

# CORPORATE GOVERNANCE REPORT 2017/18

## THE SWEDISH CORPORATE GOVERNANCE CODE AND MOMENTUM GROUP'S CORPORATE GOVERNANCE REPORT

Momentum Group applies the Swedish Corporate Governance Code (the "Code"). The Code is part of the self-regulation system of Swedish trade and industry, and is based on the "comply or explain" principle. This means that a company that applies the Code may deviate from individual rules, but is required to provide an explanation for each deviation.

This Corporate Governance Report for the 2017/18 financial year was prepared in accordance with the recommendations of the Code. The report also contains an account of the work of the Election Committee in preparation

for the 2018 Annual General Meeting. Momentum Group deviates from one of the recommendations of the Code: the auditors' review of the Company's six-month or nine-month interim reports. This deviation from the Code is reported in further detail in the relevant section below. The Corporate Governance Report constitutes a part of the formal annual accounts and has been reviewed by the Company's auditors.

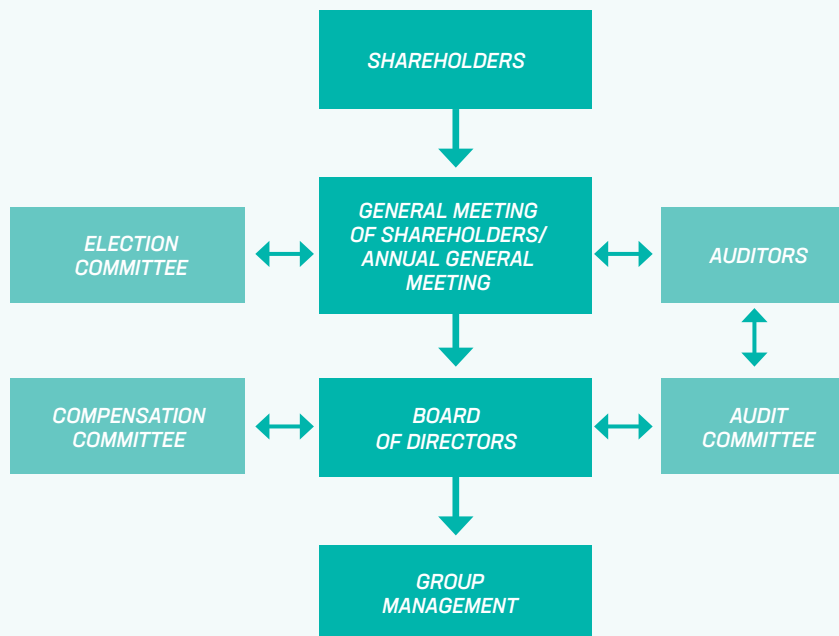
### DISTRIBUTION OF RESPONSIBILITY AND ARTICLES OF ASSOCIATION

The purpose of the Company's corporate governance structure is to establish a clear distribution of roles and responsibilities between the owners, Board of Directors, Board committees and executive management. Momentum Group

AB primarily applies the Swedish Companies Act and the rules that apply since the Company's Class B share is listed on Nasdaq Stockholm ("Stockholm Stock Exchange") as well as best practice in the stock market. The Code is part of the regulations of the Stockholm Stock Exchange. In the course of its operations, Momentum Group also complies with the regulations stipulated in the Company's Articles of Association.

According to the Articles of Association, the registered name of the Company is Momentum Group AB. The Company is a public limited liability company and the financial year is from 1 April to 31 March. The appointment of directors and amendments to the Articles of Association occur in accordance with the Swedish Companies Act.

## CORPORATE GOVERNANCE STRUCTURE WITHIN MOMENTUM GROUP



The **General Meeting of Shareholders** is the Company's highest decision-making body. The Board of Directors and its Chairman as well as the auditors, where applicable, are appointed by the Annual General Meeting.

The **Election Committee** drafts motions to the Annual General Meeting regarding the composition of the Board of Directors.

By order of the Annual General Meeting, it is the duty of the appointed **auditors** to examine the financial statements and the administration of the Board of Directors and the President & CEO during the financial year.

The **Board of Directors** is ultimately responsible for the Company's organisation and administration. It is also the duty of the Board to ensure that all shareholders' interests in Momentum Group are provided for. The Board of Directors appoints the President & CEO and the Executive Vice Presidents.

The **Audit Committee** examines the procedures for risk management, governance, control and financial reporting.

The **Compensation Committee** prepares motions concerning remuneration levels for the President & CEO as well as general incentive programmes - subject to the approval of the Board - and decides on remuneration levels for other senior management.

The President & CEO and other members of **Group management** are responsible for the day-to-day management of Momentum Group.

The Articles of Association are available in full on the Company's website at [www.momentum.group](http://www.momentum.group).

### SHARE STRUCTURE, SHAREHOLDERS AND REPURCHASE OF OWN SHARES

As of 31 March 2018, Momentum Group AB had approximately 5,600 shareholders. The share capital amounted to approximately MSEK 57. The distribution by class of share is as follows:

Class of shares	As of 31 March 2018
Class A shares	1,062,436
Class B shares	27,202,980
<b>Total no. of shares before repurchasing</b>	<b>28,265,416</b>
Less: Repurchased Class B shares	-250,000
<b>Total no. of shares after repurchasing</b>	<b>28,015,416</b>

All shares carry equal rights to Momentum Group AB's assets and earnings. The Company's Class A shares entitle the holder to ten votes each and each Class B share entitles the holder to one vote. The Articles of Association contain no limitations concerning how many votes each shareholder may cast at the General Meeting of Shareholders. For repurchased shares held in treasury, all rights are waived until such time as the shares are reissued. The Board of Directors is not authorised to make decisions regarding new share issues.

According to Chapter 6, Section 2a of the Swedish Annual Accounts Act, listed companies are required to submit information concerning certain circumstances that may affect opportunities to take over the Company through a public takeover bid for the shares in the Company. The Company's lenders are entitled to cancel approved committed credit facilities if the Company's shares are delisted from Nasdaq Stockholm or in connection with public takeover bids if the bidder secures a shareholding of more than 50 percent of the number of shares in the Company or controls at least 50 percent of the votes in the Company. Otherwise the Company has not entered into any significant agreements with suppliers or employees that would be affected, change, expire or stipulate the payment of financial remuneration should control of the Company change as a result of a public takeover bid for the shares in the Company.

As of 31 March 2018, Tisenhultgruppen AB held 14.7 percent of the total number of votes in the Company and Tom Hedelius held 12.8 percent.

No other shareholders had direct or indirect shareholdings in the Company representing more than one-tenth of the total number of votes.

Further information regarding Momentum Group's shares and ownership structure is presented in the section on Momentum Group's share on pages 70-71.

### Repurchase of own shares and incentive programmes

To be able to adapt the Group's capital structure, pay for future acquisitions of businesses and operations using treasury shares and secure the Company's obligations under its share-based incentive programmes, an Extraordinary General Meeting of Shareholders in Momentum Group AB on 28 November 2017 resolved to authorise the Board of Directors to resolve on the acquisition and conveyance of treasury shares. With the support of this authorisation, Momentum Group acquired 250,000 Class B treasury shares in December 2017. Accordingly, the number of Class B shares held in treasury as of 31 March 2018 amounted to 250,000, corresponding to 0.9 percent of the total number of shares and 0.7 percent of the total number of votes. The quotient value of this holding amounted to SEK 500,000 as of 31 March 2018. Of the repurchased shares, 250,000 are intended to cover the Company's obligations under the call option programme issued to senior management in December 2017 in accordance with the following.

The Extraordinary General Meeting of Shareholders in Momentum Group AB on 28 November 2017 also resolved on a share-based incentive programme with an issue of call options for repurchased Class B shares. In accordance with the resolution passed at the Meeting, 40 key individuals in senior positions in the Group were offered an opportunity to acquire a maximum of 250,000 call options, and the programme was fully subscribed. The call options have been conveyed at a price of SEK 9.60 per call option, equivalent to the market value of the options according to a valuation performed by Nordea Bank. The redemption price for the call options is SEK 121.60 per share. Each call option entitles the holder to acquire one repurchased Class B share during the redemption periods of 12-25 February and 12-25 May 2021, respectively.

The share price on 31 March 2018 was SEK 100.00 and the issued call options thus did not result in any dilution effect during the financial year. When fully exercised, the number of outstanding Class B shares will increase by 250,000, corresponding to 0.9 percent of the total number of shares and 0.7 percent of the total number of votes.

### GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the Company's highest decision-making body where shareholders exercise their voting rights. At the Annual General Meeting, decisions are made concerning the Annual Report, dividends, the election of the directors and auditors, directors' and auditors' fees, and other matters in accordance with the Swedish Companies Act and the Articles of Association. The Company does not apply any special arrangements with respect to the function of the General Meeting of Shareholders due to the provisions of the Articles of Association or due to any shareholders' agreement known to the Company.

### Annual General Meeting 2017

The most recent Annual General Meeting of Momentum Group AB, which was a wholly owned subsidiary of the B&B TOOLS Group at the time, was held on 9 May 2017 in Stockholm. Among other decisions, the Meeting resolved to re-elect directors Fredrik Börjesson, Charlotte Hansson, Stefan Hedelius, Gunilla Spongh and Jörgen Wigh. Jörgen Wigh was re-elected Chairman of the Board.

The minutes from the Annual General Meeting are available on the Company's website [www.momentum.group](http://www.momentum.group). The minutes are available in Swedish and English.

### ELECTION COMMITTEE

The Annual General Meeting in May 2017 resolved to authorise the Chairman of the Board to contact the largest shareholders, in terms of votes, not later than 31 January 2018 and request that they appoint four members who, together with the Chairman of the Board, will constitute an Election Committee to prepare motions to the Annual General Meeting 2018. The Election Committee is to prepare motions regarding the Chairman of the Annual General Meeting, the number of directors, the

election of directors, the Chairman of the Board and auditors, fees to be paid to each director and the auditors, and the selection criteria and principles for appointing the next Election Committee.

In accordance with this authorisation, the Election Committee for the Annual General Meeting in August 2018 comprises Anders Börjesson (appointed by Tisenhult-gruppen), Marianne Flink (appointed by Swedbank Robur Fonder), Tom Hedelius, Stefan Nilsson (appointed by Handelsbankens Pensionskassa & Pensionsstiftelse) and Chairman of the Board Jörgen Wigh. The other members appointed Anders Börjesson, as the representative for the largest shareholder, as Chairman of the Election Committee. Marianne Flink was appointed spokesperson for the Election Committee at the next Annual General Meeting. The composition of the Election Committee was presented in conjunction with the publication of the Interim Report on 9 February 2018.

The Election Committee's motions regarding the Board of Directors and auditors will be presented in the notice of the 2018 Annual General Meeting and on the Company's website. The Election Committee will present and motivate its motions regarding the Board of Directors and auditors on the Company's website in conjunction with the publication of the notice of the Meeting and at the Annual General Meeting itself.

No separate remuneration was paid for work on the Election Committee during the year.

### THE BOARD OF DIRECTORS 2017/18

In accordance with Momentum Group's Articles of Association, the Board of Directors is to comprise not fewer than five and not more than eight directors.

#### Directors

Momentum Group AB's Board of Directors currently comprises five directors appointed by the Annual General Meeting on 9 May 2017: Jörgen Wigh (Chairman), Fredrik Börjesson, Charlotte Hansson, Stefan Hedelius and Gunilla Spongh. A detailed presentation of these directors, including information on other assignments and work experience, is available on page 68 and on the Company's website. All directors are independent in relation to the Company and senior management. Two directors are dependent in relation to the Company's major shareholders.

Accordingly, the Board of Directors meets the requirement that at least two of the directors who are independent in relation to the Company also be independent in relation to major shareholders.

According to the resolution of the Annual General Meeting, each director elected by the Annual General Meeting is to receive a fee of SEK 260,000. The Chairman of the Board is to receive a fee of SEK 520,000. In addition, a special fee of SEK 50,000 is paid to each member of the Compensation Committee (two individuals) and a fee of SEK 50,000 to the Chairman of the Audit Committee. Accordingly, the total fee to be paid in accordance with the resolution of the Annual General Meeting amounts to SEK 1,710,000.

Refer to the table on page 24 for a summary of the members of the Board, their participation in committees, attendance at Board meetings, dependency and fees.

#### Chairman of the Board

The Chairman of the Board is responsible for ensuring that the work of the Board is well organised and conducted efficiently and that the Board performs its duties. In particular, the Chairman is responsible for organising and leading the work of the Board in a manner that creates the best possible conditions for the Board to conduct its work. It is the Chairman's task to ensure that a new director receives the required introductory training and any other training deemed appropriate by the Chairman and the director, to ensure that the Board continuously updates and deepens its knowledge about the Company, to ensure that the Board holds meetings as required and receives sufficient information and supporting data for its work, to propose an agenda for Board meetings in consultation with the President & CEO, to ensure that the decisions of the Board are carried out and to ensure that the work of the Board is evaluated annually. The Chairman is responsible for all contact with the owners regarding ownership matters and for conveying feedback from the owners to the Board.

#### Duties of the Board

The Board of Directors is ultimately responsible for the Company's organisation and administration of the Company's affairs in the interests of all

shareholders in accordance with the laws, regulations and agreements that the Company is obligated to follow. Based on its analysis of the Company's operating environment, the Board is also responsible for deciding on strategic matters.

Each year, the Board adopts written rules of procedure that regulate the work of the Board and its internal distribution of responsibility, including its committees, the procedure for resolutions within the Board, the agendas of Board meetings and the duties of the Chairman as well as the instructions for financial reporting. The Board also issues instructions to the President & CEO, which grant the authority to make decisions regarding investments, corporate acquisitions and sales as well as financing issues. The Board has also adopted a number of policies for the Group's operations, including a Financial Policy, Environmental Policy and Code of Conduct.

The Board of Directors oversees the work of the President & CEO through continuous monitoring of the operations during the year and is responsible for ensuring that the organisation and management as well as the guidelines for administration of the Company are appropriate and that the Company has adequate internal control and effective systems in place for monitoring and controlling the Company's operations and compliance with legislation and regulations applicable to the Company's operations. The Board is also responsible for establishing, developing and monitoring the Company's goals and strategies, decisions regarding acquisitions and divestments of operations, major investments, repurchases of own shares, and appointment and remuneration of Group management. The Board and the President & CEO present the annual accounts to the Annual General Meeting.

The Board of Directors is also responsible for preparing an annual Corporate Governance Report, including a review of the measures taken by the Board to follow up the internal control in connection with financial reporting and the effectiveness of the reporting to the Board. The Corporate Governance Report is reviewed by the Company's auditors. Each year, in conjunction with this, the Board is to assess and express an opinion as to whether the Company should have a special review function

(internal audit). The reasons for this decision are to be stated in the Corporate Governance Report.

The work of the Board is evaluated annually under the supervision of the Chairman of the Board. The Election Committee is informed of the results of this evaluation. The Board evaluates the work of the President & CEO on an ongoing basis. This issue is also specifically addressed each year at a Board meeting, without the presence of any member of Group management. The Board also evaluates and comments on any significant assignments, if any, performed by the President & CEO outside the Company.

Each director is to independently assess the matters to be addressed by the Board and request the information deemed necessary to make well-founded decisions. Each director is to continuously acquire any knowledge about the Company's operations, organisation, markets and so forth required for the assignment.

### Work of the Board

The work of the Board of Directors follows an annual plan. In addition to the statutory meeting, which is held in conjunction with the Annual General Meeting, the Board of Directors normally convenes on five occasions each year (scheduled meetings) in connection with the publication of the Interim Reports and holds an annual strategy meeting. Extraordinary meetings are convened when necessary. Each meeting follows an agenda, which is distributed to the directors prior to each Board meeting along with supporting documentation. The decisions of the

Board are made after discussions led by the Chairman of the Board. The task of the committees appointed by the Board is to draft motions for resolutions by the Board (see below).

The agenda for the statutory meeting of the Board includes the adoption of the rules of procedure for the Board of Directors, decisions regarding signatory powers and the approval of the minutes. The items addressed at the scheduled meeting in May include the year-end financial statements, the proposed appropriation of profit and the financial report. In conjunction with this meeting, the Company's auditors report to the Audit Committee on their observations and assessments based on the audit performed. Each scheduled meeting also includes a number of fixed agenda items, including reports on the current financial outcome of the Company's operations.

The Board of Directors held 14 Board meetings during the 2017/18 financial year, including a statutory meeting and three meetings per capsulam. The Board's work during the year focused on issues pertaining to Momentum Group's spin-off from the B&B TOOLS Group and the separate listing of the Company's Class B shares on Nasdaq Stockholm, follow-up of the restructuring work ongoing in the TOOLS businesses, the Group's organisation and strategic development, ongoing business operations, earnings and profitability trends, corporate acquisitions and the Group's financial position.

Refer to the table below for information regarding attendance at Board and committee meetings.

The President & CEO presents reports at the Board meetings. The Group's CFO and other employees in the Group participate in Board meetings to report on specific issues or whenever deemed appropriate. Mats Karlqvist, Head of Investor Relations at Momentum Group AB, serves as the secretary to the Board as well as to the Election Committee.

### Compensation Committee

The Compensation Committee appointed by the Board prepares the Board's motion regarding "Guidelines for determining remuneration and other terms of employment for senior management." The proposed guidelines are addressed by the Board and then presented to the Annual General Meeting for resolution. Based on the resolution of the Annual General Meeting, the Compensation Committee submits a motion concerning remuneration of the President & CEO to the Board for approval, decides on remuneration to the other members of senior management and drafts motions for any incentive programmes. The Compensation Committee informs the Board of its decisions. The Committee is then responsible for monitoring and evaluating the application of the guidelines for determining remuneration and other terms of employment for Group management as adopted by the Annual General Meeting (refer to Note 6 Employees and personnel costs on pages 43–45). The Compensation Committee also monitors and evaluates any ongoing programmes for variable remuneration for Group management as well as any programmes concluded during the year.

### BOARD COMPOSITION, ATTENDANCE, DEPENDENCY CONDITIONS AND FEES FOR 2017/18

Regular directors	Year of election	Position	No. of meetings attended			Dependent in relation to <sup>1)</sup>		Fee, SEK
			Board of Directors	Audit Committee	Compensation Committee	Momentum Group	Major shareholders	
<b>No. of meetings</b>			14	3	2			
Jörgen Wigh	2016	Chairman	14	3	2	No	No	570,000 <sup>2)</sup>
Fredrik Börjesson	2016	Director	14	3	2	No	Yes	310,000 <sup>2)</sup>
Charlotte Hansson	2016	Director	13	3		No	No	260,000
Stefan Hedelius	2016	Director	13	3		No	Yes	260,000
Gunilla Spongh	2016	Director	12	3		No	No	310,000 <sup>2)</sup>

1) According to the definitions in the Swedish Corporate Governance Code.

2) Of which, SEK 50,000 per person pertains to work on the Compensation Committee (Jörgen Wigh and Fredrik Börjesson) and fees to the Chairman of the Audit Committee (Gunilla Spongh).

The Compensation Committee consists of Chairman of the Board Jörgen Wigh (Chairman of the Compensation Committee) and Director Fredrik Börjesson. President & CEO Ulf Lilius presents reports to the Committee. The President & CEO does not report on his own remuneration. The Compensation Committee convened on two occasions during the 2017/18 financial year, during which minutes were taken.

During the year, SEK 50,000 was paid to each committee member for work on the Compensation Committee.

### Audit Committee

The Board has appointed an Audit Committee, which – without influencing the work and duties of the Board in any other respect – is responsible for monitoring the Company's financial reporting, monitoring the efficiency of the Company's internal control and risk management with respect to its financial reporting, remaining informed about the audit of the Annual Report and consolidated financial statements, reviewing and monitoring the impartiality and independence of the auditors and whether the auditors have provided the Company with services other than auditing services, and assisting in the preparation of motions regarding the election of auditors for resolution by the General Meeting of Shareholders.

The Audit Committee includes all regular directors and the committee meetings were held in conjunction with the scheduled Board meetings. In conjunction with the adoption of the annual accounts, the Audit Committee meets with and receives a report from the Company's external auditors. At the same time, the Committee also meets with the auditors without the presence of the President & CEO or other members of Group management.

The Chairman of the Audit Committee is Gunilla Spongh. The Chairman possesses accounting and audit expertise. The Audit Committee held three meetings during the 2017/18 financial year, during which minutes were taken.

During the year, SEK 50,000 was paid to the Chairman of the Committee.

### PRESIDENT & CEO AND GROUP MANAGEMENT

Ulf Lilius took office as President & CEO of Momentum Group on 14 June 2017 (in conjunction with a resolution by an Extraordinary General Meeting of

Shareholders in B&B TOOLS AB to spin off and distribute Momentum Group to its shareholders). Ulf Lilius has been employed by the Group since 2004 and served as President & CEO of the B&B TOOLS Group between 2012 and 2017. His previous positions include President, Marketing and Sales Director and Executive Vice President of Momentum Industrial (2002-2010) and various positions at SKF Multitec (1996-2002).

The President & CEO manages the operations in accordance with the Swedish Companies Act and the framework established by the Board. With respect to the authority of the President & CEO to make decisions regarding investments, corporate acquisitions, corporate sales and financing issues, the rules approved by the Board of Directors apply. In consultation with the Chairman of the Board, the President & CEO prepares the necessary information and supporting data for Board meetings, reports on various matters and explains the motivation for motions presented for resolution. The President & CEO leads the work of Group management and makes decisions in consultation with the other members of management.

In 2017/18, Momentum Group's management also included Executive Vice President & CFO Niklas Enmark. Remuneration to Group management for the 2017/18 financial year and a description of the Company's incentive programmes are presented in Note 6 Employees and personnel costs on pages 43–45.

For more detailed information about Group management, refer to page 69.

### AUDITORS

According to the Articles of Association, a registered accounting firm (or, alternatively, one or two authorised public accountants) is to be elected as auditor. KPMG was elected as the Company's auditor at the 2017 Annual General Meeting for the period until the end of the 2018 Annual General Meeting. The Auditor in Charge is Håkan Olsson Reising and the cosignatory auditor is Matilda Axlind. KPMG performs the audit of Momentum Group AB and most of its subsidiaries.

The Company's auditors follow an audit plan, which includes feedback from the Board and the Audit Committee, and reports its findings to the company management teams, Group management and the Board and Audit

Committee of Momentum Group AB during the course of the audit and in conjunction with the adoption of the annual accounts. The Company's auditor also participates in the Annual General Meeting, presenting and commenting on the audit work.

The independence of the external auditors is regulated through special instructions established by the Board, which state the areas which may be addressed by the external auditors in addition to the normal audit work. KPMG continuously assesses its independence in relation to the Company and provides the Board with written assurance of the auditing firm's independence in relation to Momentum Group each year. During the past year, the auditors were mainly consulted on issues regarding the separate listing of the Company on Nasdaq Stockholm in June 2017. The total fee for KPMG's services in addition to the audit assignment amounted to MSEK 2 during the 2017/18 financial year.

### ETHICAL GUIDELINES

Momentum Group strives to conduct its business with high requirements imposed on integrity and ethics. The Board of Directors adopts a Code of Conduct for the Group's operations on an annual basis, which also includes ethical guidelines. Momentum Group's Code of Conduct is available in its entirety on the company's website at [www.momentum.group](http://www.momentum.group).

### GUIDELINES FOR DETERMINING REMUNERATION AND OTHER TERMS OF EMPLOYMENT FOR SENIOR MANAGEMENT

The Board aims to ensure that the remuneration system in place for the President & CEO and other members of the Group's senior management is competitive and in line with market conditions. Accordingly, the Board intends to propose that the Annual General Meeting to be held on 22 August 2018 pass a resolution concerning the 2018/19 guidelines for determining remuneration and other terms of employment for the President & CEO and other members of senior management that corresponds in all material respects with the guidelines for remuneration adopted by the Annual General Meeting held in May 2017 (refer to Note 6 Employees and personnel costs on pages 43–45).

**INTERNAL CONTROL OF FINANCIAL REPORTING**

According to the Swedish Companies Act and the Swedish Corporate Governance Code, the Board of Directors is responsible for the Company’s internal control. This responsibility includes an annual evaluation of the financial reporting received by the Board of Directors and specifying requirements for its content and presentation so as to ensure the quality of the reporting. These requirements stipulate that the financial reporting must be suited to its purpose, with the application of the accounting rules in force and other requirements that apply to listed companies. The following description is limited to the internal control of Momentum Group with respect to financial reporting.

The basis of the internal control of the Company’s financial reporting comprises the control environment, including the organisation, decision paths, lines of authority and responsibilities documented and communicated in various control documents, such as policies established by the Board, and Group-wide guidelines and manuals.

Momentum Group bases and organises its operations on decentralised accountability for profitability, with its operating areas taking the form of companies. Accordingly, central control documents are used to provide formal work plans for internal Board work and instructions for the division of responsibility between the Board and the President & CEO.

The Group’s most important financial control documents are gathered on its Intranet and include a comprehensive Financial Policy, a reporting manual, a manual for the Group’s internal bank, a description of accounting policies and expanded instructions preceding every closing of the books. These financial rules and regulations are updated regularly and training programmes are offered during the financial year to ensure the uniform implementation and application of the rules and regulations. On a more general level, all operations in the Momentum Group are to be conducted in accordance with the Group’s Code of Conduct.

Momentum Group has established control structures to manage the risks that the Board of Directors and corporate management consider to be significant to the Company’s internal control with respect to financial reporting.

Examples include transaction-related controls, such as regulations concerning attestation and investments, as well as clear payment procedures and analytical controls performed by the Group’s controller organisation. Controllers at all levels in the Group play a key role in terms of integrity, competence and the ability to create an environment that is conducive to achieving transparency and true and fair financial reporting. The monthly earnings follow-up conducted via the internal reporting system is another important overall control activity. The earnings follow-up includes reconciliations with previously set goals and the most recent forecast as well as follow-up of adopted key financial ratios. This follow-up of earnings also functions as an important complement to the controls and reconciliations performed in the actual financial processes.

Follow-ups to assure the quality of the Group’s internal control are performed within the Group in various ways. The central finance function works proactively through its participation in various projects aimed at developing internal control. The function also continuously conducts audits to assess the efficiency of internal controls in various parts of the Group and follows up the implementation of the Group’s policies and guidelines.

Momentum Group strives to achieve an open corporate climate and high business ethics. The success of the Group is based on a number of ethical guidelines, which are described in the Code of Conduct. The Group’s internal and external stakeholders play a key role in helping to identify any deviations from established values and ethical guidelines. To make it easier to identify such deviations, Momentum Group has introduced a whistleblowing system. The whistleblowing system allows any suspicions of misconduct to be reported anonymously. It is an important tool for reducing risks and fostering high business ethics and thereby maintaining customer and public confidence in the Group’s operations.

**Internal audit**

The Board has decided not to establish a special internal audit function. This decision was made based on the size and operations of the Group as well as the existing internal control processes as described above. When necessary,

the Audit Committee commissions external advisors to assist on projects relating to internal control.

**Auditors’ review of the six-month or nine-month reports**

Neither Momentum Group’s six-month report nor its nine-month report for the 2017/18 financial year were reviewed by the Company’s external auditors, which is a deviation from the rules of the Code. After consulting with the Company’s external auditors and other parties, the Board of Directors has so far determined that the additional expense that would be incurred by the Company for an expanded review of the six-month report or nine-month report by the Company’s auditors is not warranted.

**NON-COMPLIANCE**

The Company has not breached the rulebook of the stock exchange on which its shares are listed for trading or best practice in the stock market.