

# Corporate Governance Report 2019/20

## 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 2019/20 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 2020 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

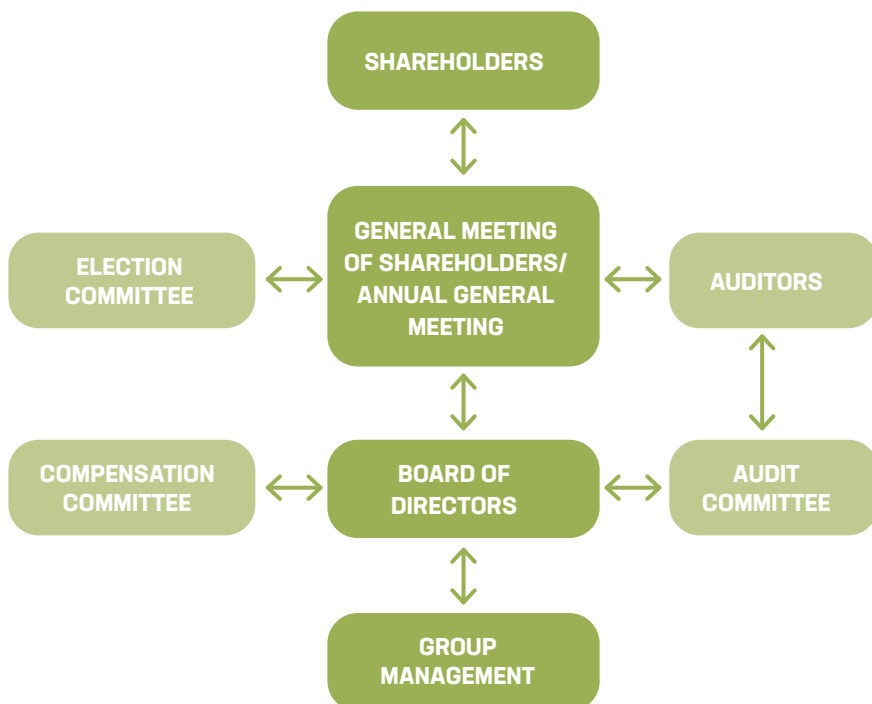
The purpose of the Company's corporate governance structure is to establish a clear distribution of roles and

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

## 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.

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.

The Articles of Association are available in full on the Company's website.

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

The share capital amounts to approximately MSEK 102. As a result of the acquisition of Swedol, the Board of Directors of Momentum Group resolved on a directed issue of 22,633,876 Class B shares to shareholders of Swedol at the end of March 2020. The acquisition of Swedol closed on 1 April 2020. The distribution by class of share on 31 March 2020 was as follows:

Class of share	As of 31 March 2020
Class A shares	1,062,436
Class B shares	49,836,856
<b>Total number of shares before repurchasing</b>	<b>50,899,292</b>
Less: Repurchased Class B shares	-500,000
<b>Total number of shares after repurchasing</b>	<b>50,399,293</b>

At the end of April 2020, the Board of Directors resolved on a directed issue of another 6,897 Class B shares to shareholders of Swedol who had accepted the public offer during the extended acceptance period until 17 April 2020. The total number of shares after this new share issue is 50,906,189.

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 Class B shares to one vote each. 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 2020, Nordstjernan AB held 22.6 percent of the total number of votes in the Company and Tom Hedelius held 13.0 percent. No other shareholders had direct or indirect shareholdings in the Company representing more than one-tenth of the total number of votes. As of 31 March 2020, Momentum Group had approximately 4,900 shareholders.

Further information regarding Momentum Group's shares and ownership structure as of 30 April 2020 is presented in the section on Momentum Group's share on pages 80–81.

### Repurchase of own shares and incentive programmes

As of 31 March 2019, Momentum Group's holding of Class B treasury shares totalled 500,000. There were no changes to the holding of treasury shares during the financial year. Accordingly, the number of Class B shares held in treasury as of 31 March 2020 amounted to 500,000, corresponding to 1.0 percent of the total number of shares and 0.8 percent of the total number of votes. The quotient value of this holding amounted to SEK 1,000,000 as of 31 March 2020.

The shares held in treasury cover the Company's obligations in the call option programmes issued to senior management in December 2017 and September 2018, respectively. The redemption price for the 250,000 call options issued in connection with the

2017 share-based incentive programme is SEK 121.60 per share. Each call option in this programme 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 redemption price for the 250,000 call options issued in connection with the 2018 share-based incentive programme is SEK 137.30 per share. Each call option in this programme entitles the holder to acquire one repurchased Class B share during the redemption periods of 14–28 February and 16–30 May 2022, respectively.

The share price on 31 March 2020 was SEK 67.50 SEK 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 500,000, corresponding to 1.0 percent of the total number of shares and 0.8 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 on 29 August 2019

The Annual General Meeting of Momentum Group AB was held on 29 August 2019 in Stockholm. The notice of the Annual General Meeting and the supporting documentation for the Meeting were published in accordance with the Company's Articles of Association. The Meeting was held in Swedish and, based on the composition of the shareholder base, interpreters to other languages were deemed unnecessary.

The notice of the Meeting and other materials were available in Swedish and English. A total of 100 shareholders participated in the Meeting, representing a combined total of 62 percent of the votes in the Company. Four of the regular directors and the Company's auditors attended the Meeting.

Among other decisions, the Meeting resolved to pay a dividend of SEK 3.20 per share and discharged the Company's directors and CEO from liability for their administration of the Company during 2018/19. The Company's President & CEO, Ulf Lilius, presented the Group's operations and earnings for the 2018/19 financial year and commented on the Group's performance in the first quarter of the 2019/20 financial year. Directors Charlotte Hansson, Stefan Hedelius and Gunilla Spongh were re-elected and Johan Sjö and Göran Näsholm were elected as new directors. Johan Sjö was elected Chairman of the Board. Former director Fredrik Börjesson and Chairman of the Board Jörgen Wigh had declined re-election.

The minutes from the Annual General Meeting were made available at Momentum Group's offices and on the Company's website two weeks after the Meeting. The minutes are available in Swedish and English.

### **Extraordinary General Meeting on 17 December 2019**

As a result of the public offer to shareholders to acquire all shares outstanding in Swedol AB (publ) as announced in November 2019, an Extraordinary General Meeting was held in Momentum Group AB on 17 December 2019. The offer meant shareholders in Swedol were given a choice between a cash consideration and a share consideration consisting of new B shares in Momentum Group in exchange for their shares in Swedol and the Extraordinary General Meeting resolved, with the requisite majority, to authorise the Board of Directors to issue new shares. The Meeting resolved to authorise the Board, for the period until the next Annual General Meeting, on one or more occasions to resolve to issue no more than 33,280,000 Class B shares in the Company. Only shareholders in

Swedol will be entitled to subscribe for these shares and subscribed shares are to be paid for with non-cash consideration comprising shares in Swedol. The public offer ended on 20 April 2020 and was accepted by shareholders representing approximately 99 percent of the total number of shares and votes in Swedol. Momentum Group has called for the compulsory redemption of shares outstanding in Swedol.

In accordance with the authorisation for the new share issue, the Board of Directors of Momentum Group resolved on two directed issues of a total of 22,640,773 Class B shares to shareholders of Swedol in March and April 2020, respectively.

### **ELECTION COMMITTEE**

The Annual General Meeting in August 2018 resolved on the principles for the annual appointment of an Election Committee in Momentum Group that apply until further notice. In accordance with these principles, the Chairman of the Board was authorised to contact the largest shareholders, in terms of votes, not later than 31 January 2020 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 2020 Annual General Meeting. 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 of the Annual General Meeting in August 2020 comprises Marianne Flink (appointed by Swedbank Robur Fonder), Lilian Fossum Biner (appointed by Handelsbanken Fonder), Stefan Hedelius (appointed by Tom Hedelius), Tobias Lönnevall (appointed by Nordstjeran) and Chairman of the Board Johan Sjö. The other members have appointed Tobias Lönnevall, as the representative for the largest shareholder, to serve 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 a press release on 14 April 2020.

The Election Committee's complete motions regarding the Board of Directors and auditors will be presented in the notice of the 2020 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 2019/20**

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 29 August 2019: Johan Sjö (Chairman), Charlotte Hansson, Stefan Hedelius, Göran Näsholm and Gunilla Spongh. A detailed presentation of these directors, including information on other assignments and work experience, is available on page 78 and on the Company's website. All directors are independent in relation to the Company and senior management. One director is 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.

Since January 2020, the Board of Directors also includes an employee representative, Pernilla Andersson.

According to the resolution of the Annual General Meeting, each director elected by the Annual General Meeting receives a fee of SEK 280,000. The Chairman of the Board receives a fee of

SEK 610,000. 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 60,000 to the Chairman of the Audit Committee. Accordingly, the total fees paid in accordance with the resolution of the Annual General Meeting amount to SEK 1,890,000.

Refer to the table below for a summary of the members of the Board elected by the Annual General Meeting, 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 the Company and 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 instructions for financial reporting. The Board has also issued 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 businesses, 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

### BOARD COMPOSITION, ATTENDANCE, DEPENDENCY CONDITIONS AND FEES FOR 2019/20

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>			16	7	1			
Johan Sjö	2019	Chairman Compensation Committee Chairman	11 <sup>2)</sup>	3 <sup>2)</sup>	- <sup>3)</sup>	No	Yes	660,000 <sup>4)</sup>
Charlotte Nilsson	2016	Director	16	7		No	No	280,000
Stefan Hedelius	2016	Director	16	7	- <sup>3)</sup>	No	No	330,000 <sup>4)</sup>
Göran Näsholm	2019	Director	10 <sup>2)</sup>	3 <sup>2)</sup>		No	No	280,000
Gunilla Spongh	2016	Director Audit Committee Chairman	14	7		No	No	340,000 <sup>4)</sup>

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

2) Elected as Board member at the Annual General Meeting on 29 August 2019.

3) Not a member of the Compensation Committee at the Committee meeting in May 2019.

4) Of which, SEK 50,000 per person pertains to work on the Compensation Committee (Johan Sjö and Stefan Hedelius) and SEK 60,000 pertains to fees to the Chairman of the Audit Committee (Gunilla Spongh).

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 16 Board meetings during the 2019/20 financial year, including a statutory meeting and six meetings per capsulam. The Board's work during the year focused on issues pertaining to the public offer to shareholders in Swedol and other corporate acquisitions, monitoring the restructuring of the logistics function in TOOLS Norway and other improvement measures in the TOOLS businesses, the Group's organisation and strategic development, ongoing business operations, earnings and profitability trends and the Group's financial position.

Refer to the table on page 29 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 5 Employees and personnel costs on pages 51–53). 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.

Since 29 August 2019, the Compensation Committee consists of Chairman of the Board Johan Sjö (Chairman of the Compensation Committee) and Director Stefan Hedelius. President & CEO Ulf Lilius presents reports to the Committee. The President & CEO does not report on his own remuneration. The Compensation Committee convened on one occasion during the 2019/20 financial year, during which minutes were taken<sup>1</sup>.

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 responsibilities 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.

<sup>1</sup>) Chairman and Committee member at this meeting were Jörgen Wigh (Chairman of the Board at the time) and Fredrik Börjesson (Board member at the time), respectively. These stepped down at the Annual General Meeting in August 2019.

The Chairman of the Audit Committee is Gunilla Spongh. The Chairman possesses accounting and audit expertise. The Audit Committee held seven meetings during the 2019/20 financial year, during which minutes were taken.

During the year, SEK 60,000 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 in the then Parent Company 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 2019/20, Momentum Group's management also included Executive Vice President & CFO Niklas Enmark. Remuneration to Group management for the 2019/20 financial year and a description of the Company's incentive programmes are presented in Note 5 Employees and personnel costs on pages 51–53.

For more detailed information about Group management, refer to page 79.

#### **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 2019 Annual General Meeting for the period until the end of the 2020 Annual General Meeting. The Auditor in Charge is Håkan Olsson Reising. 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. The total fee for KPMG's services in addition to the audit assignment amounted to MSEK 1 (0) during the 2019/20 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.

#### **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. The guidelines for determining remuneration and other terms of employment for senior management for the 2019/20 financial year, which were adopted by the Annual General Meeting on 29 August 2019, are presented in Note 5 Employees and personnel costs on page 53.

For the 2020/21 financial year, the Board of Directors proposes that the Annual General Meeting on 31 August 2020 resolve to adopt guidelines for remuneration and other terms of employment for senior management in Momentum Group as follows. This proposal for guidelines was prepared in accordance with the new rules in the Swedish Companies Act, including the preparation of guidelines for remuneration of senior management introduced on 10 June 2019. The guidelines are to be applied for remuneration agreed after the 2020 Annual General Meeting and to subsequent amendments to remuneration already agreed. The guidelines do not apply to remuneration resolved by the General Meeting of Shareholders. As regards employment relationships governed by other rules than Sweden's, that refer to pension benefits and other benefits, appropriate adjustments may take place to comply with mandatory rules or established local standards, and to satisfy, as far as possible, the overarching purpose of these guidelines. Items stipulated for the Company also apply where applicable for the Group.

#### **The guidelines' promotion of the Company's business strategy, long-term interests and sustainability**

The successful implementation of the Company's business strategy and protection of the company's long-term interests, including its sustainability, requires that Momentum Group can recruit and retain qualified employees. This requires that the Company can

offer competitive total remuneration, which is made possible through these guidelines. Total remuneration is to be in line with market conditions and competitive and be linked to responsibility and authority.

**Forms of remuneration, etc.**

Remuneration is to be in line with market conditions and comprise the following components: fixed salary, possible variable salary according to a separate agreement, pension and other benefits. A General Meeting of Shareholders may in addition – and independent of these guidelines – resolve on, for example, share and share price-based remuneration.

**Fixed salary**

The fixed salary shall consist of a fixed cash salary and be reviewed on an annual basis. The fixed salary shall be competitive and reflect the requirements placed on the role in terms of qualifications, responsibility, complexity and the manner in which it contributes to achieving the business targets. The fixed salary shall also reflect the performance of the senior executive and thus be individual and differentiated.

**Variable salary**

In addition to fixed salary, the President & CEO and other senior management may periodically, according to a separate agreement, receive variable salary for fulfilling agreed criteria. Any variable salary may consist of an annual cash salary, and be equivalent to not more than 50 percent of the fixed annual salary.

A fundamental balance must exist between fixed and variable salary to avoid unhealthy risk taking. The fixed salary is to account for a sufficient portion of the senior executive’s total remuneration to allow the variable portion to be reduced to zero. The variable salary shall be linked to one or more predetermined and measurable criteria determined by the Board of Directors and that may be financial, such as the Group’s and/or the business area’s earnings growth, profitability and cash flow, or non-financial, such as sustainability, customer satisfaction and quality. The targets link the senior executive’s remuneration to the Company’s earnings, and thus promote the implementation of the Company’s business strategy, long-term value creation and competitiveness. The terms and bases of calculation of variable salary shall be determined for each financial year. Fulfilment of the criteria for payment of variable salary must be measurable over a period of one financial year. Variable salary is regulated the year after qualification.

The degree to which the criteria were met is assessed when the measurement period for fulfilling the criteria for the payment of variable salary ends. The Board of Directors is responsible for determining variable cash payments to the President & CEO. Variable cash payments to other senior executives are determined by the Compensation Committee. As regards financial targets, the assessment is based on the Company’s latest published financial information.

The terms for variable salary should be designed so that the Board, in the event of exceptional financial conditions, is able to limit or refrain from making variable salaries should such action be deemed reasonable. In drawing up variable remuneration for the company management, the Board must consider including provisions that (i) impose conditions on the payment of a portion of such remuneration requiring that the achievements on which the payment was based is shown to be sustainable over time, and (ii) enable the Company to reclaim such remuneration paid on the basis of information that is later shown to be manifestly erroneous.

Further variable cash payments may be paid in extraordinary circumstances, assuming that such extraordinary arrangements are of limited duration and are only introduced at an individual level either to recruit or retain senior executives, or as remuneration for extraordinary work duties beyond the individual’s ordinary work duties. Such remuneration may not exceed an amount corresponding to 20 percent of the fixed annual salary and not be paid more than once per year and per individual. A decision on such remuneration shall be made by the Board of Directors based on a proposal from the Compensation Committee.

**Pension**

The President & CEO and other senior executives are covered by a defined-contribution pension, whose size depends on the outcome of the pension insurance policies taken out. Premiums for the defined-contribution pension must not exceed 40 percent of the fixed annual salary.

**Other benefits**

Other benefits, including company car, travel concessions, extra healthcare insurance and occupational health services, shall be in line with market conditions and only constitute a limited share of total remuneration. Premiums and other costs pursuant to such benefits shall amount to not more than 10 percent of the fixed annual salary in total.

**Conditions in the case of termination**

All senior executives must observe a period of notice of up to 6 months if notice is given by the employee. If employment is terminated by the Company, the period of notice applied is up to 12 months. If employment is terminated by the Company, senior executives may be entitled, in addition to salary and other employment benefits during the period of notice, to severance pay corresponding to up to 12 months fixed salary. Severance pay is not offset against other income. No severance pay is to be paid if notice is given by the employee.

In addition to severance pay, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid when the former executive is not entitled to severance pay. Remuneration shall be based on the fixed salary paid on the date of termination and shall amount to not more than 60 percent of the fixed salary on the date of termination, subject to mandatory collective agreement provisions, and be paid for the period covered by the non-compete undertaking, which shall amount to not more than 12 months after the end of employment.

### Salary and terms of employment

In the preparation of the Board's proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been taken into account by including information on the employees' total remuneration, the components of the remuneration and increase and growth rate over time, in the Compensation Committee's and the Board's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

### Preparation and decision-making process

The Board of Directors has approved the establishment of a Compensation Committee. The Committee's duties include preparing principles for remuneration of senior executives and the Board's decision on proposals for guidelines for remuneration of senior executives. The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting of Shareholders. The Compensation Committee shall also monitor and evaluate the programme for variable remuneration of senior executives, the application of the guidelines for the remuneration of senior executives, as well as the current remuneration structures and compensation levels in the Company. Remuneration of the President & CEO shall be decided by the Board of Directors after being prepared and recommended by the Compensation Committee, within the scope of established remuneration principles. Remuneration of other senior executives shall be decided by the Compensation Committee, within the scope of established remuneration principles and after consulting with the President & CEO. The President & CEO and other senior executives do not participate in the Board's or Compensation Committee's processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

### Share-based incentive programmes resolved by the General Meeting of Shareholders

The Board of Directors shall each year assess the need for a share-based incentive programme and when necessary present proposals for a decision to the Annual General Meeting. A decision on any share and share price-based incentive programme addressed to senior executives shall be made by a General Meeting of Shareholders and contribute to long-term value growth. Senior executives may be offered an equivalent incentive to that which would have been paid under a share or share-based incentive programmes, if such a programme is impracticable in the country where a senior executive is tax resident, or if in the Company's view such participation cannot take place at a reasonable administrative cost or economic contribution. The cost and investment for the Company and incentive and financial outcome for such senior executives shall under such circumstances essentially correspond to the share or share price-based incentive programme.

### Derogation from the guidelines

The Board may resolve to derogate from the guidelines, either in full or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As stated above, the Compensation Committee's duties include the preparation of the Board's decision on remuneration issues, which also refers to decisions on derogation from the guidelines. If the Board resolves to derogate from the guidelines, the decision shall be reported at the next Annual General Meeting.

### Information on approved remuneration not yet due for payment

In accordance with the transitional provisions in the new rules in the Swedish Companies Act, including the preparation of guidelines for remuneration of senior management introduced on 10 June 2019, the proposal for remuneration guidelines shall contain

information on previously approved remuneration not yet due for payment. In addition to the obligation to pay ongoing employee benefits such as salaries, pensions and other benefits, no previously approved remuneration exists to any senior executives that is not yet due for payment. Further information on remuneration of senior executives is presented in Note 5 Employees and personnel costs on pages 51–53.

### 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 include formal work plans for internal Board work and instructions for the division of responsibility between each board and the CEOs.

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 an 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 report**

Neither Momentum Group's six-month report nor its nine-month report for the 2019/20 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 the best practice in the stock market.