

## CORPORATE GOVERNANCE

Nobia AB is a Swedish public limited liability company domiciled in Stockholm, Sweden. The company is the Parent Company of the Nobia Group. The basis for the control of the Group includes the Swedish Corporate Governance Code, the Articles of Association, the Swedish Companies Act, the Swedish Annual Accounts Act and Nasdaq Stockholm's Rule Book for Issuers.

“ A clearly structured and fully implemented corporate governance system is our highest priority. Good corporate governance is the basis for our decision-making and control processes.

HANS ECKERSTRÖM  
Chairman of the Board



Nobia has applied the Swedish Corporate Governance Code (the Code) since July 2005 and the company had no deviations to report for 2019. Nobia also applies the Swedish Annual Accounts Act concerning the company's corporate governance reporting.

Nobia monitors developments in the area of corporate governance and continuously adapts its corporate-governance principles to create value for its owners and other stakeholders. By way of information, it is noted that there were no breaches of applicable stock-exchange rules or good practice on the stock market based on decisions by Nasdaq Stockholm's Disciplinary Committee or statements by the Swedish Securities Council.

The following information is available at [www.nobia.com](http://www.nobia.com).

- Nobia's Articles of Association
- Code of Conduct
- All corporate governance reports since 2009
- Information from Nobia's AGM

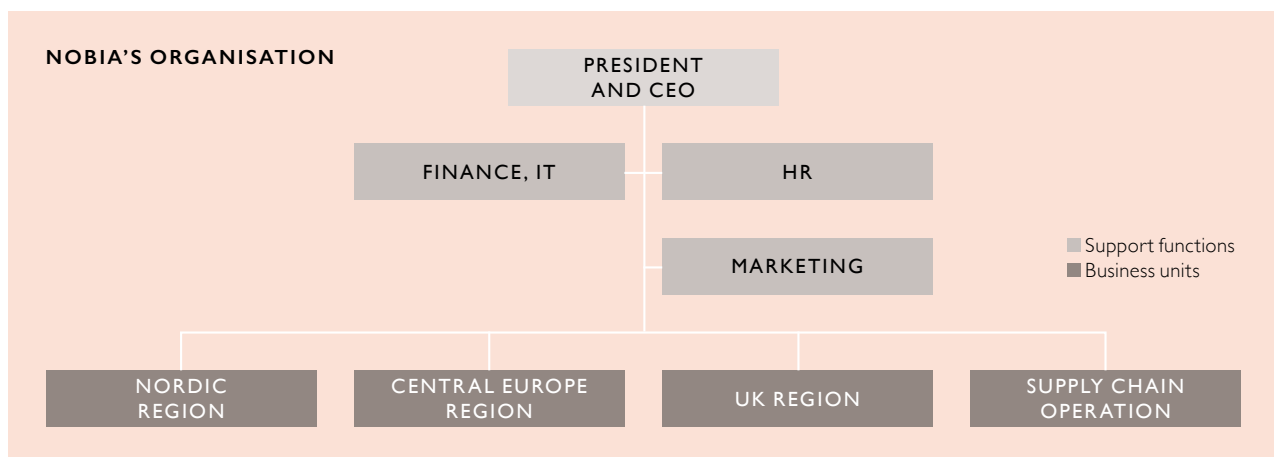
### 2019 ANNUAL GENERAL MEETING

The right of shareholders to make decisions concerning the affairs of Nobia is exercised at general meetings of shareholders. A notice convening a general meeting is issued pursuant to the Swedish Companies Act and the company's Articles of Association.

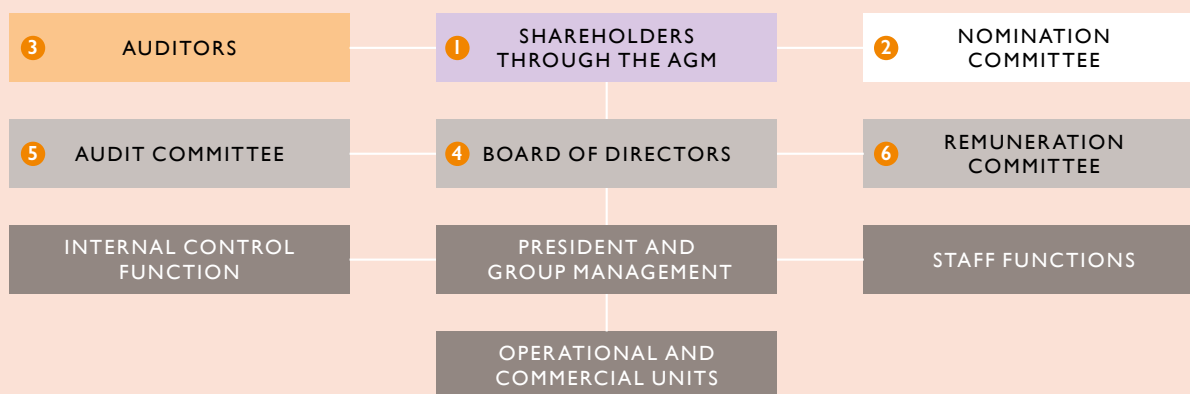
The 2019 Annual General Meeting (AGM) was held on 2 May at Lundqvist & Lindqvist Klara Strand Konferens, Klarabergsviadukten 90 in Stockholm. 161 shareholders participated at the 2019 AGM, representing 72% of the capital and votes in Nobia. The Board of Directors, members of Group management and auditors were present at the Meeting. Board Chairman, Hans Eckerström, was elected Chairman of the Meeting.

Some of the AGM resolutions were as follows:

- to distribute a dividend of SEK 4.00 per share to shareholders in accordance with the Board's proposal.
- that the number of Board members was to be seven with no deputy members, until the conclusion of the next AGM.
- fees to the Board, Board Chairman, and the Chairman and members of the Audit Committee.
- re-election of Hans Eckerström as Board Chairman, and re-election of Board members Nora Førisdal Larssen, Stefan Jacobsson, Jill Little and George Adams. Lilian Fossum Biner, Christina Stål and Ricard Wennerklint had declined re-election.
- election of Marlene Forsell as a new Board member.
- re-election of Deloitte AB as auditor, with Daniel de Paula as Auditor-in-Charge.
- principles and guidelines on remuneration and other employment conditions for the President and other senior executives.



## OVERVIEW OF GOVERNANCE AT NOBIA

**Key external regulatory frameworks:**

- Swedish Companies Act
- Annual Accounts Act and IFRS
- Nasdaq Stockholm's Rule Book for Issuers
- Market Abuse Regulation (MAR)
- Swedish Corporate Governance Code
- Modern Slavery Act

**Examples of voluntary commitments:**

- UN Sustainable Development Goals
- UN Global Compact initiative
- Carbon Disclosure Project Forests & Climate Change
- Sustainability reporting according to the Global Reporting Initiative

**Examples of key internal regulatory frameworks:**

- Articles of Association
- The Board's rules of procedure and instructions to the President
- Audit Committee's rules of procedure
- Nobia's Financial & Accounting Manual
- Risk Management Process
- Sustainability strategy
- Code of Conduct
- Supplier Code of Conduct
- Environmental and climate policy
- Policy for sustainable forestry
- Modern Slavery Statement

- adoption of a new Performance Share Plan.
- authorisation for the Board to acquire and sell treasury shares during the period until the 2020 AGM.

The complete minutes from the AGM are available on Nobia's website.

Individual shareholders wishing to have a specific matter addressed by the AGM can do so by submitting a request to Nobia's Board in good time prior to the Meeting, to the address published on the Group's website.

**1 SHAREHOLDERS THROUGH GENERAL MEETINGS**

Nobia is a Swedish public limited liability company that is subject to the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code and the company's Articles of Association. Shareholders exercise their influence at the general meeting of shareholders, which is Nobia's highest decision-making body. Nobia has one class of share with one share corresponding to one vote at general meetings. Additional information about the Nobia share and ownership structure can be found on pages 110-111. The AGM resolves on the Articles of Association and at the AGM, which is the annual scheduled general meeting, the shareholders elect Board members, the Board Chairman and auditors, and decide on their fees. Furthermore, the AGM resolves on the adoption of the income statement and the balance sheet, appropriation of the company's profit and discharge from liability for the Board members and President in relation to the company. The AGM also resolves on the composition and work of the Nomination Committee, and resolves on principles for remuneration and other employment conditions for the President and other senior executives.

**2 NOMINATION COMMITTEE**

According to the instruction for Nobia's Nomination Committee adopted at the 2015 AGM, the members and Chairman of the Committee are to be elected at the AGM for the period until the conclusion of the following AGM.

The Nomination Committee shall comprise at least three members representing the largest shareholders of the company. The Chairman of the Nomination Committee shall convene the first meeting of the Nomination Committee. The Nomination Committee is entitled to appoint an additional two co-opted members. Co-opted members shall assist the Nomination Committee in performing its duties but have no voting rights. The Chairman of the Board may be a member of the Nomination Committee only as a co-opted member. In

accordance with the Code, the Nomination Committee should be chaired by an owner representative. The instruction for the Nomination Committee adopted by the AGM also states that the Nomination Committee's tasks are to submit proposals on the election of the Board Chairman and other members of the Board of Directors, Directors' fees and any remuneration for committee work, election and remuneration of the auditor, election of the Chairman of the AGM and election of members of the Nomination Committee.

The Code states that in its proposals on Board members, the Nomination Committee is to pay particular attention to the requirement of diversity and breadth on the Board and the requirement of an even gender distribution. The Code also contains certain requirements regarding the composition of the Board of Directors. The Board is to have an appropriate composition with respect to the company's operations, stage of development, strategy and other circumstances, and be characterised by diversity and breadth in terms of the competence, experience and background of the Board members elected by the AGM.

In performing its other duties, the Nomination Committee shall fulfil the requirements incumbent on the Committee in accordance with the Code.

In accordance with the resolution adopted at the 2019 AGM, the Nomination Committee comprised the following members prior to the 2020 AGM:

**Nomination Committee ahead of the 2020 AGM**

Name/representing	Share of votes 31 Dec 2019
Peter Hofvenstam (Chairman) representing Nordstjernen	24.9%
Ricard Wennerklint representing If Skadeförsäkring	10.7%
Mats Gustavsson representing Lannebo funds	4.6%
Arne Lööv representing Fourth Swedish National Pension Fund	7.4%
<b>Total</b>	<b>47.6%</b>

The members of the Nomination Committee represent approximately 48% of the shares and votes in the company. No remuneration is paid to the Committee members.

The Nomination Committee held six minuted meetings prior to the 2020 AGM.

Based on the company's strategy and priorities, the Nomination Committee's work included an evaluation of the results of the Board of Directors'

## BOARD AND COMMITTEE WORK ANNUAL PLANNING 2019

	JAN	FEB	MAR	APR	MAY	JUN	
<b>BOARD MEETINGS</b>		<b>5 Feb 2019</b> Report from the Board's Committees, report from the auditor, report from the President, Year-end Report, proposed dividends, sustainability topics, global and local growth initiatives, remuneration of President, structural issues and Brexit.			<b>2 May 2019</b> Report from the Board's Committees, report from the President, quarterly report, structural issues, Brexit and strategy. Board meeting following election.	<b>13 Jun 2019</b> Report from the Board's Committees, report from the President, structural issues, global and local growth initiatives and investments.	
<b>AUDIT COMMITTEE</b>	<b>30 Jan 2019</b> Accounting matters, Year-end Report, finance report, work plan and regular reporting from Internal Control, report and presentation from external auditor.			<b>30 Apr 2019</b> Accounting matters, quarterly report, finance report, regular reporting from Internal Control, sustainability topics, risk management, auditor's audit plan and report on Code of Conduct.			
<b>REMUNERATION COMMITTEE</b>	<b>28 Jan 2019</b> Principles and outcome of remuneration, principles for long-term and annual variable salary, outcome of annual variable salaries 2018, President's salary for 2019.						

own evaluation, its size and composition and the election of an auditor. The Nomination Committee holds interview and receives information from the Board Chairman and other Board members and the CEO about the work of the Board. The Nomination Committee applied rule 4.1 of the Code to its work as its diversity policy. The Nomination Committee evaluates its instructions every year and presents proposals to the AGM when necessary.

The Nomination Committee's proposals prior to the 2020 AGM are incorporated in the notice of the AGM, which was published on Nobia's website on 3 April.

Shareholders are welcome to contact the Nomination Committee and submit proposals by post to: Nobia AB, Nomination Committee, Blekhölmsterassen 30 E7, SE-111 64 Stockholm, Sweden.

### 3 AUDITORS

The AGM elects the auditor who examines the Annual Report, consolidated financial statements, the administration of the Board and President, the Annual Report and accounts of subsidiaries, and also submits an audit report.

Deloitte AB was re-elected as the company's auditor at the 2019 AGM for a mandate period of one year until the conclusion of the 2020 AGM. The Auditor-in-Charge is Authorised Public Accountant Daniel de Paula.

The Nomination Committee's proposals for auditing firm and Auditor-in-Charge prior to the 2020 AGM were presented in the notice of the AGM, which was published on Nobia's website on 3 April. Nobia's purchases of services from Deloitte, in addition to audit assignments, are described in Note 6 on page 82.

### 4 BOARD OF DIRECTORS

The Board is responsible for the organisation of the company and the administration of the company's affairs. The Board's task is to continuously assess the company's and the Group's financial positions and ensure that the organisation of the company is designed so that the financial reporting, management of funds and the company's financial circumstances are otherwise reliably controlled.

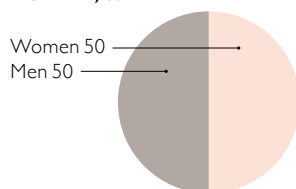
In accordance with Nobia's Articles of Association, the Board is, to the extent appointed by the General Meeting, to comprise not fewer than three and not more than nine members, with not more than three deputy members. A maximum of one Board member elected by the AGM may work in company management or in the management of the company's subsidiaries. Furthermore, a majority of the Board members elected by the AGM are to be independent in relation to the company and company management.

The 2019 AGM resolved that the Board was to comprise seven members with no deputy members. When Morten Falkenberg stepped down as President and CEO in September 2019, he also decided to leave the Board, which means that one position on the Board has been vacant. The Board also includes representatives of employees' organisations in accordance with the Swedish Board Representation (Private Sector Employees) Act.

The objective is for the Board to have an appropriate composition with respect to Nobia's operations, stage of development, strategy and other circumstances, and be characterised by diversity and breadth in terms of the skills, experience and background of the Board members elected by the general meeting, and aim for a gender balance. The number of women on the Board elected by the general meeting is three of the six members<sup>1)</sup>,

	JUL	AUG	SEP	OCT	NOV	DEC
	<b>19 Jul 2019</b> Report from the President, quarterly report and investments.		<b>12 Sep 2019</b> Report from the President, update on digitisation, Code of Conduct, structural matters. Study visit to the Group's operations in Tidaholm. Review and approval of policies.	<b>23 Oct 2019</b> Report from the Board's Committees, report from the auditor, report from the President, quarterly report, investment decisions, structural issues, strategic plan 2020.	<b>26 Nov 2019</b> Structural issues and investment decisions.	<b>3 Dec 2019</b> Board meeting. Preliminary directional decision for a new plant with the proviso of approved declaration of intent for land.  <b>4 Dec 2019</b> Board meeting. Final directional decision for new highly automated production plant in Sweden.  <b>6 Dec 2019</b> Report from the Board's Committees, report from the President, structural issues and financing, budget and strategic plan 2020-.
	<b>18 Jul 2019</b> Accounting matters, quarterly report, finance report, update and report on Internal Control issues.			<b>22 Oct 2019</b> Accounting matters, quarterly report, internal control, report and presentation from auditor, report on Code of conduct, policy framework, update of risk management and revised Code, review of the Group's insurance policies.		<b>4 Dec 2019</b> Accounting matters, regular reporting from Internal Control, reporting from other functions, update of risk management, budget and review of financing.
					<b>4 Nov 2019</b> Shareholder Rights Directive, bonus principles 2020, evaluation of LTI 2019.	

#### PERCENTAGE OF MEN AND WOMEN ON THE BOARD, %

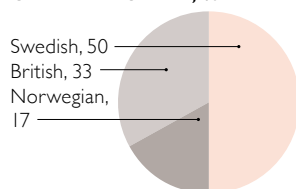


corresponding to 50%. The gender-distribution requirements of the Swedish Corporate Governance Code are thus deemed to be met.

Nobia's Board meets the requirements of the Code that a majority of the members elected by the general meeting are independent in relation to Nobia and company management, and that at least four of these members are independent in relation to Nobia's largest shareholders. Other executives in the company participate at Board meetings to make presentations and the Group's CFO has served as secretary to the Board for the entire year.

The Board members and their attendance at meetings are presented on pages 106-107.

#### NATIONALITIES ON THE BOARD, %



#### Work of the Board in 2019

The Board's work is regulated by the rules of procedure adopted annually by the Board and by the instruction regarding the distribution of duties between the Board and the President. Furthermore, the work of the Board follows a fixed agenda for each Board meeting, including such matters as business status, investments, budget, interim reports and annual accounts. The Chairman leads and delegates the work of the Board and ensures that matters not included in the fixed agenda are addressed.

The Board held ten meetings, including a meeting following the election, during the 2019 financial year. Board decisions were made unanimously except on one occasion when one of the employee representatives had a different opinion regarding the directional decision regarding the new Swedish plant. One of the Board meetings was held in Tidaholm and was a combined Board and study visit where local management had the opportunity to present their operations in more detail.

The company's external auditors attend three Audit Committee meetings. The Board had regular briefings with the auditor throughout the year, and the following points were discussed in 2019:

- One occasion was primarily devoted to the planning of the year's audit.
- The results of the review of the third quarter and the audit of company's processes for internal control and business-critical systems were reported.
- Reporting is in connection with the adoption of the annual accounts.
- In addition, the auditors also provide information every year on the other assignments performed by the audit firm.

1) Excluding Morten Falkenberg who left the Board on 2 September 2019.

The auditor has also met with the Board without the presence of management.

The work and composition of the Board were evaluated in 2019. One member of the Board submitted a number of questions as the basis of an evaluation and discussion with the Chairman. The results of the evaluation were presented to the Nomination Committee. The Board also evaluates the President on an ongoing basis throughout the year. The Board also evaluated the Audit Committee.

Nobia does not currently have a dedicated internal audit function. The Board has discussed this matter and found the existing monitoring and assessment structure of the Group to be satisfactory. External services may also be engaged in the context of certain special examinations. This decision is reviewed annually.

## 5 AUDIT COMMITTEE

The Audit Committee represents the Board in, for example, monitoring the processes surrounding ensuring the quality of the external reporting, risk management and internal control, and assisting the Nomination Committee in proposals on the election of auditors. The Committee is also to inform the Board of the results of the external audit and the manner in which the audit contributed to the reliability of the financial reporting. The Audit Committee's duties also include studying control audit reports compiled by the Group's internal audit function. The Audit Committee is also responsible for supporting the Nomination Committee in preparing proposals on the election of external auditors and auditor's fees.

The Audit Committee comprises two Board members: Marlene Forsell (Chairman) and Nora Førisdal Larssen. The external auditors report to the Committee at three scheduled meetings. At least four meetings are held per year and additional meetings are held as necessary.

In 2019, the Audit Committee held five meetings and the auditors attended three of these meetings. Regular matters normally addressed by the Committee are:

- Monitoring the procedures for financial reporting regarding the annual accounts and examination of accounting policies for the financial reporting (including IFRS 16).
- Interim reports, financial reports.
- Work plan for and regular reporting from the Internal Control function.
- Examination of the corporate governance report and external sustainability report
- Risk management, such as examining risks and monitoring the management of business risk, processes and reporting.
- Examination of certain group policies before a decision is made by the Board.
- Reports on suspected violations of the Code of Conduct through Speak-up, Nobia's whistle-blower system.

The Audit Committee reports to the Board after every meeting. Minutes are taken at all Audit Committee meetings and these minutes are made available to all Board members and the auditors. The Group's CFO and the Head of Internal Control participated in the Audit Committee's meetings. The attendance of each Board member at meetings is shown in the table on page 106-107.

## 6 REMUNERATION COMMITTEE

The Board appoints a Remuneration Committee from within its ranks, which for the period from the 2019 AGM until the 2020 AGM comprised Hans Eckerström (Board Chairman), and Nora Førisdal Larssen.

The Committee's task is to prepare proposals to the Board relating to the remuneration and employment terms for the President. The Committee also has the task of making decisions on the President's proposals regarding remuneration and other employment terms for the managers who report to the President. Furthermore, the Committee submits proposals to the AGM regarding principles for remuneration and other employment terms for senior executives and monitors and evaluates the ongoing schemes for variable remuneration to senior executives, and the schemes concluded during the year, and the implementation of the Annual General Meeting's decision on guidelines for remuneration to senior executives. The Committee held two meetings during the year.

### REMUNERATION TO SENIOR EXECUTIVES

The members of Group management receive both fixed and variable remuneration. The fundamental principle is that the variable salary portion may amount to a maximum of 40% of fixed annual salary. The exception to this principle is the President, whose variable salary portion may amount to a

maximum of 65% of fixed annual salary. Exceptions may also be made for other senior executives following a resolution by the Board. The variable salary portion is normally divided between several targets, for example, the Group's earnings, earnings in the business unit for which the manager is responsible and individual/quantitative targets. The variable portion is based on an earning period of one year. The targets for the President are determined by the Board. The targets for the other senior executives are established by the President following recommendations by the Board's Remuneration Committee.

Nobia has implemented long-term share-based remuneration plans since 2005, following decisions by each year's AGM. The Performance Share Plans are described in more detail in the Financial overview of the Board of Directors' Report on pages 46-51. The remuneration and benefits of senior executives are described in Note 4 on pages 79-80.

### GROUP MANAGEMENT

The CEO is responsible for the business development of the company and leads and coordinates the daily operations according to the Board's instructions for the CEO and other decisions made by the Board. Group management comprised 12 individuals at the end of 2019. For further information about Group management, refer to pages 108-109. Group management holds regular meetings according to a fixed schedule. These meetings monitor strategic and operational progress, major change programmes, risks and other strategic issues of significance for the Group as a whole. In addition, the President and the CFO meet the management team of each commercial business unit several times per year at local management team meetings.

### SUSTAINABILITY GOVERNANCE

Sustainability is an integrated part of our operations and is pursued at various levels, from the Board's approval of Group-wide policies and principles to operational reviews, risk assessment and goal-oriented work in our business units. Sustainability is to permeate the company's entire business and all employees have a responsibility to contribute to Nobia's sustainability agenda. Nobia's engagement and commitment have been implemented in frameworks and work processes. Read more on pages 36-45 and 114-115.

### AUDITORS

Deloitte AB was re-elected as the company's auditor at the 2019 AGM for a mandate period of one year until the conclusion of the 2020 AGM. The Auditor-in-Charge is Authorised Public Accountant Daniel de Paula. The Nomination Committee's proposals for auditing firm and Auditor-in-Charge prior to the 2020 AGM were presented in the notice of the AGM, which was published on Nobia's website on 3 April. The interaction of the auditors with the Board is described above. Nobia's purchases of services from Deloitte, in addition to audit assignments, are described in Note 6 on page 82.

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

To the general meeting of the shareholders in Nobia AB (publ), corporate identity number 556528-2752.

#### Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the financial year 2019 on pages 105-109 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 April 3, 2020  
Deloitte AB

Daniel de Paula  
Authorized Public Accountant