

# Corporate Governance Report 2020

## **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 2020 financial year was prepared in accordance with the recommendations of the Code. 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 as of 2021 the financial year is from 1 January to 31 December. 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.

**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.

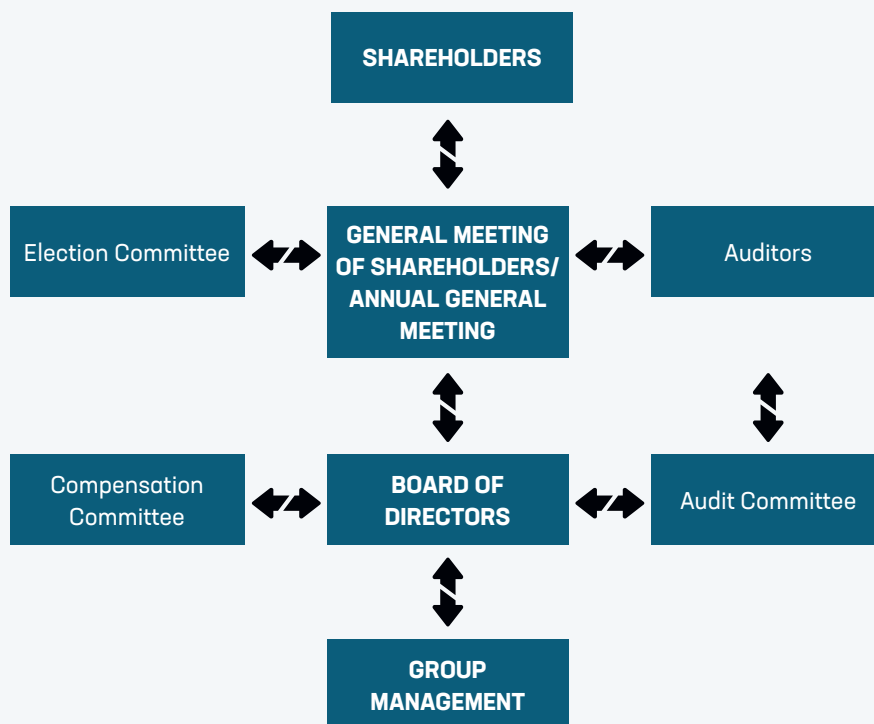
By order of the Annual General Meeting, it is the duty of the appointed **auditors** to examine the financial statements and the administration of the Board of Directors and the President & CEO during the financial year.

**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.



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

The share capital amounts to approximately MSEK 102. The distribution by class of share on 31 December 2020 was as follows:

Class of share	As of 31 December 2020
Class A shares	1,062,436
Class B shares	49,843,753
<b>Total number of shares before repurchasing</b>	<b>50,906,189</b>
Less: Repurchased Class B shares	-500,000
<b>Total number of shares after repurchasing</b>	<b>50,406,189</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 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 is authorised, during the period until the next Annual General Meeting, to decide to increase the Company's share capital through a new issue of shares up to a maximum of 10 percent of the number of shares in the Company as a means of payment for acquisitions.

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 December 2020, Nordstjernan AB held 54.5 percent of the shares and 53.3 percent of the total number of votes in the Company. 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 December 2020, Momentum Group AB had approximately 4,600 shareholders.

Further information regarding Momentum Group's shares and ownership structure on 31 December 2020 is presented in the section on Momentum Group's share on pages 80–82.

### Repurchase of own shares and incentive programmes

As of 31 March 2020, 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 December 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 December 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 119.30 per share<sup>1</sup>. Each call option in this programme entitles the holder to acquire one repurchased Class B share during the redemption periods of 18–25 February and 12–25 May 2021, respectively. The number of call options outstanding from the 2017/21 programme at 31 December 2020 amounted to 234,000. During the redemption period in February 2021, 14,000 call options 2017/21 were redeemed to acquire an equivalent number of repurchased shares, and the holding of Class B shares as of 24 March 2021 thus amounted to 486,000. In addition, during the redemption period in February 2021, 155,500 call options 2017/21 within the framework of the 2017 programme were repurchased by Momentum Group at the established market price. As of 24 March 2021, there were thus 64,500 call options 2017/21 outstanding.

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. As of 24 March 2021, there were 240,000 call options 2018/22 outstanding.

<sup>1</sup>) The original redemption price per call option for the 2017 share-based incentive programme of SEK 121.60 was recalculated by Nordea Bank in February 2021 in accordance with the terms of the incentive programme due to paid and adopted dividends between 2018 and 2021.

The share price on 31 December 2020 was SEK 142.00 and the call options outstanding on the shares repurchased by the Company resulted in a marginal dilution effect for the final quarter of 2020. The issued call options did not entail any dilution effect for the 2020 financial year. When fully exercised, the call options outstanding as of 24 March 2021 would increase the number of Class B shares outstanding by 304,500, corresponding to 0.6 percent of the total number of shares and 0.5 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 31 August 2020

The Annual General Meeting of Momentum Group AB was held on 31 August 2020 in Stockholm. The notice for 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 for the Meeting and other materials were available in Swedish and English.

A total of 62 shareholders participated in the Meeting, representing a combined total of 74.6 percent of the votes in the Company. Three of the regular directors and the Company's auditors attended the Meeting. Among other decisions, the Meeting resolved to change the financial year to the calendar year, on authorisations for repurchases of own shares and new share issues in conjunction with acquisitions, on

instructions for the Election Committee and to discharge the Company's directors and President & CEO from liability for their administration of the Company during the 2019/20 financial year. The Company's President & CEO, Ulf Lilius, presented the Group's operations and earnings for the 2019/20 financial year and commented on the Group's performance in the first quarter of the 2020 financial year. Directors Stefan Hedelius, Göran Näsholm, Johan Sjö and Gunilla Spongh were re-elected, and Johan Eklund and Christina Åqvist were elected as new directors. Johan Sjö was re-elected Chairman of the Board. Former Director Charlotte Hansson 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.

### ELECTION COMMITTEE

The Annual General Meeting in August 2020 resolved on the instructions for the appointment of an Election Committee in Momentum Group as well as its duties, which apply until further notice. In accordance with these instructions, an Election Committee was appointed ahead of the 2021 Annual General Meeting comprising Peter Hofvenstam (nominated by Nordstjärnan) as Chairman, Stefan Hedelius (nominated by Tom Hedelius), Marianne Flink (nominated by Swedbank Robur Funds) and Lilian Fossum Biner (nominated by Handelsbanken Funds). The Election Committee is to prepare motions regarding the Chairman of the Annual General Meeting, the number of directors, the election of directors and auditors as well as the fees to be paid to each director and the auditors.

The Election Committee's complete motions regarding the Board of Directors and auditors will be presented in the notice for the 2021 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 for 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 2020

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 comprises six directors appointed by the Annual General Meeting on 31 August 2020: Johan Sjö (Chairman), Johan Eklund, Stefan Hedelius, Göran Näsholm, Gunilla Spongh and Christina Åqvist. A detailed presentation of these directors, including information on other assignments and work experience, is available on pages 78–79 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. 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 directors' fee is paid to directors who are also members of a separate subsidiary board of directors – SEK 300,000 to the Chairman of the Board and SEK 150,000 to other directors (two individuals). A special fee of

SEK 50,000 per person is also paid to each member of the Compensation Committee (two individuals) and a fee of SEK 90,000 to the Chairman of the Audit Committee. Accordingly, the total fees in accordance with the resolution of the Annual General Meeting amount to SEK 2,800,000. For the shortened 2020 financial year (9 months), each fee has been adjusted to comprise nine-twelfths of the amount determined.

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 and the distribution of responsibilities with internal business area boards, 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

## BOARD COMPOSITION, ATTENDANCE, DEPENDENCY CONDITIONS AND FEES FOR 2020

Regular directors	Year of election	Position	No. of meetings attended			Dependent in relation to <sup>1)</sup>		Fee <sup>2</sup> , SEK
			Board of Directors	Audit Committee	Compensation Committee	Momentum Group	Major shareholders	
<b>No. of meetings</b>			10	5	1			
Johan Sjö	2019	Chairman Compensation Committee Chairman	10	5	1	No	Yes	720,000 <sup>4)</sup>
Johan Eklund	2020	Director	5 <sup>3)</sup>	3 <sup>3)</sup>		No	Yes	210,000
Stefan Hedelius	2016	Director	10	5	1	No	No	247,500 <sup>4)</sup>
Göran Näsholm	2019	Director	10	5		No	No	322,500 <sup>4)</sup>
Gunilla Spongh	2016	Director Audit Committee Chairman	10	5		No	No	277,500 <sup>4)</sup>
Christina Åqvist	2020	Director	5 <sup>3)</sup>	3 <sup>3)</sup>		No	No	322,500 <sup>4)</sup>

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

2) For the shortened 2020 financial year (9 months), each fee has been adjusted to comprise nine-twelfths of the amount determined by the 2020 Annual General Meeting.

3) Elected as Board member at the Annual General Meeting on 31 August 2020.

4) Of which, SEK 225,000 (Johan Sjö) and SEK 112,500 (Göran Näsholm and Christina Åqvist, respectively) pertains to a special directors' fee for work on a separate subsidiary board, SEK 37,500 per person pertains to work on the Compensation Committee (Johan Sjö and Stefan Hedelius) and SEK 67,500 pertains to fees to the Chairman of the Audit Committee (Gunilla Spongh).

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 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 February 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 ten Board meetings during the 2020 financial year, including a statutory meeting, a strategy meeting and four meetings per capsulam. The Board's work during the year focused on issues pertaining to the acquisition and integration of Swedol and other corporate acquisitions, measures taken to address the COVID-19 pandemic and follow-up of the ongoing operations, earnings and profitability trends, the Group's organisation and strategic development, and the Group's financial position. Refer to the table on page 32 for information regarding attendance at Board and committee meetings.

The President & CEO presents reports at the Board meetings. The Group's CFO, Business Area Managers 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.

### Compensation Committee

The Compensation Committee appointed by the Board prepares the motion regarding guidelines for determining remuneration and other terms of employment for senior management. Motions for new guidelines are to be prepared at least every fourth year and be submitted by the Board for resolution by 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. The Board prepares an annual remuneration report on the application of the Company's remuneration guidelines.

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 Compensation Committee informs the Board of its decisions.

The Compensation Committee consists of Chairman of the Board Johan Sjö (Chairman of the Compensation Committee) and Director Stefan Hedelius. President & CEO Ulf Liljuss presents reports to the Committee. The President & CEO does not report on his own remuneration. The Compensation Committee convened on one occasion during the 2020 financial year, during which minutes were taken. During the year, SEK 37,500<sup>5</sup> 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

<sup>5</sup>) For the shortened 2020 financial year (9 months), the fee has been adjusted to comprise nine-twelfths of the amount determined.

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 convened on five occasions during the 2020 financial year, during which minutes were taken.

During the year, SEK 67,500<sup>5</sup> 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 the shares of 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 2020, Momentum Group’s management also included Executive Vice President & CFO Niklas Enmark. Remuneration to Group management for the 2020 financial year and a description of the Company’s incentive programmes are presented in Note 5 Employees and personnel costs on pages 51–54. 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 2020 Annual General Meeting for the period until the end of the 2021 Annual General Meeting. The Auditor in Charge is Helena Arvidsson Älgne. 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 0 (1) during the 2020 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 that applied for the 2020 financial year, which were adopted by the Annual General Meeting on 31 August 2020, are presented in Note 5 Employees and personnel costs on pages 53–54. The Board does not intend to propose any changes to the guidelines proposed by the Annual General Meeting for the 2021 financial year.

#### **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.

<sup>5</sup> For the shortened 2020 financial year (9 months), the fee has been adjusted to comprise nine-twelfths of the amount determined.

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 control documents established by the Board, policies and Group-wide guidelines and manuals.

Momentum Group bases and organises its operations on decentralised accountability for profitability, with its business and 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 2020 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.