's auditors, are invited to all regular meetings.

INTERNAL CONTROL AND INTERNAL AUDIT

During 2018, the Company established a new Global Assurance department, replacing among others the previous Risk & Compliance department. The new Global Assurance department is a further strengthening and development of the integrated compliance and risk management approach and adds a capacity to in depth review the internal controls performed in all entities of the Company. The department is headed by the Vice President Global Assurance. The Director of Group Risk and Internal Control, who reports to the VP Global Assurance, also has a direct reporting line to the Audit Committee. Based on the Audit Committee's evaluation, the Board has resolved that the current Global Assurance set-up and the financial function together with supervision of the Audit Committee does provide an effective and balanced approach to internal control that also adequately covers the current internal audit needs of the Company. The Board has therefore decided not to establish a stand-alone internal audit function. The need for a stand-alone internal audit function is regularly assessed by the Audit Committee. For a further description of the Company's internal control system, please see the separate Report on Internal Control, Risks and Monitoring (pages 79-87 in the Annual Report).

AUDITOR

The annual general meeting held on 4 May 2018 resolved to re-elect KPMG AG as independent auditor in respect of the statutory accounts and consolidated financial statements until the close of business of the next annual general meeting. KPMG AG, Zurich is the Swiss member firm of KPMG International. It is the fourth year that KPMG AG, Zurich has been engaged as Oriflame's independent auditor. The audit team is headed by H el ene B egu in. Apart from her engagement with Oriflame, H el ene B egu in holds no assignments for any persons affiliated with Oriflame or for any of Oriflame's major shareholders. In connection with the year-end audit, H el ene B egu in

met with the board on 13 February 2019 in order to present the audit findings. The KPMG audit team attended all regular audit committee meetings throughout the year. For fee details on non-audit services provided by KPMG, please see Note 6 of the Annual Report.

EXECUTIVE MANAGEMENT AND ORGANISATION

CEO AND CORPORATE COMMITTEE

The CEO is appointed by the Board and is responsible for the day-to-day control of the Group. Oriflame's Chief Executive Officer Magnus Brännström was born in Sweden in 1966. He is a graduate of Uppsala University, Sweden, and joined Oriflame as Managing Director of Russia in 1997. He then became Regional Director for CIS, Baltics and Asia. He has been CEO since 2005.

The Corporate Committee is the company's executive management and is responsible for implementing the Group strategy, business control and the allocation of resources between the regions. The Corporate Committee is headed by the CEO. In addition to the CEO, the Corporate Committee consists of Gabriel Bennet (Chief Financial Officer) and Jesper Martinsson (Deputy CEO, Head of GBAs CIS, Latin America and Geographical Expansion). The allocation of duties and responsibilities within and between the Board and the Corporate Committee are set out in the Organisational Regulations and Officer Instructions drawn up by the Board. The Regulations and the Instructions are reviewed and reconfirmed or amended by the Board at least once per year.

GROUP MANAGEMENT

In addition to Corporate Committee members, Group Management consists of the following Vice Presidents:

- Michael Cervell, Senior Vice President Group Strategy & Business Development
- Thomas Ekberg, Senior Vice President, Head of Global Business Area Asia & Turkey, Head of Greater China
- Niklas Frisk, Senior Vice President, Head of Global Business Area Europe & Africa, Head of Central Europe
- Alexandra de Greck, Vice President Product Marketing
- Emma Hågemo, Vice President Research & Development
- Johan Rosenberg, Senior Vice President and Head of Commercial Division
- Antonia Simon-Stenberg, Vice President Sustainability, Quality Management & Packaging Development

MANAGEMENT BUSINESS REVIEW

The Oriflame Corporate Committee has a full end-to-end review once a month to ensure compliance with the business strategy and the desired position. The process is led by an appointed business review leader, and executives and senior managers in the business are invited to review certain areas. The Management Business Review covers all core business processes within Oriflame, such as Product Portfolio, Demand & Commercial and Supply Chain.

REGIONAL MANAGEMENT

Oriflame distributes its products through a network of approximately 3 million independent Oriflame Consultants in more than 60 countries. Group segmentation is based on cosmetics sales by geographic business area, with the business areas being Latin America, Europe & Africa, CIS and Asia & Turkey. Each business area has its own staff and resources to facilitate effective control and is headed by a Head of Business Area. Each Head of Business Area reports to the CEO.

In addition to daily operations, the tasks of regional management include drawing up proposals for strategic regional development and investment. These proposals are reviewed by the corporate functions and presented to the Board for approval within the strategy and target review meetings.

Oriflame has a local presence in each region in the form of wholly owned sales companies in a total of 55 markets. In 11 markets, Oriflame acts through franchise arrangements with local distributors rather than through subsidiaries. Some sales companies operate with their own warehouse facilities, others are supplied by regional distribution hubs.

GLOBAL SUPPORT AND SERVICE

The sales companies are supported by global service functions. The global support and service functions consist of Finance, Supply, IT and Online, Marketing and Sales Support functions. Oriflame's global support and service functions are located primarily in Schaffhausen, Switzerland; Warsaw, Poland; Stockholm, Sweden; Prague, Czech Republic; Delhi, India and Bray, Ireland where support functions in the fields of R&D, Marketing, Sales Support, Global Supply, IT, Online, HR, and Finance are placed. The teams work together with the shared objective of giving Oriflame a competitive advantage by supplying first-class service and support to the local sales companies.

Report on internal control, risks and monitoring

This report on internal control, risks and monitoring in Oriflame has been prepared in accordance with the Swedish Corporate Governance Code. It has been read by the company's auditor. The company's auditor has also reviewed the company's internal control system to the extent necessary to deliver an audit opinion on the financial results, which in accordance with Swiss law includes a confirmation of the existence of an internal control system designed for the preparation of consolidated financial statements.

Back in 2010, the company selected the COSO framework as a basis for its internal control system. The COSO framework was issued by the Committee of Sponsoring Organisations of the Treadway Commission. The framework consists of five components:

- Control environment,
- Risk assessment,
- Internal controls,
- Information and communication, and
- Monitoring.

Since then, Internal Control has become a permanent function within the Oriflame Group.

The regulatory landscape is evolving rapidly and there is a need to have an integrated approach across the value chain by having a governance structure and an organisation in place that safeguard and ensure compliance in all parts of the organisation.

In October 2018, Oriflame has established a Global Assurance function, which grew out of the company's existing internal control, compliance and data protection functions. The new department, led by the Vice President Global Assurance (and in the interim by the Chief Financial Officer), will further strengthen and develop an integrated compliance and risk management approach.

CONTROL ENVIRONMENT

The Board of Directors has overall responsibility for ensuring that the company's system for management and internal control is effective. The company's internal control system includes policies for acquisition, measurement and protection of assets, controlling the accuracy and reliability of reports, and ensuring compliance with internal guidelines. These policies and guidelines are the foundation of the internal control system. The Board also ensures that the organisational structure is logical and transparent, with clear roles, responsibilities and processes that facilitate the effective management of operational risks and enable the company to fulfil its goals. This process includes an evaluation by the Board of the company's business performance and results through reports containing results, forecasts and targets. The Board also reviews the interim and annual reports before they are presented externally.

The Audit Committee (composed of Board members) monitors the effectiveness of internal controls, and addresses critical questions regarding financial reporting and regulatory compliance. The company's auditor is invited to participate in the regular meetings of the Audit Committee. The Group Risk and Internal Control Director, who reports the Vice President Global Assurance, is also a regular invitee to the Audit Committee meetings, as head of internal controls as well as related policies and procedures, and to formally request approval of the Audit Committee, where relevant. For each business area and corporate function, the Chief Financial Officer has appointed a Vice President Finance, who is responsible for the implementation and documentation of internal controls, as well as for reporting in accordance with company guidelines, and ensuring compliance with local laws and regulations. Each Vice President Finance may be supported in this task by one or several Regional Finance Directors. The Group Risk and Internal Control Director is responsible for the design of internal controls. The head of finance in each Oriflame entity is in charge of the implementation and of the documentation of internal controls. Members of regional finance teams perform the verification of internal controls implemented locally. They specifically consider the implementation of the controls as well as their effectiveness, by reviewing the quality of the documentation. They subsequently report the results of their verifications to the Vice Presidents Finance and Regional Finance Directors, who are then responsible for supervising and monitoring the execution of the recommended improvements and changes within their area of responsibility. Since 2011, the company has deployed an internal control software platform, which enables real-time monitoring of the existence of internal controls, as well as the preservation of historical data.

CONTROL SCOPE

As for controls related to the financial area, the major risk areas for material misstatements in the financial reporting were defined as follows in 2009: inventory, cash and bank balances, credit process, sales, performance discount and bonuses, and information technology systems. These financial reporting risks were addressed during 2011 in addition to two other identified financial risks: accounts payable and risks related to the hedging function of the Treasury department. In 2012, the company added legal compliance and fixed assets control processes to the management of risks related to corporate integrity. In 2013, the management of risks related to the

hedging function of the Treasury department was further addressed by implementing a dedicated control process. In addition, all the relevant control processes already in force in the sales entities were extended to the manufacturing entities and to the main trading branch. In 2014, the company implemented internal controls for tax reporting and consolidation, and expanded the scope and depth of Treasury-related controls.

INTERNAL CONTROLS

A control process description follows the logical structure of the business and reporting flow, with a clear definition of steps and related controls. It also assigns control responsibilities to different positions involved in the process and states the reasons for the control. The key controls encompass the controls that are most critical to the integrity of the financial statements. Non-key controls are also in place to address risks that may not affect the financial statements, but are critical to operations. The Vice Presidents Finance monitor the operations by performing analytical controls such as follow-ups on forecasts and budgets, analysis of results and balance sheet items, business reviews and commentaries on markets' and functions' (supply, marketing) performance. The result of this work is periodically reported to management and the Group functions concerned. The functional departments regularly monitor their respective areas of responsibility in order to identify potential risks and errors.

COMPLIANCE AND BUSINESS ETHICS

Oriflame is committed to full compliance with legal or regulatory requirements and industry standards in every country where the business operates. In addition, the company commits to the 10 Principles of the United Nations' Global Compact (grouped under Human Rights, Labour, Environment and Anti-Corruption).

Compliance at Oriflame is defined as the range of initiatives and tools implemented to safeguard the company's employees, resources, integrity, reputation and business partners. The company strictly complies with the letter and the spirit of the law.

The Code of Conduct and supporting Policies are available to all employees, in several languages. Their content is also explained to all employees in several ongoing classroom and e-learning courses.

Oriflame encourages employees to openly report concerns and to ask compliance-related questions. Since 2007, the company operates a compliance reporting web line, guaranteeing confidentiality and protection to employees reporting in good faith. All allegations of breaches of the Oriflame Code of Conduct are investigated and recommendations are communicated to management in order to act wherever necessary.

Employees at Oriflame are not permitted to give or offer anything of value, to anyone for the purpose of obtaining or retaining an unfair business advantage.

Oriflame is committed to the protection of human rights, including freedom of association, at all stages of its value chain. Forced labour, child labour, and modern slavery are clearly and strictly prohibited within Oriflame, and at its suppliers. More information is available in the Sustainability Report.

HEALTH AND SAFETY

Oriflame firmly believes that no employee, supplier or contractor should risk their health and safety when they work for the company or on its premises. The Group-wide health and safety function was established in 2017 and helps all levels of the organisation to identify and control those risks. Oriflame measures its health and safety performance and implements initiatives to reduce health and safety risks. Detailed information is available in the Sustainability Report on www.oriflame.com.

INFORMATION AND COMMUNICATION

The company maintains information and communication channels intended to ensure the effective provision of financial information. Policies and guidelines on financial reporting are revised and updated continuously and are made available internally on the company's intranet, as well as via memorandums and internal meetings. There are also formal and informal information channels that enable employees to communicate important information to relevant recipients. A policy for communication and information with external parties is in place on the company's intranet to ensure that accurate and appropriate information is provided to external parties. The control process descriptions, internal controls and documentation are available to the relevant employees through the internal control software platform.

MONITORING

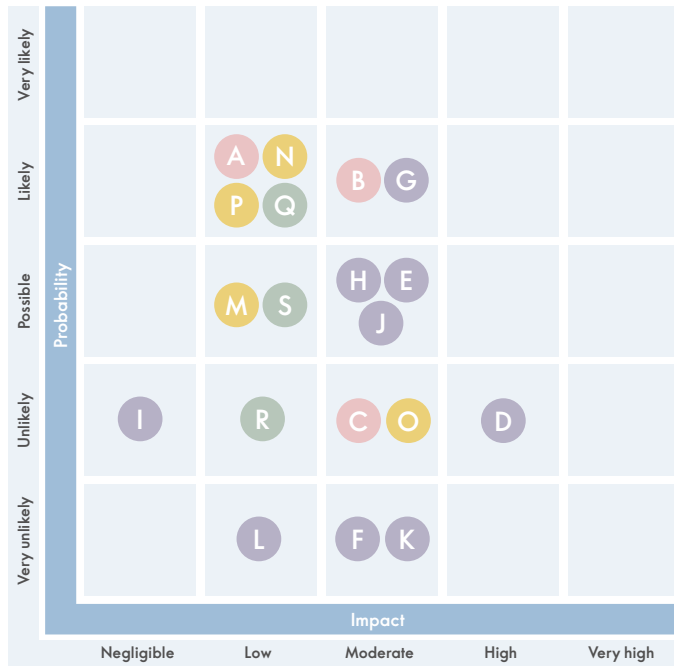
The internal control system is continuously monitored at Group level by the Risk and Internal Control department, and pending matters or concerns are addressed to the relevant personnel immediately. If an internal control is not implemented or if the documentation is not adequate, the Finance Manager in charge is asked to perform or correct the control procedure and provide new or relevant evidence. Regional Finance Directors are also involved in the continuous improvement of the internal control system under the responsibility of the Risk and Internal Control department.

MAIN BUSINESS RISKS

The main risk drivers for the Oriflame Group are related to two main aspects.

- The wide geographical spread of Oriflame’s activities, and ensuing complex regulatory frameworks and rapidly evolving economic and political environments, and;
- The entire supply chain from the procurement of raw materials, to the manufacturing, transport, and warehousing of goods.

The exposure to several global risks has been reduced thanks to the expansion of Oriflame’s geographical footprint, and to a number of risk-mitigating actions that have been taken to address other risks. Risks can be categorized as external factors, operational risks, financial risks and sustainability risks.



EXTERNAL FACTORS

- A. Geographical footprint
- B. Ambiguity in direct sales and e-commerce regulations
- C. Business concentration in politically uncertain regions

OPERATIONAL RISKS

- D. Risk of disruption of in-house manufacturing and main Logistics Hub
- E. Breach of data protection regulations
- F. Adverse reaction of consumers to a product
- G. Dependency on finished products suppliers
- H. Dependency on raw materials
- I. Supplier financial risks
- J. Theft/unauthorised access, modification of data
- K. IT systems business interruption
- L. Parallel import/cross-border sales

FINANCIAL RISKS

- M. Cash expatriation from emerging economies
- N. Wage tax (withholding tax)
- O. Counterparty exposure
- P. Foreign currency exposures

SUSTAINABILITY RISKS

- Q. Environmental regulations/legislation
- R. Exposure to third-party violations of human rights
- S. Exposure to corruption

EXTERNAL FACTORS

RISK AREA	DESCRIPTION	RISK MITIGATION	PROBABILITY	IMPACT
A. Geographical footprint	Oriflame operates directly in more than 60 countries, across four continents. In addition, Oriflame is subject to national and trans-national regulations from countries where it does not operate. This generates a complex regulatory framework, that is always evolving.	Oriflame established a Global Corporate Affairs function in 2017 as well as a Global Assurance function in 2018. The company has implemented a Code of Conduct and policies and performs sanctions screening of suppliers and top-earning consultants.	Likely	Low
B. Ambiguity in direct sales and e-commerce regulations	In many of the markets where Oriflame operates, there is no legislation regulating the direct selling industry or the current regulations could potentially change, which may create legal risks that affect the company's business, financial conditions and results of operations.	Oriflame works with the World Federation of Direct Selling Associations (WFDSA) as well as with local direct selling associations, promoting ethical behaviour within the direct selling industry in order to avoid being seen or mixed up with unethical companies and initiating a dialogue with local authorities by explaining the direct selling business model.	Likely	Moderate
C. Business concentration in politically uncertain regions	Oriflame operates in several key markets where economical, legal and political landscapes may change unexpectedly.	In the last five years, the Group geographical footprint has become more balanced which reduces the business concentration risk. Oriflame constantly assesses the possibilities of expansion in existing or new markets.	Unlikely	Moderate

OPERATIONAL RISKS

RISK AREA	DESCRIPTION	RISK MITIGATION	PROBABILITY	IMPACT
D. Risk of disruption of in-house manufacturing and main Logistics Hub	Oriflame is dependent on its manufacturing facilities and other supply chain assets in Poland, India, China and Russia. Significant unscheduled downtime at any of these facilities, could adversely affect the company's business.	Impact assessments were performed by Property Insurer at all Oriflame factories and at the global warehouse in 2017 and 2018. The company found that suitable measures have been implemented to prevent significant loss and business interruption at these facilities. Moreover, Oriflame has property damage and business interruption insurances to cover for lost inventory/raw material/equipment and associated lost sales.	Unlikely	High
E. Breach of data protection regulations	The biggest exposure is currently Europe due to the General Data Protection Regulation (GDPR). A major personal data breach in Europe or involving European citizens may have two impacts: a regulatory fine up to 4 percent of Group turnover and civil lawsuits for personal damage.	Oriflame has taken many initiatives to mitigate risks, including the implementation of key data protection policies and procedures, a crisis response process and data protection training. Additionally, the company has taken IT technical measures and has a cyber security and privacy insurance covering liability of data breach.	Possible	Moderate
F. Adverse reaction of consumers to a product	The biggest exposure is Wellness products, which might cause severe adverse reactions due to their mode of absorption and their potential contamination. In addition, Wellness products are subject to more restrictive regulations than cosmetics.	Oriflame is performing testing of products and has implemented a claims process. The company will further ensure that products developed for local specific needs are subject to thorough testing.	Very unlikely	Moderate
G. Dependency on finished products suppliers	Oriflame tends to allocate the manufacturing of certain specific products to one supplier only.	Oriflame has reduced the risk by localising the manufacturing of certain products in India and China. The Group will further develop multi-sourcing actions such as commercial localisation projects and allocating product manufacturing by variant.	Likely	Moderate

OPERATIONAL RISKS (CONTINUED)

RISK AREA	DESCRIPTION	RISK MITIGATION	PROBABILITY	IMPACT
H. Dependency on raw materials	Oriflame often uses specialised raw materials that are not commodities and for which no substitute or alternatives are available, resulting in pressure on prices and demands.	Oriflame has implemented specific partnerships with suppliers and should further extend them. The company will benefit from further work on formulations which balance commodities and specialised raw materials and implement a multi-sourcing strategy.	Possible	Moderate
I. Supplier financial risks	Oriflame currently does not systematically perform financial audits of their suppliers.	The company will define its supplier financial screening criteria and approach. Oriflame will list and engage with critical suppliers to mitigate and potentially identify alternatives suppliers for high-risk components.	Unlikely	Negligible
J. Theft / unauthorised access, modification of data	Deletion of data could lead to severe disruption while modification of data could be carried out in order to commit a fraud. Theft (criminal intent) or unauthorised access (no criminal intent) to data could lead to industrial espionage, loss of competitive edge, investigations, etc.	The company has taken adequate measures by recruiting IT security and compliance specialists, taking technical measures, developing confidentiality and information protection policies and building awareness of users. Oriflame will continue building its security operations capabilities, enhancing its precautionary measures and early detection capabilities, and preventing security incidents.	Possible	Moderate
K. IT systems business interruption	Oriflame is dependent on information systems hosted and developed in-house.	Oriflame has developed disaster recovery plans which identify scenarios and mitigation plans. Moreover, a Cyber Security and Privacy insurance covers the inherent potential loss of sales for business interruptions longer than 48 hours.	Very unlikely	Moderate
L. Parallel import/ cross-border sales	Oriflame sells identical products at different prices in neighbouring markets which could result, for example, in cannibalisation of local sales and legal issues.	Oriflame's Global Assurance and Legal departments will further assess the current situation and assess if the current set-up is in line with local regulations and possible sanction regulations.	Very unlikely	Low

FINANCIAL RISKS

RISK AREA	DESCRIPTION	RISK MITIGATION	PROBABILITY	IMPACT
M. Cash expatriation from emerging economies	Oriflame operates in many emerging economies where there are various restrictions on the free flow of capital to Group holding companies.	Oriflame has improved its cash visibility and cash repatriation through a centralised inter-company dividend distribution process.	Possible	Low
N. Wage tax (withholding tax)	The majority of Oriflame's Consultants are not registered as entrepreneurs for the purposes of (personal) income tax or VAT. In certain countries where Oriflame operates, there is a risk that the tax authorities will hold Oriflame liable for the deduction of personal income tax and social charges from the compensation paid to the Consultants.	Where possible, the treatment of the Consultants not registered is pre-agreed with the competent authorities or documented in consultation with independent tax professionals. To the greatest extent possible, the Consultant remuneration plan is adjusted to local law and regulations and withholding is done where explicitly required.	Likely	Low
O. Counterparty exposure	Oriflame operates globally and have transactions in different currencies. Due to the nature of its business, the Group has to enter into contractual relationships with Financial Institutions. Therefore, the Group faces a certain risk exposure from the fact that also Financial Institutions face the risk of insolvency and bankruptcy.	The Group seeks to enter only into a relationship with Financial Institutions with a long-term credit rating from S&P, Moody's and/or Fitch within investment grade. Oriflame has a Counterparty Risk Exposure Procedure with defined limits per counterparty dependent on their rating is in place.	Unlikely	Moderate
P. Foreign Currency Exposures	Oriflame operates globally in several markets and have transactions in different currencies. Due to the nature of its business, the Group is subject to risks arising from un-favourable movements in foreign currency exchange rates. There are committed and uncommitted transactions exposures as well as strategic currency exposures.	The company hedges on an ongoing basis committed and uncommitted transaction risks to mitigate current and future impacts on the profit and loss due to adverse currency movements. However, due to the geographical diversity of the Company's operation for a portion of the currencies the Group is exposed to, there may not always be suitable hedging transactions available to deal with the remaining risks. Apart from hedging and wherever it is possible the negative impact of devaluation is gradually mitigated by selling price increases.	Likely	Low

SUSTAINABILITY RISKS

RISK AREA	DESCRIPTION	RISK MITIGATION	PROBABILITY	IMPACT
Q. Environmental regulations / legislation	Legislative changes in operating markets with respect to environmental topics (waste, plastics, etc.) are changing rapidly, spearheaded by many EU initiatives. The legislation could subsequently change unpredictably in many of our other markets, especially in Africa, China and South and South East Asia.	Oriflame has updated its sustainability strategy to mitigate the risks and create opportunities and will continue to monitor global environmental developments and to integrate the sustainability strategy into product and packaging strategies.	Likely	Low
R. Exposure to third-party violations of human rights	Oriflame has implemented some measures to guarantee the respect of human rights in its own factories, warehouses, distributions centres and offices. However, a significant exposure remains with suppliers in emerging markets.	The company has rolled out a Supplier Code of Conduct and minimum sustainability requirements for its suppliers. Oriflame has implemented a supplier qualification process which includes internal and external audits of its finished goods suppliers. The company continues to extend these initiatives to more supplier categories.	Unlikely	Low
S. Exposure to corruption	Operating in countries where the corruption risk exposure is quite high, Oriflame needs to be very clear on its anti-corruption standards.	Zero-tolerance policy towards active or passive corruption. Employee- and Supplier Code of Conducts as well as compliance-breach reporting system are in place.	Possible	Low

Board of Directors



**Alexander
af Jochnick**

Chairman of the Board as of 2014. Board member as of 2007. Born in 1971.

Chair of the Remuneration Committee. Member of the Audit Committee. Member of the Nomination and Governance Committee.

BSc Stockholm School of Economics (Sweden).

Chairman of Postkod-föreningen. Board member of Godel Sverige AB, NG Invest Alpha and Beta AB, Credus Management AB, SSE Russia Education AB and af Jochnick Foundation.

Shareholding in Oriflame at 31 December 2018*: 620,000.

Independent from the company but not independent from its major shareholders.



**Anna
af Jochnick**

Board member as of 2018. Born in 1980.

Master of Laws (LL.M), Major in Business Law Lund University (Sweden).

No other board assignments.

Shareholding in Oriflame at 31 December 2018*: 233,400.

Not independent from the company or its major shareholders.



**Robert
af Jochnick**

Board member as of 1970. Born in 1940. Co-founder of Oriflame.

LLB Stockholm University (Sweden), BSc Stockholm School of Economics (Sweden).

Chairman of the af Jochnick Foundation, Credus Management AB, NG Invest Alpha and Beta AB, Mint Capital Ltd. Board member of Medicover AB, Goodcause Foundation, Goodcause Holding AB and Research Institute of Industrial Economics.

Shareholding in Oriflame at 31 December 2018*: 4,185,999

Not independent from the company or its major shareholders.



**Magnus
Brännström**

Chief Executive Officer (CEO) & President. Board member as of 2005. Born in 1966.

MSc Uppsala University (Sweden).

Chairman of World Federation of Direct Selling Associations. Board member of Ferronordic Machines AB and Profoto AB.

Shareholding in Oriflame at 31 December 2018*: 314,929.

Not independent from the company due to his role as CEO & President.



**Mona
Abbasi**

Board member as of 2016. Born in 1973.

University education from Stockholm University (Sweden). Executive education from Stockholm School of Economics (Sweden) and Harvard Business School (US).

Senior Vice President, Group Communications, Brand & Marketing at Husqvarna Group.

No other board assignments.

Shareholding in Oriflame at 31 December 2018*: 0.

Independent from the company and its major shareholders.



Anders Dahlvig

Board member as of 2010. Born in 1957. Member of the Nomination and Governance Committee.

BSc Lund University (Sweden), MA Economics University of California (US). Chairman of the Board of Inter Ikea Holding BV. Board member of Kingfisher plc, Hennes & Mauritz AB, Axel Johnson AB and Resurs Bank AB.

Shareholding in Oriflame at 31 December 2018*: 13,650.

Independent from the company and its major shareholders.



Anna Malmhake

Board member as of 2014. Born in 1966.

BSc Stockholm University (Sweden).

Chairman and CEO of The Absolut Company AB.

Shareholding in Oriflame at 31 December 2018*: 0.

Independent from the company and its major shareholders.



Gunilla Rudebjer

Board member as of 2018. Born in 1959.

Member of the Audit Committee.

MSc Stockholm School of Economics (Sweden)

Board member of Ambea, Optigroup and NCAB Group.

Shareholding in Oriflame at 31 December 2018*: 1,000

Independent from the company and its major shareholders.



Christian Salamon

Board member as of 1999. Born in 1961. Member of the Audit Committee.

MSc Royal Institute of Technology (Sweden), MBA Harvard Business School (US).

Chairman of NCAB Group and OSM Holding AB. Board member of Altior Fund Manager AB and the Sweden-America Foundation. Senior Advisor to eEquity.

Shareholding in Oriflame at 31 December 2018*: 20,000.

Independent from the company and its major shareholders.



Karen Tobiasen

Board member as of 2016. Born in 1965. Member of the Remuneration Committee and the Audit Committee.

BA Copenhagen Business School, E*MBA SIMI, Msc Gestalt Akademin, Stockholm.

Chief People Officer & Head of Group People at Nordea Bank AB (publ).

No other board assignments.

Shareholding in Oriflame at 31 December 2018*: 0.

Independent from the company and its major shareholders.

* Shareholding may include holdings of related entities and immediate family members as per the IFRS definition of related parties.