

Comment by the Chairman

At the Annual General Meeting in May 2017, I was elected Chairman of the Board of Directors of Capio AB. I am grateful for the confidence shown in me, and have now led the work of the Board of Directors for almost one year. My primary task is to focus the Board's work on the Group's growth agenda, and increase the rate of expansion on the basis of Capio's Modern Medicine and Modern Management strategy. We can see that the continued specialization of the Group's patient offering is a key aspect of this work. Together with the introduction of digital health-care solutions, we will be able to drive growth in all markets going forward. During the year, we took a number of initiatives to promote organic growth in the longer term. Among other things, we have developed our digital services for doctor consultations within primary care in Sweden. The combination of our digital services and the physical care constitutes a unique patient offering in Sweden. We also focused on greater specialization throughout the organization, and identified central medical specializations that we will develop within the entire Group, and which are well in line with both current and future healthcare requirements. We also completed a number of acquisitions in both new and existing operational countries, which strengthen our geographical and medical presence. In overall terms, we assess that Capio is soundly positioned for continued development and growth.

We have also focused on developing Capio's corporate governance structure and adapting to new legislation. Capio is subject to the new sustainability reporting regulations in accordance with the Swedish Annual Accounts Act and presents its first sustainability report for 2017. In conjunction with this, we have commenced the implementation of a sustainability program at Group level. At the beginning of the year, Capio's significant sustainability aspects and focus areas were identified through a detailed stakeholder survey and materiality analysis. Focus during the year has been on identifying relevant key figures for all aspects and implementing a shared reporting and follow-up structure. This work will be developed further during the coming years.

Capio is also subject to the new EU General Data Protection Regulation, which enters into force in May 2018. To ensure compliance, during the year Capio has been working on a Group-wide data protection program.



In summary, 2017 was an exciting year for Capio and for myself as new Chairman. The Board of Directors is looking forward to continued fruitful cooperation with Capio's Group Management, in order to support and drive development in line with the Group's strategy. In February, 2018, Thomas Berglund notified his wish to retire from the position as President and CEO of Capio. He will remain in this role, however, until a successor has been found. I would like to thank Thomas for his outstanding contribution during the total of ten years that he has been working at Capio.

Michael Wolf
Chairman of the Board of Directors

The Swedish corporate governance code

Capio complies with Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code (the Code) and other applicable laws and regulations, such as the Swedish Companies Act and the Swedish Annual Accounts Act.

Capio has prepared a statutory sustainability report for Capio AB and its subsidiaries for the period January 1, 2017 to December 31, 2017. In accordance with the Annual Accounts Act 6 chapter 11§ Capio has prepared the statutory sustainability report separated from the annual report,

i.e. not included as part of the Administrative report. More information regarding Capio's statutory sustainability report and references to the required information is found on page 127.

Capio complies with the "comply or explain" principle of the Code and has no deviations to explain for 2017. This Corporate Governance Report has been reviewed by Capio's auditors in accordance with the Swedish Companies Act and a report from the auditors is presented on page 148.

Governance and organizational structure

Capio is a decentralized and empowered organization, which allows important decisions to be taken as close to patients as possible. This enables us to meet the unique requirements and conditions of the respective healthcare units in the best possible way. We strive for a culture of continuous quality improvements where line managers and staff take the initiative and the responsibility. In order to succeed in this, a solid governance structure with clear goals, authorities and responsibilities is a prerequisite. Another requirement is a clear and transparent reporting structure which mirrors the line organization. Local managers should have access to quality and financial reports concerning their respective areas of responsibility in line with the Capio model.

Capio's organizational structure

Capio's organization is built from the bottom-up and is organized around patient needs. This creates a culture of continuous improvement, for the benefit of our patients.

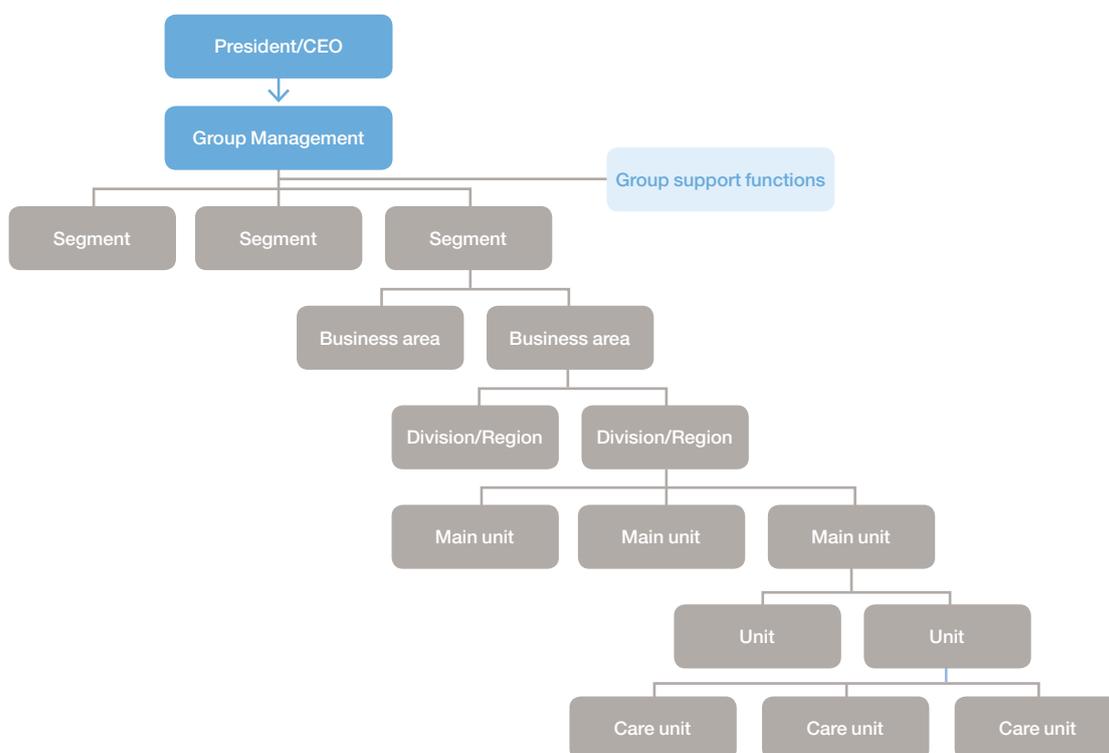
Our organizational structure is based on the care units where our patients are treated, for example operating theatres, wards, primary care units and specialist clinics. In total we have a little over 700 care units at Capio. Most of these are part of a unit consisting of two or more care units, which in turn form part of a main unit, often a hospital. For small units, the organizational levels care unit and unit could be the same.

Each care unit is headed by a manager who has clear authority, resources and responsibility for achieving the objectives that have been set. This allows us to utilize the knowledge of our local managers in the best possible way, while giving our staff the opportunity to grow and see how their own knowledge and initiative can make a difference.

All main units form part of a business area. The Capio Group consists of nine business areas which are geographically driven, except in Sweden, where the operations are divided into several business areas, according to the types of operations performed (during 2018 also the French organization will go towards a higher degree of specialization). Capio's operations are divided into three operational segments: Capio Nordic (Norway, Denmark, Sweden and Capio Go), Capio France and Capio Germany. The segments are based on the Group's management structure and geography. The organization is structured to facilitate the provision of healthcare at the most relevant care level for each patient.

There are nine Group support functions: Treasury and Insurance, Corporate Finance, Accounting and Reporting, Control and Compliance, Investor Relations, Group Communication & Public Affairs, IT/eCapio and Information Security, Management Support and Chief Medical Officer (CMO), providing support to the CEO and Group Management, as well as supporting the operations and developing standards through policies, directives and guidelines.

Capio's organizational structure



Clear goals, authorities and responsibilities

The Capio model has a key role in the Group. The Group Management, which is appointed by the CEO, holds the overall responsibility for the operations of the Group through its segments and business areas, in line with the strategy and long-term objectives adopted by the Board of Directors based on the Capio model. The Group CFO's responsibilities include the Group's financial and operational reporting, business management support, risk management, auditing, internal control over financial reporting, certain group insurances, treasury and financing, investor relations and support in connection with mergers, acquisitions and potential divestments. Capio's CMO holds the ultimate responsibility to the Group CEO for the medical governance.

The business area managers are responsible for running the activities of the respective business areas in line with the guidelines and instructions laid down by the CEO and Group Management, as well as applicable laws and regulations. They are also responsible for oversight of medical quality and efficiency. The country presidents report directly to the CEO.

The managers of the Group's main units are responsible for business operations in line with the guidelines set by the Group Management via the business area managers, as well as applicable laws and regulations. Day-to-day operations are managed with the help of clear and measurable delegation of areas of responsibility, which are followed up on the basis of quality performance indicators (QPIs) as well as key performance indicators (KPIs), income statements, balance sheets and cash flow statements in line with Capio's financial model.

The local management together with business area managers and the Group Management are important elements of the Group's corporate governance. The finance functions also play an important governance role, with the clear mission to support the operations and management with accurate, relevant and timely financial and operational reporting and follow-up.

For more information regarding the Capio model and Capio's financial model, refer to page 20 of the Annual Report.

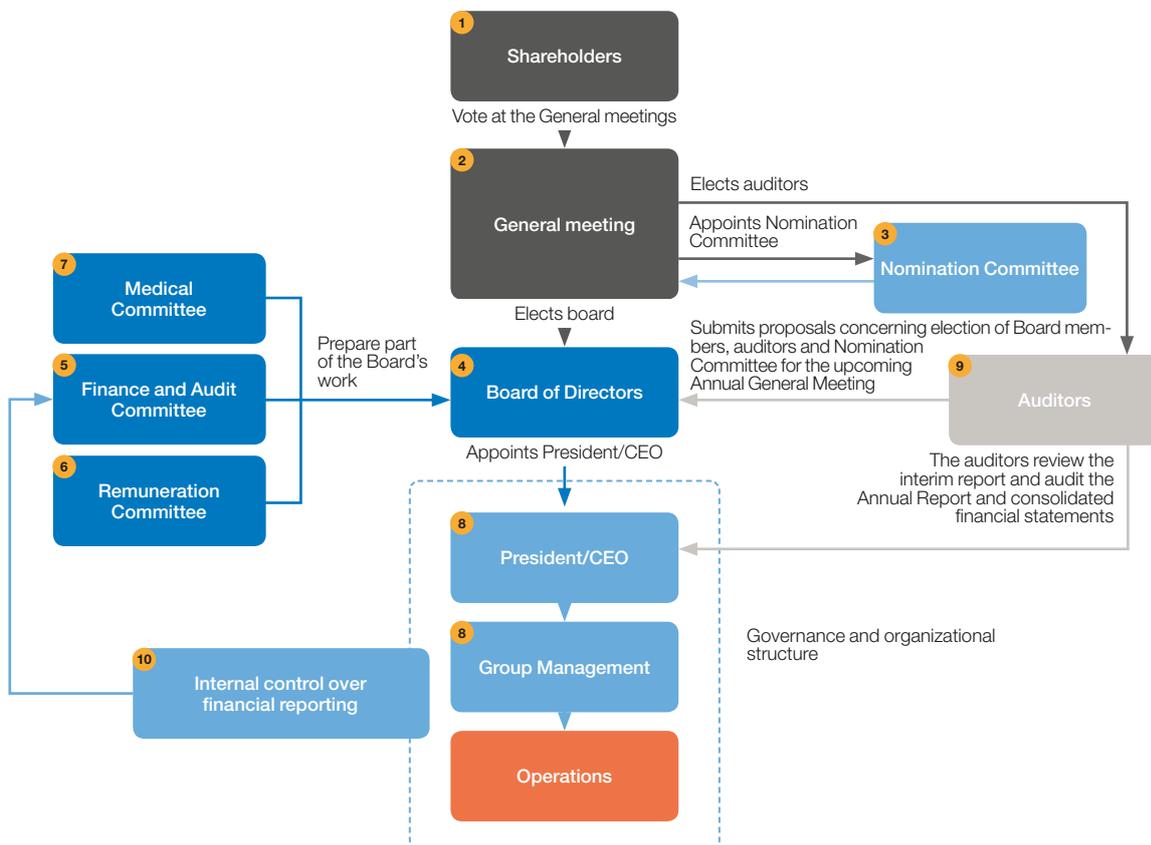
1. Shares and shareholders

As of December 31, 2017 Capio had 9,904 shareholders, according to the share register which is kept by Euroclear Sweden AB. The number of shares is equivalent to the number of votes. The 10 largest shareholders held a combined holding of 53.2 percent of the share capital in Capio and the largest shareholder was Zeres Capital, which held 9.3 percent of the shares and votes. The second largest shareholder was Swedbank Robur Funds, which held 9.0 percent of the shares and votes. For more detailed information about the shareholders, see page 152 of Capio's Annual Report.

Dividend policy

Under the dividend policy adopted by the Board of Directors, Capio targets annual dividends that reflect a yearly payout ratio of approximately 30 percent of the Group's profit for the period over time, allowing for meaningful reinvestment in the business.

Capio's corporate governance model



2. General meeting

General

The general meeting is Capio's supreme decision-making body through which shareholders exercise their voting rights. Capio's Articles of Association contain no limitation on the number of votes that each shareholder may exercise at a shareholders' meeting.

The general meeting has the right to decide in all matters consistent with Swedish law. The general meeting held within six months after the end of the fiscal year adopting the income statement and the balance sheet is called the Annual General Meeting (AGM). Capio's Annual General Meeting is held in Gothenburg, Sweden, every calendar year before the end of June. The date and place of Capio's Annual General Meeting are announced by no later than the date of publication of the interim report for the third quarter each year.

The notice to convene a general meeting is posted on Capio's website and in the Swedish Official Gazette. An announcement that the notice has been sent is published in the national newspaper Svenska Dagbladet. All shareholders who are directly recorded in the share register five weekdays (Saturdays included) prior to the general meeting, and who have notified Capio of their intention to participate in the general meeting by no later than the date indicated in the notice convening the general meeting, are entitled to attend the general meeting and vote for the number of shares they hold.

Annual General Meeting 2017

Capio's 2017 Annual General Meeting was held on May 3, 2017. The following key decisions were taken:

- The Annual General Meeting resolved to adopt the income statement and balance sheet, as well as the consolidated income statement and consolidated balance sheet included in the Annual Report for the financial year 2016
- The Annual General Meeting resolved the dividend of SEK 0.90 per share as proposed by the Board of Directors
- The Annual General Meeting resolved that the Board of Directors shall consist of eight ordinary members
- The Board of Directors was elected and Michael Wolf was elected as chairman of the Board
- The Annual General Meeting approved the Nomination Committee's proposal regarding principles for appointment of members of the Nomination Committee
- The Annual General Meeting resolved on the adoption of guidelines for remuneration of the CEO and other senior managers
- Ernst & Young AB was re-elected auditor of the company for the period until the next Annual General Meeting. It was noted that Mikael Sjölander would be the auditor in charge
- The Annual General Meeting resolved to approve the Board's proposal to clarify the object of the company's business entailing that 3§ in the Articles of Association will have the following wording: "The company shall, directly or through subsidiaries, conduct work within healthcare and medical care, provide subsidiaries with services mainly regarding administration and governance, and conduct other activities compatible therewith."

Extraordinary general meeting 2017

An extraordinary general meeting was held on August 22, 2017. The extraordinary general meeting elected Hans Ramel as ordinary member of the Board to replace Fredrik Näslund.

3. Nomination Committee

Duties

The Nomination Committee shall propose the following to the Annual General Meeting: chairman at the general meeting, Board of Directors, chairman of the Board of Directors, auditor, remuneration to the Board of Directors (divided between the chairman and the other directors as well as remuneration for committee work), remuneration to the auditor and proposal regarding new instructions for appointing the Nomination Committee and its work. The Nomination Committee applies rule 4.1 of the Code as diversity policy in its nomination work. The objective of the policy is to achieve great diversity on the Board with regard to age, nationality, educational background, gender, experience and competences of the Board members. In its work ahead of the 2017 AGM, the Nomination Committee had the objective to complement the Board so that it in total has the competence and experience necessary to continue to lead the company successfully. The Nomination Committee has also assessed that the proposed Board members will be able to devote the necessary time required to fulfill their tasks as Capio Board members. In its deliberations and in consideration of Capio's position as one of Europe's leading healthcare companies, the Nomination Committee has taken particular account of the Board's need for diversity and versatility in terms of competence, experience and background, considering the strategic development, management and control of the company. In connection therewith, matters relating to independence and diversity, including gender distribution, have been highlighted. The composition of Capio's Board of Directors 2017 is considered appropriate to Capio's operations, phase of development and other relevant circumstances.

Composition

According to the instructions to the Nomination Committee in respect of the 2018 Annual General Meeting, resolved by the Annual General Meeting on May 3, 2017, Capio's Nomination Committee shall comprise representatives of the five largest shareholders in terms of the number of votes, pursuant to Euroclear Sweden AB's register as of August 31 the year before the AGM, and the Chairman of the Board. The composition of the Nomination Committee shall be published no later than six months before the Annual General Meeting.

The Nomination Committee in respect of the 2018 Annual General Meeting was appointed in accordance with the instructions resolved by the 2017 Annual General Meeting and consists of:

- Mikael Moll, appointed by Zeres Capital (chairperson of the nomination committee)
- Michael Wolf (Chairman of the Board)
- Per Hesselmark, appointed by R12 Kapital
- Bo Lundgren, appointed by Swedbank Robur fonder
- Per Colleen, appointed by the Fourth Swedish National Pension Fund (AP4)
- Jan Säråvik, appointed by Nordea Funds

All shareholders have the opportunity to contact the Nomination Committee with proposals for Board members. See Capio's webpage (www.capio.com) for contact information.

4. Board of Directors

Duties

The Board of Directors is ultimately responsible for Capio's organization and the management of the company's operations. The Board is responsible for the Group's long-term development and strategy, for regularly controlling and evaluating the Group's operations and financial situation, and for the other duties set forth in the Swedish Companies Act, the Code and the formal work plan for the Board.

Composition

According to Capio's Articles of Association, the Board of Directors elected by the general meeting shall consist of not less than five members and not more than ten members.

During the period from January 1, 2017 to March 15, 2017 Capio's Board consisted of eight members. Arnaud Bosquet resigned from the Board of Directors as from March 15, 2017. From March 15, 2017 until the 2017 Annual General Meeting that was held on May 3, Capio's Board consisted of seven members. The Annual General Meeting 2017 re-elected Gunnar Németh, Fredrik Näslund, Birgitta Stymne Göransson, Pascale Richetta and Michael Flemming and elected Michael Wolf, Gunilla Rudebjer and Joakim Rubin as ordinary members of the Board. Michael Wolf was elected Chairman of the Board. In addition, the Board has two members and one deputy member appointed by employee organizations. At the extraordinary general meeting held on August 22, 2017 Hans Ramel was elected as ordinary member of the Board to replace Fredrik Näslund.

For additional details of each member of the Board of Directors, see page 150 of the Annual Report.

Board independence

The current composition of the Board of Capio is assessed to meet the independence requirements set out in the Code. The assessment of each Board member's independence is presented in the table below.

The independence requirements mainly imply that only one person from the company's management may be a Board member, a majority of the elected members of the Board should be independent of the company and its management, and that at least two of the elected members who are independent of the company and company management must also be independent in relation to major shareholders.

Rules of procedures

Every year at the inaugural Board meeting following the election at the Annual General Meeting, Capio's Board of Directors adopts work procedures that stipulate how the work should be divided between the Board, its committees and the CEO. It also contains matters to be addressed at regular meetings of the Board and duties incumbent on the chairman.

The Board should convene at least six times per year, in addition to the inaugural Board meeting. The Board chairman organizes and manages the work of the Board. Apart from the responsibilities of the chairman, there is no particular division of tasks or responsibilities between the Board members. The CEO is not part of the Board, but attends all Board meetings and is responsible, together with the chairman, that the Board is provided with adequate information prior to each meeting.

In addition to the regular meeting frequency, the Board convenes on events of great importance that cannot be referred to the next regular Board meeting.

The Board's work in 2017

In 2017, the Board of Directors of Capio held 7 regular meetings, 3 extraordinary meetings and 2 inaugural meetings. Attendance of these meetings by Board members is presented in the table below.

Information regarding Board remuneration is presented in Note 4 of the Annual Report.

The Board met with the external auditors without the presence of management on one occasion during 2017.

The Board's composition, independence and attendance of meetings January 1, 2017–December 31, 2017

Name	Board member since	Independent of Capio and Capiro's Group Management	Independent of principal shareholders	Attendance of Board meetings	Attendance of FAC meetings	Attendance of Remuneration Committee meetings	Attendance of Medical Committee meetings
Michael Wolf	2017	Yes	Yes	8/8 ²	4/4 ⁸	3/3 ⁸	-
Gunnar Németh	2011	No	Yes	10/12	-	3/3 ⁸	4/4
Birgitta Stymne Göransson	2016	Yes	Yes	12/12	2/2 ⁷	4/4	4/4
Pascale Richetta	2016	Yes	Yes	10/12	-	-	4/4
Michael Flemming	2016	Yes	Yes	11/12	-	-	2/2 ⁸
Gunilla Rudebjer	2017	Yes	Yes	8/8 ²	4/4 ⁸	-	-
Joakim Rubin	2017	Yes	No	8/8 ²	4/4 ⁸	-	-
Hans Ramel	2017	Yes	No	5/5 ⁴	2/2 ¹⁰	-	-
Anders Narvinger	2011	Yes	Yes	4/4 ¹	-	1/1 ⁷	-
Gun Nilsson	2014	Yes	Yes	4/4 ¹	2/2 ⁷	-	-
Arnaud Bosquet	2016	Yes	No	1/1 ⁵	-	-	-
Fredrik Näslund	2006	Yes	No	6/7 ³	4/4 ⁹	1/1 ⁷	-
Kevin Thompson, employee representative, ordinary member	2010	No	Yes	12/12	-	-	-
Julia Turner, employee representative, ordinary member	2012	No	Yes	11/12	-	-	-
Bengt Sparrelid, employee representative, deputy member	2010	No	Yes	10/12	-	-	-
Alexandra Ekengren, employee representative, deputy member	2014	No	Yes	3/5 ⁶	-	-	-

¹ Resigned from the Board on May 3, 2017

² Elected as ordinary member of the Board on May 3, 2017

³ Resigned from the Board on August 22, 2017

⁴ Elected as ordinary member of the Board on August 22, 2017

⁵ Resigned from the Board on March 15, 2017

⁶ Resigned from the Board on July 3, 2017

⁷ Resigned from the Committee on May 3, 2017

⁸ Elected as member of the Committee on May 3, 2017

⁹ Resigned from the Committee on August 22, 2017

¹⁰ Elected as member of the Committee on August 22, 2017

The Chairman of the Board ensures that an annual evaluation is conducted of the work of the Board. The evaluation focuses on the Board's working methods, its working climate and its access to and need for particular Board competences. The 2017 evaluation took place during the fourth quarter and was a self-assessment based on individual structured discussions with the members who were part of the Board last year and were reelected at the 2017 Annual General Meeting. The result of the evaluation is part of the supporting information used by the Nomination Committee when nominating Board members and proposing remuneration. The evaluation process follows and is in compliance with the Swedish Corporate Governance Code.

Important Board decisions 2017:

- Approval of new and updated Group Policies
- Acquisitions made during 2017
- Investments in digitalization
- French business developments and property investments and divestments
- Group financing – launch of a commercial paper program as well as extension and increase of the current financing

The Board's committees

In accordance with the Rules of Procedure for the Board of Directors, the Board of Capio has established a Finance and Audit Committee, a Remuneration Committee and a Medical Committee. The committee members are appointed by the Board of Directors at the inaugural Board meeting for a term of one year.

The Finance and Audit Committee and the Medical Committee prepare issues within each committee's area of responsibility and present recommendations for approval by the Board of Directors. The same authority rules apply to the Remuneration Committee with the exception of matters related to remuneration for other senior managers than the CEO. These questions are prepared and resolved by the Remuneration Committee.

The committees keep minutes of their meetings and the minutes are made available to the Board. The chairman of each committee accounts for the committee work at the Board meetings.

5. Finance and Audit Committee (FAC)

Duties

The overall task of the Finance and Audit Committee is to ensure fulfillment of the Board of Directors' supervisory duty in relation to internal control over financial reporting, audit, risk management, accounting and financial reporting.

The Finance and Audit Committee reviews procedures and routines for the aforementioned areas and also prepares the Board of Directors' report on internal control. In addition, the Finance and Audit Committee monitors the impartiality and independence of the auditor, evaluates the audit work, including the external auditor's additional supervisory duties in relation to the Group's self-assessment process, in order to verify the internal control over financial reporting.

The Finance and Audit Committee also assists Capio's Nomination Committee in preparing nominations for auditors and recommendations for audit fees.

The Finance and Audit Committee should hold at least four meetings per year and the meetings should be held in conjunction with ordinary Board meetings.

During 2017, the Finance and Audit Committee held a total of six meetings. The attendance of committee meetings by Board members is presented in the table on page 145.

Composition

The following Board members were appointed members of Capio's Finance and Audit Committee at the inaugural Board meeting following the 2017 Annual General Meeting:

- Gunilla Rudebjer (chairperson)
- Fredrik Näslund (replaced by Hans Ramel at the extraordinary general meeting held on August 22, 2017)
- Joakim Rubin
- Michael Wolf

The current composition of the members of Capio's Finance and Audit Committee is assessed to meet the requirements of the Swedish Companies Act. Please refer to page 145 for more information about the independence of the Board. All members of the Finance and Audit Committee are highly familiar with accounting matters and the accounting standards applicable to an international Group such as Capio.

6. Remuneration Committee

Duties

The task of the Remuneration Committee is to prepare matters concerning remuneration and employment terms for Capio's CEO, which are then resolved by the Board of Directors. The task is also to prepare and resolve matters concerning remuneration and employment terms for Group Management members who report directly to the CEO.

The work of the Remuneration Committee also includes proposing guidelines for, among other things, the relationship between fixed and variable compensation and the relationship between performance and compensation, the principal conditions for bonuses and incentive schemes, conditions for non-monetary benefits, pensions, termination and severance pay. Furthermore, the Remuneration Committee monitors and evaluates the outcome of variable compensation schemes and Capio's compliance with remuneration guidelines adopted by the general meeting.

The Remuneration Committee should hold at least two meetings per year.

During 2017, the Remuneration Committee held a total of four meetings. The attendance of committee meetings by Board members is presented in the table on page 145.

Composition

The following Board members were appointed members of Capio's Remuneration Committee at the inaugural Board meeting following the 2017 Annual General Meeting:

- Michael Wolf (chairperson)
- Gunnar Németh
- Birgitta Stymne Göransson

The current composition of the members of Capio's Remuneration Committee is assessed to meet the requirements stated in the Code. See page 145 for more information about the independence of the Board.

7. Medical Committee

Duties

The duties and responsibilities of the Medical Committee are to monitor medical risk, quality and compliance within the Group, as well as to develop and review appropriate policies and reporting within the medical compliance area.

The Medical Committee should hold at least three meetings per year.

During 2017, the Medical Committee held a total of four meetings. The attendance of committee meetings by Board members is presented in the table on page 145.

Composition

The following Board members were appointed members of Capio's Medical Committee at the inaugural Board meeting following the 2017 Annual General Meeting:

- Birgitta Stymne Göransson (chairperson)
- Gunnar Németh
- Pascale Richetta
- Michael Flemming

8. Group Management

General

At December 31, 2017 Capio's Group Management consisted of six members being the President & CEO, the CFO, the Senior Vice President Group Communication & Public Affairs, the CMO, the Country President of Capio France and the Country President of Capio Sweden. In September 2017, François Demesmay, who earlier held the position as deputy CMO, replaced retiring Svereric Svensson as CMO. François Demesmay was already a member of Capio's Group Management. Britta Wallgren (the Country President of Capio Sweden) became a member of Capio's Group Management in March 2017.

For a detailed presentation of Capio's Group Management, see page 149 of the Annual Report.

The CEO is appointed by and receives instructions from the Board of Directors. The CEO, in turn, appoints other members of the Group Management and is responsible for the ongoing management of the Group in accordance with the Board's guidelines and instructions.

The Group Management holds regular meetings under the direction of the CEO to discuss, decide and execute on important operational and financial issues.

Remuneration to Group Management

The Board of Directors proposes to the Annual General Meeting guidelines for remuneration of Group Management, including the CEO. Matters of remuneration for the CEO is then prepared by the Remuneration Committee and resolved by the Board of Directors. The remuneration of Group Management members who report directly to the CEO is prepared and resolved by the Remuneration Committee.

The guidelines applied to remuneration and other terms of employment of the Group Management pursuant to the resolution by the Annual General Meeting held on May 3, 2017 are referred to in Note 4 of the Annual Report.

9. Auditors

The 2017 Annual General Meeting re-elected Ernst & Young as the Group's audit firm for a period until the end of the 2018 Annual General Meeting. Auditor in charge is Mikael Sjölander. For a detailed presentation of Mikael Sjölander, see page 150 in the Annual Report. For information about the remuneration of the auditors, see Note 22 on page 103.

The external audit is conducted in accordance with the Swedish Companies Act, generally accepted auditing standards in Sweden and International Standards on Auditing.

10. Internal control over financial reporting

Introduction

The Board's responsibility for internal control is regulated by the Swedish Companies Act and the Swedish Corporate Governance Code. Capio's internal control structure is inspired by the COSO framework. The purpose of this report is to provide shareholders and other interested parties with a description of how internal control is organized at Capio with regard to financial reporting.

Control environment

A fundamental part of Capio's framework for internal control over financial reporting is the overall control environment. The basis for Capio's control environment is the company culture, which is reflected in everything we do. The company culture is based on the Capio model, our way of working in order to create value for the benefit of patients and society, and the ethics and values stated in Capio's Code of Conduct. Extensive management programs on this theme are conducted within the Group.

An important part of Capio's control environment is the Group policies and guidelines. The Board of Directors has delegated the ongoing work regarding the internal control over financial reporting within the Group to the CEO and the CFO. The CEO and the CFO have determined detailed policies and guidelines regarding how the financial reporting within the Group should be organized and controlled.

Important Group policies that apply to internal control over financial reporting, including authorization rules, are the Capio Financial Policies and Guidelines (FPG) and Capio Accounting and Reporting Manual (CARMA).

Risk assessment

Risks relating to the financial reporting are evaluated and monitored by the Board through the Finance and Audit Committee. The Group performs regular risk assessments to identify key risks. Identified risk areas are summarized in Capio's Financial Policies and Guidelines together with relevant routines for how the risk is to be controlled. Risks are managed and followed-up in line with the control environment that the Group has established. Local risks related to the financial reporting are identified in the course of the normal business and in connection with the external audit.

In order to identify risks in a broader sense, Capio has a routine whereby annual risk assessment meetings are held with each business area. The risk assessments are based on the Capio model. Each business area is responsible for conducting risk assessment meetings with their respective main units in order to verify identified risks. The result of the risk assessments are used as input when designing and performing the yearly self-assessment process.

Control activities

Control activities performed at Capio include decision and authorization rules, an appropriate assignment of responsibilities, manual and automated controls, and verifications and reconciliations. In addition to process level controls, a number of Group-wide control activities are performed. The monthly financial and operational reporting, including follow-up of the Group, represents an important point of control, which also aims to ensure that the financial reporting gives a true and fair view of the Group's financial position and development. The structured budget and forecasting processes are also examples of Group-wide control activities. Furthermore, the monthly reporting process with analysis and comparison to budget is an integrated part of the Capio model, including QPIs, KPIs and financial results.

Information and communication

Group policies and guidelines related to the financial reporting are updated regularly, and communicated to relevant employees via appropriate channels within the Group. Furthermore, financial managers and controllers for each business area have regular meetings with relevant positions within the Group functions. In connection with these meetings, the fundamental control environment is reviewed and discussed, as well as any other issues related to internal control.

Furthermore, Capio has a communication policy governing both internal and external communication.

Monitoring

Monitoring of internal control over financial reporting is carried out at different levels of the organization. Key functions include the Board of Directors, the Finance and Audit Committee, Group Management, Group finance functions as well as business area and local management together with local finance functions. The Board of Directors, through the Finance and Audit Committee, is involved in the planning of Group-wide monitoring activities on a yearly basis as part of the internal control plan of the year. Process level controls consist of both formal and informal routines and monitoring is performed locally by managers and process owners.

The overall control environment and implemented control activities for financial reporting are evaluated on a yearly basis in terms of a self-assessment process. The self-assessment process is coordinated by the Group support functions Group Reporting and Control and Compliance and is carried out by management and finance teams at business area and main unit level. Areas evaluated are compliance with Group policies and guidelines, with special emphasis on the Financial Policies and Guidelines and are selected in cooperation with the Finance and Audit Committee based on the risk assessment. The results of the self-assessment are compiled and presented to the Board of Directors, the Finance and Audit Committee as well as the Group Management. Reported results are verified by the Group's external auditor through interviews and sample testing on a selected number of entities. Group Reporting and Control and Compliance also verify reported results as an important part of the self-assessment process.

Other Group-wide monitoring activities include a thorough review and follow-up of the monthly financial and operational reporting. Reviews are performed at different levels of the organization, from main unit level to Group level. The Board of Directors receive monthly financial reports from the CFO and the CEO regarding the Group's earnings and financial position and are involved in the review of all quarterly financial statements, quarterly reports and the Group's Annual Report before publication.

The Board's involvement in the planning of the Group-wide monitoring activities and the established reporting procedures mentioned above, enables for the Board of Directors to verify that Capio has formalized routines to ensure that approved principles for financial reporting and internal control are applied, and that Capio's financial reports are produced in accordance with legislation, applicable accounting standards and other requirements for listed companies.

Internal audit

The Board of Directors of Capio has decided not to establish a separate internal audit function. Capio is a decentralized organization where internal control activities are performed locally. Annually every main unit participates in a self-assessment review where compliance with Group policies is evaluated. The results of the self-assessment reviews are verified by the Group's external auditor as part of their internal control audit. The Board of directors considers that it is most efficient that the Group wide internal control reviews is coordinated by the CFO and relevant Group support functions in close collaboration with the Finance and Audit Committee and considers that this structure fulfills the required control and follow-up. The need for an internal audit function is regularly assessed by the Finance and Audit Committee.

Gothenburg March 16, 2018
Capio AB (publ)
Board of Directors

Auditor's report on the corporate governance statement

To the general meeting of the shareholders of Capio AB (publ), corporate identity number 556706-4448

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2017 on pages 141-148 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 16 March, 2018

Ernst & Young AB

Mikael Sjölander
Authorized Public Accountant