

# Corporate governance

NCAB views sound corporate governance as an important foundation on which to build a trusting relationship with shareholders and other important parties. The Swedish Corporate Governance Code, which is applied by NCAB, aims to create a good balance between shareholders, the Board of Directors and senior management. Reasonable corporate governance, with a high standard in respect of transparency, reliability and ethical values, is a guiding principle for NCAB.

NCAB's shares are traded on Nasdaq Stockholm and therefore apply, in addition to the rules of the Swedish Companies Act (2005:551) and the Swedish Annual Accounts Act (1995:1554), the Nasdaq Stockholm's Rule Book for Issuers and the Swedish Corporate Governance Code (the "Code") as well as other Swedish and foreign laws and regulations, where relevant. The Code defines a norm for corporate governance on a higher level of ambition than the Swedish Companies Act and other regulations' minimum requirements. The Code is based on the principle of "comply or explain." It means that the company must not, at every occasion comply with every rule of the Code, but may choose other solutions that are deemed to better respond to the circumstances in the individual case. Provided that the company openly reports every such non-compliance, describes the alternative solution chosen and states the reasons for this.

## COMPLIANCE WITH THE SWEDISH CORPORATE GOVERNANCE CODE

No violations of applicable rules and regulations occurred in 2019 and NCAB's operations were conducted in accordance with good practice in the equities market. The company has not deviated from the Code.

## SHARES AND SHAREHOLDERS

NCAB's shareholders' register is maintained by Euroclear Sweden AB. On 31 December 2019, NCAB had 1,463 shareholders according to the shareholders' register and the total number of shares was 16,847,124, all with one vote each. More about NCAB's shares and its shareholders can be found in the section of the NCAB share on pages 30–31.

## ARTICLES OF ASSOCIATION

According to the Articles of Association, the registered name of the company is NCAB Group AB (publ) and the financial year is the calendar year, 1 January to 31 December. To view the Articles of Association in its entirety, which in its current form was approved at the General Meeting on 13 May 2019, refer to the company's website [www.ncabgroup.com](http://www.ncabgroup.com), under the section Investors/Corporate Governance/Articles of Association.

## GENERAL MEETING

The General Meeting is NCAB's highest decision-making body and can resolve upon every issue for the company, which is not specifically reserved for another company body's exclusive competence. At the Annual General Meeting, which shall be held

within six months from the end of the financial year, shareholders exercise their voting rights on issues, such as the adoption of income statement and balance sheet, allocation of company's profit or loss, resolutions to discharge the members of the Board of Directors and the CEO from liability for the financial year, the appointment of members of the Board of Directors and auditor as well as remuneration for the Board of Directors and the auditor. At Annual General Meetings, at least one member of the Nomination Committee, the company's auditor and, to the extent possible, all other members of the Board of Directors, shall participate.

In accordance with the Articles of Association, notice to convene the General Meeting shall be published in Post- och Inrikes Tidningar (the Swedish Official Gazette) and be kept available at the company's website. An announcement shall be placed in Svenska Dagbladet with information that the Meeting has been convened. In addition to the Annual General Meeting, Extraordinary General Meetings can be convened. The Chairman of the Board of Directors, as many other members of the Board of Directors as possible and the CEO shall be present at Extraordinary General Meetings of the company.

## RIGHT TO ATTEND GENERAL MEETINGS

All shareholders who are registered directly in the share register kept by Euroclear Sweden AB ("Euroclear"), five weekdays prior to the General Meeting and who has notified the company of their intention to attend the General Meeting at the latest by the date specified in the notice convening the Meeting shall be entitled to attend the General Meeting and vote according to the number of shares they hold. Shareholders may attend General Meetings in person or through a proxy, and may also be accompanied by not more than two assistants.

## SHAREHOLDER INITIATIVES

Shareholders who wish a matter to be discussed at the General Meeting must submit a written request to the Board of Directors. Requests must normally be received by the Board of Directors seven weeks prior to the General Meeting.

## ANNUAL GENERAL MEETING 2019

The Annual General Meeting on 13 May 2019 adopted the income statement and balance sheet and approved the allocation of the company's earnings. A decision was made to distribute SEK 4.50 per share, corresponding to SEK 75.8 million. Decisions were also taken to grant discharge from liability for the Board of Directors and CEO, to elect Board members, auditors and on the remuneration

ation of the Board of Directors. In addition, the Board of Directors was authorised to resolve on an increase in the company's share capital through new share issues.

#### ANNUAL GENERAL MEETING 2020

NCAB's Annual General Meeting 2020 will be held on Friday, 5 June, at NCAB's offices in Bromma. For further information about the Annual General Meeting 2020, see page 89 and NCAB's website [www.ncabgroup.com](http://www.ncabgroup.com).

#### NOMINATION COMMITTEE

The Annual General Meeting on 13 May 2019 resolved to appoint a Nomination Committee. The Nomination Committee shall comprise representatives of the four largest shareholders according to Euroclear's register on the final banking day in August 2019. The Chairman of the Board of Directors shall be a member of the Nomination Committee. The Nomination Committee appoints the Chairman of the Committee. If a representative leaves the Nomination Committee or in case of an ownership change, meaning that a represented shareholder no longer belongs to the largest shareholders, the composition should be changed according to the Nomination Committee's resolution if the Nomination Committee finds it appropriate. The composition of the Nomination Committee should be published as soon as the representatives and the Chairman of the Nomination Committee have been appointed. No remuneration should be paid for work in the Nomination Committee.

The Nomination Committee is tasked with presented proposals for:

- Chairman of the Annual General Meeting;
- Members of the Board of Directors, Chairman of the Board of Directors and auditor;
- Director's fee divided between the Chairman and other members of the Board of Directors;
- Fees for work on the Board of Directors' committees;
- Fees to be paid to the auditors; and
- Nomination Committee for the next General Meeting

In accordance with the General Meeting's decision, the following individuals were appointed to the Nomination Committee: Per Hesselmark, R12 Kapital, Jannis Kitsakis, Fourth Swedish National Pension Fund, Henrik Schmidt, Montanaro Asset Management, Kristoffer Flack, SEB Investment Management, Henrik Söderberg, C Worldwide Asset Management and Christian Salamon, Chairman of the Board. The composition of the Nomination Committee was announced in a press release on 8 November 2019. Jannis Kitsakis was appointed Chairman of the Nomination Committee

The Nomination Committee has, prior to the 2020 Annual General Meeting, held four minuted meetings, where all members were present, and also maintained informal contact. The Nomination Committee has interviewed a selection of the independent and dependent Board members. The Nomination Committee also received a presentation of the Board's own evaluation of its work. Particular attention has been devoted to the Board of Directors' composition and how the Board of Directors performed as a group and the Nomination Committee has discussed the evaluation of the Board of Directors' work. The Nomination Committee has also discussed and assessed remuneration of the Board of Directors and compared this to remuneration in comparable companies.

Information has been available on NCAB's website about how

shareholders have been able to submit proposals to the Nomination Committee. The Nomination Committee has not received any proposals from shareholders.

On the issue of the composition of the Board of Directors, the stipulations in Item 4.1 of the Code were applied as the diversity policy.

The Nomination Committee's proposal to the 2020 Annual General Meeting will be presented in connection with the official notification and made available on NCAB's website.

#### BOARD OF DIRECTORS

The Board of Directors is the highest decision-making body after the General Meeting and also the highest executive body. The responsibilities of the Board of Directors are primarily set forth in the Swedish Companies Act, the Swedish Annual Accounts Act, the company's Articles of Association, instructions given by the shareholders at the General Meeting and the rules of procedure for the Board of Directors. In addition thereto, the Board of Directors shall comply with the Code and Nasdaq Stockholm's Rule Book for Issuers, as well as other Swedish and foreign laws and regulations, as applicable.

The Board of Directors is responsible for the organisation of the company and management of the company's business operations in accordance with the Swedish Companies Act. The rules of procedure for the Board of Directors, which have been adopted by the Board of Directors and are reviewed annually, govern the division of work and responsibilities among the Board of Directors, its Chairman and the CEO. The Board of Directors also adopts instructions for the committees of the Board of Directors and an instruction for the CEO, as well as an instruction for financial reporting.

The Board of Directors' tasks include adopting strategies, business plans and budgets, interim reports, year-end financial statements and annual reports and setting instructions, policies and guidelines. The Board of Directors is also required to follow economic developments and ensure the quality of financial reporting and internal controls and evaluate operations on the basis of the objectives and guidelines set by the Board of Directors. Finally, the Board of Directors decides on the company's major investments and changes in the organisation and activities.

The Chairman of the Board of Directors is in charge of the work of the Board of Directors and is responsible for ensuring that the Board fulfils its obligations in accordance with applicable laws and regulations and that the work is carried out efficiently and according to the Board's rules of procedure. The Chairman is to ensure that the Board of Directors' resolutions are implemented, that the Board of Directors receives necessary information punctually to perform its assignment and that the Board of Directors continuously deepens its knowledge about the company and its operations. The Chairman is also responsible for ensuring that the work of the Board is assessed every year. The Chairman represents the Board of Directors in relation to the shareholders of the company.

Members of the Board of Directors are appointed annually by the General Meeting for the period until the end of the next Annual General Meeting. According to the company's Articles of Association, the Board of Directors shall consist of a minimum of three members and a maximum of ten members appointed by the General Meeting, without deputy members.

#### AUDIT COMMITTEE

The Board of Directors has appointed an Audit Committee in accordance with the Swedish Companies Act. According to the

Swedish Companies Act, members of the Audit Committee may not be employed by the company and at least one member of the Audit Committee shall hold accounting or audit competence. The Audit Committee consists of three members, Gunilla Rudebjer (Chairman), Hans Ramel and Christian Salamon, all of whom are independent to the company and its executive management. Gunilla Rudebjer and Christian Salamon are also independent of the company's major shareholders.

The Audit Committee is responsible for monitoring the company's financial reporting, risk management and internal control, as well as accounting and auditing. The Audit Committee also reviews and monitors the auditors' impartiality and independence, other services provided by the company's auditors and assists the company's Nomination Committee with the preparation of proposals for election of auditors. The members of the Audit Committee possess competence and experience within accounting, auditing and/or risk management allowing them to fulfil the obligations of the Committee. During the year, the Audit Committee held five meetings, of which four with the participation of the company's auditor. The main focus for the Committee's work during the year has been on the financial reporting, new accounting standards, risk monitoring and internal controls as well as audit issues.

**REMUNERATION COMMITTEE**

The Board of Directors has appointed a Remuneration Committee. According to the rules of procedure for the Board of Directors, a member serving on the Remuneration Committee may not be employed by the company or any other company within the Group. The members shall be independent of the company and its executive management. At least one of the members of the Remuneration Committee is also to be independent of the company's major shareholders. The Chairman of the Board of Directors shall chair the Committee. The Remuneration Committee consists of three members: Christian Salamon (Chairman), Magdalena Persson and Per Hesselmark. All members are independent of the company and its executive management, Christian Salamon and Magdalena Persson are also independent of the company's major shareholders.

The Remuneration Committee's main tasks are to prepare the Board of Directors' decisions on issues concerning, among other things, terms of employment and compensation to the executive

management. The Remuneration Committee shall produce a compensation policy to be presented to the Board of Directors. Furthermore, the Remuneration Committee shall prepare documentation in certain remuneration matters of principal nature or otherwise of significant importance. For example, stock option programmes, profit sharing systems, monitoring and evaluation of the application of the guidelines for remuneration that the Annual General Meeting is legally obliged to adopt, as well as the current remuneration structures and levels in the company. On 5 November, Hans Ståhl announced his wish to retire and to step down as CEO in 2020. The Board has, on the recommendation of the Remuneration Committee, appointed an external advisor in work recruiting a new CEO.

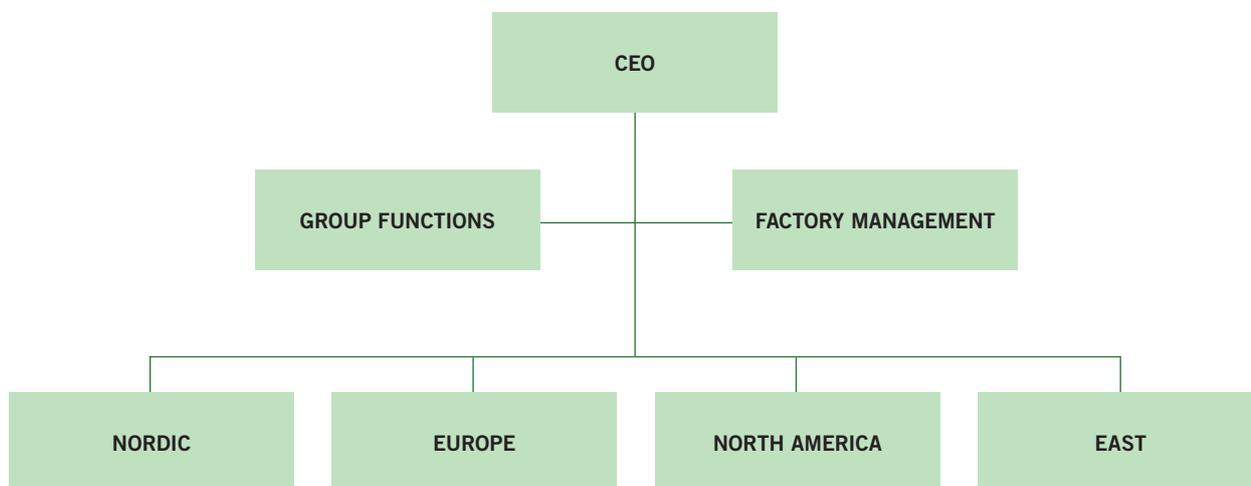
The Remuneration Committee held two meetings during the 2019 financial year. The main purpose of these meetings was to discuss the issue of a new CEO and to prepare the question of adjusting management's salaries for 2019.

**CEO AND EXECUTIVE MANAGEMENT**

The CEO reports to the Board of Directors. The CEO's responsibility is governed by the Swedish Companies Act, the Swedish Annual Accounts Act, the company's Articles of Association, instructions given by shareholders at the General Meeting, the instruction for the CEO and other internal instructions and guiding principles adopted by the Board of Directors, as well as other Swedish and foreign laws and regulations, as applicable. In addition thereto, the CEO must comply with the Code and Nasdaq Stockholm's Rule Book for Issuers.

According to the Swedish Companies Act, the CEO shall handle the day-to-day management pursuant to the Board of Directors' guidelines and instructions. In addition, the CEO shall take any measures necessary in order for the company's accounts to be maintained pursuant to law and that the management of funds is conducted in an appropriate manner. The division of work between the Board of Directors and the CEO is described in the instruction for the CEO.

The CEO shall administrate the operative management and execute the resolutions passed by the Board of Directors. The CEO is responsible to present the matters to be dealt with by the Board of Directors according to applicable legislation, the Articles of



Member	Elected	Born	Attendance			Independent of company	Independent of major shareholders	Total remuneration
			Board meetings	Audit Committee	Remuneration Committee			
Christian Salamon (Chairman)	2007	1961	11 (11)	5 (5)	2 (2)	Yes	Yes	775,000
Jan-Olof Dahlén	2007	1942	10 (11)			Yes	Yes	350,000
Per Hesselmark <sup>1)</sup>	2016	1971	10 (11)		2 (2)	Yes	No	375,000
Magdalena Persson	2017	1971	11 (11)		2 (2)	Yes	Yes	375,000
Hans Ramel	2007	1964	11 (11)	5 (5)		Yes	No	400,000
Gunilla Rudebjer	2017	1959	11 (11)	5 (5)		Yes	Yes	500,000
Hans Ståhl <sup>2)</sup>	2007	1955	11 (11)			No	Yes	–

<sup>1)</sup> Per Hesselmark was also Board member in 2007–2010.

<sup>2)</sup> Remuneration is not paid to members who are employed by NCAB.

Association and internal instructions The Chairman of the Board of Directors is also to be kept informed about the company's operations, its earnings and financial position, as well as any other events, circumstances or conditions that cannot be assumed to be irrelevant to the Board of Directors or the shareholders. The operating activities are controlled in four segments, Nordic, Europe, North America and East together with Factory Management, staff functions for economy/finance, sales/market, sustainability, IT and HR. The CEO and executive management are presented in greater detail in the Management section on pages 36–37.

#### WORK OF THE BOARD IN 2019

According to the rules of procedure for the Board of Directors, the Board shall, in addition to one statutory meeting, meet six times per year and also when the situation requires. At one of the meetings, the Board of Directors shall address the Group's strategic direction, risks and business plan. In accordance with the rules of procedure, the Board of Directors is to meet the company's auditor at least once per year without the presence of company management, to assess the work of the Board of Directors and evaluate the CEO.

Board meetings usually begin with a discussion about the business and the company's financial performance. Financial statements and the Annual Report are reviewed and approved prior to publication. Other issues discussed at Board meetings include; general strategy issues, general business issues, potential acquisitions, long and short-term targets, HR issues, compliance with policies and laws as well as remuneration models. At what is normally the last meeting of the year, the CEO and CFO present the budget for the forthcoming year. The budget is discussed and, following any adjustments, approved. In connection with this meeting, presidents from several of the company's subsidiaries/segments are invited to present developments in their respective markets. The company's CFO is normally always invited to attend the Board meetings and is responsible for keeping minutes. Other members of the company's management are invited to present issues concerning their areas of responsibility. In 2019, NCAB's Board of Directors paid particular attention to issues related to the long-term business plan, acquisitions and follow-up of entries into new markets, new accounting standards, risk management and internal control.

11 Board meetings were held in 2019, of which seven were ordinary and four extra. The extra Board meetings primarily dealt with resolutions in conjunction with acquisitions.

Board members' attendance and remuneration are presented in the table above. A self-assessment of the work of the Board was carried out on the same basis as the assessment in 2018.

#### RISK MANAGEMENT

The Group's finance department works with the Group's operating units to identify and evaluate financial and operational risks. In business operations, the main risks relate to quality issues. These are continuously monitored within the scope of the operational controls, and through internal and external ISO audits. Risk management is handled by the Group's quality department and in accordance with policies approved by the Board of Directors. A risk evaluation in accordance with the COSO model is conducted on an annual basis where risks are identified and controls evaluated. Both operational and financial risks are tested internally through self-monitoring and these are followed up by the Audit Committee. Some of the self-monitoring, which is carried out by subsidiaries, is also followed up by the company's external auditors.

The Group's financial policy for financial risk management has been formulated by the Board of Directors and provides a framework of guidelines and rules in the form of a risk mandate for financial activities. The overall aim of the finance function is to ensure that the financial risks are optimised to a risk level that gives the shareholders a good return, within the framework of the risk mandate provided by the Board of Directors. Risk management is handled by the Group's finance department and in accordance with policies approved by the Board of Directors.

NCAB's risk management process also includes drawing up of the annual business plan, which contains an analysis of trends, business opportunities and risks at local office and Group level and that enables an assessment and swift reaction to changes in social, environmental and legal requirements. Each process owner is responsible for the ongoing evaluation, development and implementation of risk control methods and processes.

For more about risks and risk management, see pages 28–29.

#### INTERNAL CONTROL

The Board of Directors and the CEO are ultimately responsible for ensuring that internal controls are developed, communicated to and understood by the employees of the company. Managers at all levels are responsible for ensuring that internal controls are established within their own area and that these controls have the desired effect. The procedures for internal control, risk assessment, control activities and monitoring for financial reporting have been designed to ensure reliable financial reporting in accordance with IFRS, applicable laws and regulations as well as other Stock Exchange requirements. This work involves the Board of Directors, the executive management and other personnel.

The way in which the Board of Directors monitors and ensures quality in the internal control is documented in the adopted rules

of procedures of the Board of Directors and the instructions for the Audit Committee.

NCAB uses an internal control model based on the three lines of defence model.

- The first line of defence consists of the company's operational activities. The existing operational and business activities within management and support functions across all business units are carried out in accordance with procedures designed to fulfil the company's requirements on internal control. Process owners, along with other employees within NCAB, have roles which are clearly defined and also have clear responsibilities and direction in terms of policies, procedures, and strategies, which are necessary to achieve business goals. Self-assessments are carried out to determine the status and functionality of the associated risks and controls. This work is controlled within the scope of the company's ISO system.
- The second line of defence consists of the company's internal monitoring of controls. Monitoring, coordination and consolidation of reported results are compiled within a risk and control matrix. In addition, there is a coordination of activities to improve risk management and to ensure that the company complies with risk management, governance policies, laws and regulations.
- The third line of defence consists of NCAB's Audit Committee. Internal self-assessments, together with the company's external ISO evaluations, are used so that an overall picture is obtained in connection with evaluation and improvement of the risk management system. The self-assessments are reviewed and assessed by the accounting function, the auditors and the Audit Committee in order to ensure correct risk management and accounting. The compliance reports from the external ISO evaluations are presented for the Audit Committee, the Board of Directors and the CEO.

The CEO and the executive management are responsible for the first line of defence. The responsibility for the second line of defence is shared between the CEO, the executive management, the Board of Directors and the Audit Committee. The third line of defence falls within the CEO's and the Board of Directors' responsibility. In addition, NCAB's external auditors review the Group's internal controls as part of their annual audit.

#### INTERNAL AUDIT

The Board of Directors has resolved not to establish any separate function for the internal audit as the company believes the business systems, in terms of risk and quality, as well as financial function and monitoring by the Audit Committee, with regard to financial internal control, satisfy the requisite control and follow-up.

#### POLICIES

The company has established a number of policies and control documents that are approved annually by the Board of Directors. Both policies and control documents are managed in the company's ISO system to ensure uniform and simple handling. The following policies and governing documents are approved by the Board of Directors:

- Rules of Procedure for the Board of Directors
- Instructions to the CEO
- Instruction for financial reporting
- Instructions for the Audit Committee
- Accounting and Finance policy
- Information policy

- Insider policy
- Risk management procedures
- Code of Conduct
- Suppliers' Code of Conduct

#### AUDIT

Öhrlings PriceWaterhouseCoopers, with Johan Engstam as Auditor-in-Charge, was elected at the Annual General Meeting on 13 May 2019. The auditor shall audit the company's annual report and accounts, the consolidated annual report and the consolidated companies' interrelations, as well as the management by the Board of Directors and the CEO. Following each financial year, the auditor shall submit an audit report to the Annual General Meeting. Pursuant to the company's Articles of Association, the company shall have one auditor, and not more than one deputy auditor. For remuneration of auditors, see Note 10 on page 60. In connection with the adoption by the Board of the year-end accounts for 2019, the Board of Directors has conducted an examination and received reports from the company's external auditors. On this occasion, the Board also held a meeting with the auditors without the presence of the CEO or others from company management.

#### AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in NCAB Group AB, corporate identity number 556733-0161

#### Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2019 on pages 38–42 and that it has been prepared in accordance with the Annual Accounts Act.

#### The scope of the audit

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

#### Opinions

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

Stockholm 8 April 2020

Öhrlings PricewaterhouseCoopers AB

Johan Engstam  
Authorized Public Accountant