

Nolato AB (publ) Corporate governance report 2019



Corporate governance

Nolato is a Swedish limited company. Its corporate governance is based on Swedish legislation (primarily the Swedish Companies Act), the regulations set out by Nasdaq Stockholm (nasdaqomxnordic.com), the Swedish Code of Corporate Governance (corporategovernanceboard.se) and the rules and recommendations issued by relevant organisations. Moreover there are a number of principles and rules for the business that have been established by Nolato (see pages 4, 7 and 8). These can be found on the company's website (nolato.com) or if they are internal documents, they are not made public.

The company's application of the Code

The Swedish Code of Corporate Governance is based on the principle of comply or explain. This means that companies which apply the Code may deviate from specific rules, but must then provide explanations and reasons for each individual deviation.

Nolato deviates from one point of the Code:

Point 2.4 states that the Chairman of the Nomination Committee should not be the Chairman of the Board or another Board member, and that no more than one of the Board members on the Nomination Committee may not be independent of the company's major shareholders. Nolato's largest shareholders are of the opinion that the company's ownership structure, with three families that hold just over 60% of the votes, is best represented within the Nomination Committee by these shareholders together with other major shareholders. Since the representatives of these families have such a large shareholding, they have deemed it to be both natural and necessary that they should also be involved and exercise their shareholders' interests through representation on both the company's Nomination Committee and the Board.

Shareholder governance

Shareholders exercise their power of ownership at annual general meetings. Nolato's A shares entitle holders to ten votes, and the B shares to one vote. There is no restriction on how many votes shareholders may cast at general meetings.

Resolutions at annual general meetings are normally passed by simple majority. On certain issues, the Swedish Companies Act stipulates a specific minimum percentage of the shareholders present and/or a larger majority.

The meeting of the company at which the Board presents the annual accounts and the auditor's report is called the Annual General Meeting (AGM) and is normally

held by Nolato at the end of April or early May. The AGM also deals with matters relating to subjects such as dividends, discharging the members of the Board and the President and CEO from liability, and electing the Board members, the Chairman of the Board and auditors. The AGM also determines the fees payable to the Board and the auditors, guidelines for the remuneration of senior executives and the principles for appointing the Nomination Committee for the next AGM.

Shareholders have the opportunity to ask questions about the company and its performance at the AGM. Shareholders also have opportunities to request that a particular issue be dealt with by submitting such a request in writing to the Board.

Information about conditions affecting ownership of shares in Nolato, including major shareholders, can be found on page 41 of the company's 2019 Annual Report and at nolato.com/ir.

2019 Annual General Meeting

The 2019 Annual General Meeting took place on 8 May 2019 in Grevie. The meeting was attended by 311 shareholders, together representing 59.5% of the number of shares and 79.2% of the number of votes in the company.

The Annual General Meeting re-elected the Board members Fredrik Arp, Dag Andersson, Sven Boström-Svensson, Lovisa Hamrin, Åsa Hedin, Henrik Jorlén, Lars-Åke Rydh, and Jenny Sjö Dahl. Fredrik Arp was re-elected as Chairman of the Board. The members are presented in more detail on pages 9–10 and at www.nolato.com/corpgov.

The AGM resolved on several issues, including fees for Board members, guidelines for remuneration of senior executives and principles regarding the composition of the Nomination Committee. The AGM also resolved to adopt the income statement and balance sheet for Nolato AB and for the Group, as well as the proposed appropriation of profits. The meeting discharged the members of the Board and the President and CEO from liability for the 2018 financial year.

The AGM approved the Board's proposal to establish an Incentive Programme for senior executives in the Group. Approval was also given for the Board's proposal for authorisation of the Board to make decisions regarding the issue of new B shares.

Nomination Committee

The 2019 AGM resolved that the Nomination Committee ahead of the 2020 AGM should consist of one representative for each of the five largest shareholders in terms of

the number of votes at the end of September 2019.

In accordance with this decision, the Nomination Committee ahead of the 2020 AGM consists of

- Henrik Jorlén, chairman, appointed by the Jorlén family
- Gun Boström, appointed by the Boström family
- Lovisa Hamrin, appointed by the Hamrin family
- Johan Ståhl, appointed by Lannebo Funds.

One of the five largest owners has chosen not to participate in the work of the nomination committee and so has not appointed a nomination committee representative.

Since it was established and up until February 2020, the Nomination Committee has held one meeting. In addition, the Nomination Committee maintained continual contact by phone and email.

The Nomination Committee can be contacted by email: henrik.jorlen@gmail.com or by ordinary mail: Nolato Nomination Committee, c/o Henrik Jorlén, Kommendörs-gatan 4, 269 77 Torekov, Sweden.

Auditor

The 2019 AGM elected Ernst & Young AB as auditor of Nolato with authorised public accountant Joakim Falck as principal auditor.

Joakim Falck, born in 1972. Authorised public accountant, Ernst & Young AB. Auditor of Nolato since 2018. Other clients include Xano Industri AB, Garo AB, Itab Shop Concept AB and Nefab.

The auditor works according to an audit plan. The auditor reported back to the Board during the course of the audit and in connection with the adoption of the 2019 year-end report on 10 February 2020.

During the year, the auditor carried out certain consultancy assignments in addition to the audit, which related primarily to accounting and tax issues.

The external audit is conducted in accordance with generally accepted auditing standards. Auditing of financial statements for legal units outside Sweden is carried out in accordance with statutory requirements and other relevant regulations in the respective country, and according to generally accepted auditing standards.

The auditor regularly examines the adjusted minutes from Nolato's Board meetings and has continual access to the monthly reports submitted to the Board.

The auditor has examined the remuneration of senior executives and reviewed the company's half-year report.

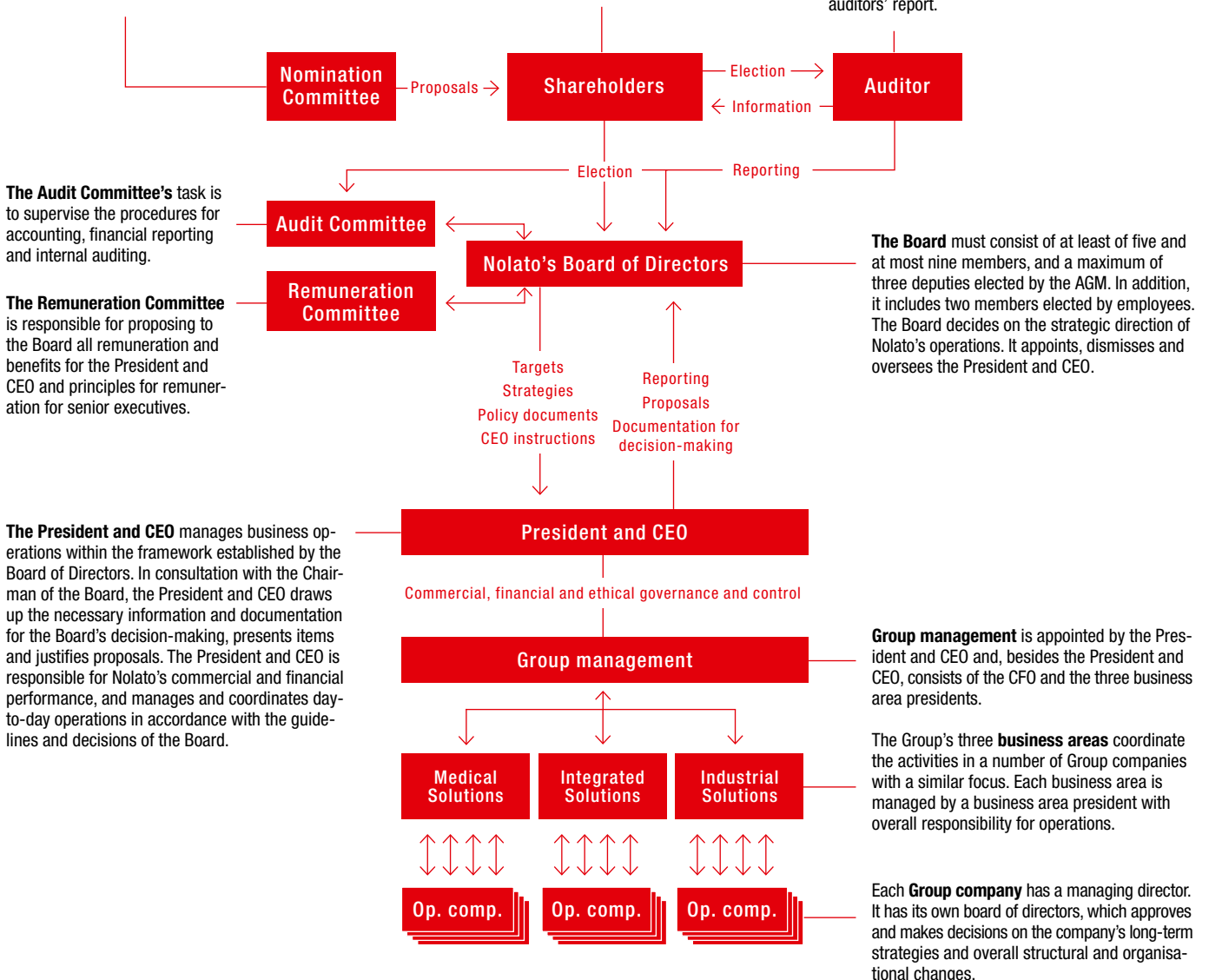
Schematic description of the Nolato Group's corporate governance

The Nomination Committee is responsible for submitting proposals to the AGM regarding the Chairman of the Board, Board members, directors' fees, remuneration for committee work, how the Nomination Committee should be appointed for the coming year and submitting proposals regarding auditors and auditors' fees.

The right of shareholders to determine Nolato's affairs is exercised at the annual general meeting (AGM), which usually takes place in late April or early May. Among other things, the AGM elects the Board of Directors and takes decisions regarding a dividend, directors' fees and adopts the annual accounts. By registering a matter in writing with the Board within certain timeframes, shareholders have the right to have a matter addressed by the AGM.

The Auditor is elected by the shareholders at the AGM to audit the company's annual report and accounts, and the Board and CEO's management of Nolato. The auditor also reviews the remuneration of senior executives and the corporate governance report.

Reporting takes place to the Board and the Audit Committee. At the AGM, the auditor provides information about the auditing work and observations made in an auditors' report.



Reporting and control occurs by means of the Board and the Audit Committee analysing and assessing risks and control environments, and overseeing the quality of financial reporting and Nolato's internal control systems. This takes place through, for example, issuing instructions to the President and CEO and establishing requirements for the content of the financial performance reports provided to the Board on an ongoing basis. In addition, the Committee is responsible for making recommendations and proposals for ensuring reporting reliability. The Board reads and checks financial reporting such as monthly reports, forecasts, interim reports and the Annual Report. The committee must inform the Board of the result of the audit, how it contributed to the reliability of reporting and what role the committee had.

The Board and its work

The working methods of the Board

The Board decides on the strategic direction of Nolato's operations and prepares the necessary instructions. It establishes the Nolato Group's management structure and appoints, dismisses and oversees the President and CEO.

Principles have been decided on at initial statutory Board meetings following the AGM with regard to rules of procedure for the Board's work, the delegation of duties between the Board and the President and CEO, as well as financial reporting.

The key elements of these principles determine the following:

- The Board shall establish a work programme comprising six ordinary meetings during the year, at which various matters according to the rules of procedure are considered at different Board meetings.

- Notice of the meeting, the agenda and documentation for the Board meeting will usually be distributed no later than one week prior to the meeting. Minutes with numbered points are taken at the meeting.

- The delegation of duties clarifies the responsibilities of the Board and the key duties of the Chairman and the President and CEO. The instructions for the President and CEO include restrictions regarding decisions on investments, acquisitions, transfers and certain agreements.

- To enable the Board to continually follow and monitor the Group's financial position and performance, the President and CEO must provide the Board with monthly reports on sales, profit, capital commitment, cash flow, the balance sheet, forecast monitoring and forecast updates.

The Chairman of the Board, Fredrik Arp, organises and leads the work of the Board, to ensure it is performed in accordance with the Swedish Companies Act, other legislation and regulations, applicable rules for listed companies (including the Swedish Corporate Governance Code), and the Board's internal governance instruments. The Chairman monitors operations through regular contact with the President and CEO and is responsible for ensuring that other Board members receive satisfactory information and decision-making documentation.

The Chairman is responsible for ensuring that the Board is kept continually updated and increases its knowledge of Nolato and generally receives the training required in order to carry out its work in an effective manner. Furthermore, the Chairman ensures that an annual evalua-

tion of the work of the Board is conducted, and that the Nomination Committee is informed of the results.

An evaluation was carried out in 2018, during which all Board members were given the opportunity to submit their views and suggestions, and to rate such areas as the composition and practices of the Board. The evaluation has been presented to the full Board.

Board composition in 2019

Following the 2019 AGM, the company's Board consists of eight members elected by the AGM: Fredrik Arp (Chairman), Dag Andersson, Sven Boström-Svensson, Lovisa Hamrin, Åsa Hedin, Henrik Jorlén, Lars-Åke Rydh and Jenny Sjö Dahl.

The Board also includes two employee representatives: Björn Jacobsson (Swedish Trade Union Confederation, LO) and Håkan Svensson (Swedish Federation of Salaried Employees in Industry and Services, PTK). The deputies for these representatives are Mats Larsson (PTK), Reynaldo Mejedo (PTK) and Arif Mislimi (LO).

Apart from the union representatives, none of the Board members is employed by or works within the company's operations.

The Board members Dag Andersson, Åsa Hedin, Lars-Åke Rydh, Jenny Sjö Dahl and Chairman Fredrik Arp are deemed by the Board to be independent of the company's major shareholders.

Nolato's Board has determined that all members elected by the AGM are independent in relation to the company.

Further information about the members of Nolato's Board can be found on pages 9–10.

Nolato's Diversity Policy

Nolato applies the Swedish Corporate Governance Code. Point 4.1 of the Code specifies the following: The Board should have an appropriate composition that reflects diversity and breadth in terms of the skills, experience and background of its members elected by a general company meeting. Equal gender distribution should be sought. Work on the Board adheres to these guidelines. The aim is for the Board to have as broad as possible a basis in terms of different types of skills and experience. Application of the policy is achieved both during the financial year through discussions at Board meetings and in connection with the Nomination Committee proposing candidates for Nolato's Board. The results of the policy are best reflected in the composition of the Board. The current Board

represents a broad spectrum. The members have experience from manufacturing industry, retail and service companies. The members have different types of education and career experience, and include both younger and older members. The Board consists of members appointed by shareholders at a general meeting of the company and of employee members appointed by trade union branches within the company. Three out of eight members elected by the general meeting of the company are women.

Attendance 2019

In 2019, the members of the Board elected by the AGM attended the following Board meetings:

	Feb	May	Jul	Sep	Sep	Oct	Nov	Dec
Fredrik Arp	x	x	x	x	x	x	x	x
Dag Andersson	x	x	x	x		x	x	x
Sven Boström-Svensson	x	x	x	x	x	x	x	x
Lovisa Hamrin	x	x	x	x		x	x	x
Åsa Hedin	x	x	x	x		x	x	x
Henrik Jorlén	x	x	x	x	x	x	x	x
Lars-Åke Rydh	x	x	x	x	x	x	x	x
Jenny Sjö Dahl	x	x	x	x		x	x	x
Björn Jacobsson	x	x	x	x	x	x	x	x
Håkan Svensson	x	x	x	x	x	x	x	x

The Board's work in 2019

In 2019, the Board held eight meetings and one initial statutory meeting following the AGM. Reviews of the company's operations, markets and finances were standing items on the agenda.

In addition to these points, the work of the Board during the year has focused primarily on investment discussions, market communication, acquisition processes, budgets/forecasts, financing and strategy discussions relating to the company's operations.

The Audit Committee

The members of the Audit Committee are Lars-Åke Rydh (chairman) and Henrik Jorlén, both of whom were appointed by the Board. The work of the committee is regulated by a specific rules of procedure, which have been adopted by the Board. The Audit Committee met on four occasions in 2019. Both members attended all meetings. The company's CFO and, at certain meetings, the company's auditors, have also participated in Board meetings. Minutes were taken at all meetings.

The Remuneration Committee

The members of the Remuneration Committee are Fredrik Arp (chairman) and Henrik Jorlén, both of whom were

appointed by the Board. The committee met on three occasions in 2019.

Ahead of 2020, the committee drew up principles for variable remuneration and other remuneration and benefits for the President and CEO and senior executives, which will be presented by the Board to the AGM for resolution.

Reporting and control

The Board and the Audit Committee analyse and assess risks and control environments,

and oversee the quality of financial reporting and Nolato's internal control systems. This takes place through, for example, issuing instructions to the President and CEO, agreeing on requirements for the content of the reports on financial conditions given to the Board on an ongoing basis, and holding reviews together with the management and the auditors.

The Board is informed of – and ensures the quality of – financial reports such as monthly reports, forecasts, interim reports and the

Annual Report, but has delegated to company management the task of ensuring the quality of presentation materials in connection with meetings held with the media, shareholders and financial institutions.

The Board is also informed of minutes drawn up by the Audit Committee and any observations, recommendations and proposals for decisions and measures, which are continually reported to the full Board.

Remuneration to the Board and senior executives

Principles for remuneration and benefits

A director's fee is paid to the Chairman and members of the Board as decided by the annual general meeting. No director's fee is paid to employees of the Group or to employee representatives. Remuneration for the President and CEO and other senior executives is made up of a base salary, variable remuneration, other benefits and a pension. Senior executives are individuals who, together

with the President and CEO, constitute Group management. In 2019, Group management comprised four individuals, in addition to the President and CEO. These are CFO Per-Ola Holmström, President of Medical Solutions Johan Iveberg, President of Integrated Solutions Jörgen Karlsson and President of Industrial Solutions Johan Arvidsson. For further information, see page 11.

Any assignment taken on by individual Board members on behalf of the company in addition to Board work is remunerated at market rates. Assignments should be documented in agreements specifying the type of assignment and agreed remuneration. Remuneration is paid in arrears on completion of the assignment.

Remuneration to the Board, President and CEO and other senior executives in Group management

SEK thousand	Base salary/ Directors' fee ¹⁾	Bonus ²⁾	Other benefits ³⁾	Pension premiums	Other remuneration ^{4) 5)}	Total
Remuneration and other benefits in 2019						
Chairman of the Board, Fredrik Arp ⁵⁾	- 445	—	—	—	- 150	- 595
Board member, Dag Andersson	- 215	—	—	—	—	- 215
Board member, Sven Boström-Svensson	- 215	—	—	—	—	- 215
Board member, Lovisa Hamrin	- 215	—	—	—	—	- 215
Board member, Åsa Hedin	- 215	—	—	—	—	- 215
Board member, Henrik Jorlén	- 262	—	—	—	—	- 262
Board member, Lars-Åke Rydh	- 285	—	—	—	—	- 285
Board member, Jenny Sjö Dahl	- 215	—	—	—	—	- 215
President and CEO, Christer Wahlquist	- 4,320	- 2,376	- 192	- 1,060	- 104	- 8,052
Other senior executives in Group management (four people)	- 12,453	- 4,049	- 446	- 2,780	- 228	- 19,956
Total	- 18,840	- 6,425	- 638	- 3,840	- 482	- 30,225
Remuneration and other benefits in 2018						
Chairman of the Board, Fredrik Arp ⁵⁾	- 375	—	—	—	- 150	- 525
Board member, Dag Andersson	- 200	—	—	—	—	- 200
Board member, Sven Boström-Svensson	- 200	—	—	—	—	- 200
Board member, Lovisa Hamrin	- 200	—	—	—	—	- 200
Board member, Åsa Hedin	- 200	—	—	—	—	- 200
Board member, Henrik Jorlén	- 243	—	—	—	—	- 243
Board member, Lars-Åke Rydh	- 265	—	—	—	—	- 265
Board member, Jenny Sjö Dahl	- 200	—	—	—	—	- 200
President and CEO, Christer Wahlquist	- 4,080	- 2,461	- 187	- 986	- 336	- 8,050
Other senior executives in Group management (four people)	- 12,096	- 4,192	- 414	- 2,565	- 166	- 19,433
Total	- 18,059	- 6,653	- 601	- 3,551	- 652	- 29,516

1) Including remuneration for committee work. According to AGM decision regardless of payment period.

2) Bonus pertains to expensed remuneration for the financial year, payable in the following year.

3) 'Other benefits' primarily pertains to company cars.

4) 'Other remuneration' relates to the President and CEO and other senior executives regarding previous holiday entitlements paid, and other remuneration.

5) Fredrik Arp has invoiced SEK 150,000 for other agreed services. Remuneration received has been offset against for social security contributions.

Preparatory and decision-making procedure

The Board of Directors has appointed a Remuneration Committee, consisting of the Chairman of the Board and one other Board member. The committee has proposed, and the Board of Directors has approved, the current principles for variable remuneration. The committee has made decisions on all remuneration and benefits for the President and CEO, which have been presented to and approved by the Board. The committee has approved the remuneration of Group management.

Bonuses

Bonuses paid to the President and CEO and other senior executives are based on the outcome of profit and return on capital employed. The maximum outcome is 50% of base salary for the CEO and 40% for other senior executives. At the same time, the relevant profit centre must report positive earnings. In 2019, the outcome for the President and CEO was 41% of base salary (50) and for senior executives it was 16–32% of base salary (20–40).

Participants in Nolato's three incentive programmes are offered the opportunity to receive a bonus payment corresponding to half of the participant's warrant premiums and the income tax charged on such bonus payment, provided that the participant's employment at the company does not cease before three years have elapsed.

Incentive Programme 2016/2021

An extraordinary general meeting of 5 December 2016 approved the issue of up to 798,000 share warrants in three different series: Series 2016/2019, Series 2017/2020 and Series 2018/2021 with 266,000 warrants in each series, granting the right to subscribe for as many B shares. Each warrant thus entitles the holder to subscribe for one (1) new B share. The programme was offered to some twenty individuals within Nolato's management. The maximum dilution effect of the Incentive Programme's two remaining series is expected to amount to a total of approximately 1.5% of share capital and 0.8% of votes (calculated on the basis of the number of existing shares), assuming full exercise of all warrants.

Incentive Programme 2016/2021 – Series 2016/2019

Total subscribed warrants amounted to 240,600 and all have been exercised to subscribe for shares in 2019.

Incentive Programme 2016/2021 – Series 2017/2020

Total subscribed warrants amounted to 196,200 and the price per warrant was

SEK 16.60. The issue price for a B share is SEK 485.10. The warrants can be exercised to subscribe for shares as of 1 May 2020 up to and including 15 December 2020.

Incentive Programme 2016/2021 – Series 2018/2021

Total subscribed warrants amounted to 193,500 and the price per warrant was SEK 17.80. The issue price for a B share is SEK 502.00. The warrants can be exercised to subscribe for shares as of 1 May 2021 up to and including 15 December 2021.

Incentive Programme 2019/2024

The ordinary general meeting of 8 May 2019 approved the issue of up to 798,000 share warrants in three different series: Series 2019/2022, Series 2020/2023 and Series 2021/2024 with 266,000 warrants in each series, granting the right to subscribe for as many B shares. Each warrant thus entitles the holder to subscribe for one (1) new B share. The programme was offered to some twenty individuals within Nolato's management. The maximum dilution effect of all of the Incentive Programmes' three series is expected to amount to a total of approximately 3% of share capital and 1.6% of votes (calculated based on the number of existing shares), assuming full subscription and full exercise of all warrants.

Incentive Programme 2019/2024 – Series 2019/2022

No warrants were subscribed for in this series.

Pensions

The retirement age for the President and CEO and other senior executives is 65. The President and CEO's pension premium amounted to 25% (24) of pensionable salary, and follows a defined contribution pension scheme.

Other senior executives have defined contribution pension schemes. For 2019, the average pension premium was 22% of base salary (21). Variable remuneration does not qualify as pensionable income.

Severance pay

The President and CEO and other senior executives shall provide a notice period of six months. In the event of termination by the company, a notice period of 12–24 months applies. Any other income that is received during the notice period shall be deducted from the salary and other remuneration payable during the notice period. Both the President and CEO and other senior executives collect base salary and other benefits during the notice period. There is no remuneration after the notice period.

Other information

Group management

In 2019, Group management consisted of Christer Wahlquist (President and CEO), Per-Ola Holmström (CFO), Johan Iveberg (President of Medical Solutions), Jörgen Karlsson (President of Integrated Solutions) and Johan Arvidsson (President of Industrial Solutions).

Further information about the members of Group management is available on page 11.

Business operations

All operations in the Group are conducted by subsidiaries, in keeping with the decentralised culture that has always been a hallmark of Nolato. The operational subsidiaries are organised into three customer-focused business areas. Information about these is available in Nolato's 2019 Annual Report on pages 28–39.

Information for shareholders, etc.

Nolato reports to Nasdaq Stockholm, where the company's shares are listed in the Large Cap segment. Information is provided in the form of quarterly reports and press releases according to the requirements imposed by the stock exchange and the information policy adopted by Nolato's Board.

Reports, press releases, annual reports and other information are available on Nolato's website, nolato.com/ir.

The website also provides up-to-date information about Nolato's corporate governance, for example the current shareholdings of the Board, current Articles of Association and information about the Annual General Meeting and the largest shareholders.

The Board's description of the internal audit in relation to financial reporting

According to the Swedish Companies Act and Swedish Corporate Governance Code, the Board is responsible for the company's internal control. In the description, the Board does not issue any statement on the effectiveness of the internal audit.

Nolato's internal audit in relation to financial reporting includes five main activities: creating a control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

Effective Board work forms the foundation for good internal auditing. The Board has established clear processes and rules of procedure for its work. One key element of the Board's work is deciding on and approving a number of fundamental policies, guidelines and frameworks for financial reporting. These include the Code of Conduct, Information Policy and Financial Policy.

The Board evaluates the operating activities' performance and results on an ongoing basis, via a reporting package which includes operating profit, rolling forecasts, the analysis of key figures and other significant operating and financial information.

Nolato has a simple legal and operational structure, with established management and internal audit systems. This enables the business to react swiftly in the event of changed conditions in the Group's market or in other areas. Operational decisions are taken at company or business area level, while decisions on overall strategy, focus, acquisitions, major investments and overall financial issues are taken by Nolato's Board and Group management.

Internal auditing in relation to Nolato's financial reporting is tailored to work within this organisation. Within the Group, there is a clear regulatory framework for delegating responsibility and authorisation, and this follows the Group structure.

The basis for internal auditing in relation to financial reporting is a control environment consisting of the organisation, decision-making paths, authorisation and responsibilities communicated, as well as the culture which the Board and the company management communicates and works within.

Policy documents

Nolato's Group-wide regulations are defined in eight policy documents, as detailed in the box to the left. These documents are an important part of creating an effective control environment within Nolato.

The documents relating to the Group's core values are based on the combination of ethical and professional values that Nolato has upheld for many years, and that are communicated to all employees, including in the form of a publication entitled 'The Nolato Spirit'.

In addition to these policy documents, rules of procedure for the Board, and CEO instructions have been drawn up. These describe matters such as the division of work within the Board and the duties of the Chairman of the Board and the President and CEO.

Rules of procedure have also been drawn up for the managing director of each subsidiary.

Managers at various levels within the company are responsible for dealing with internal auditing on an ongoing basis within their own particular areas of responsibility.

Risk assessment

The company carries out a risk analysis of its financial reporting, which is evaluated and adopted by the Board. In connection with this risk analysis, income statement and balance sheet items are identified where there is a heightened inherent risk of serious errors.

Within the company's operations, these risks are mainly present in non-current assets, financial instruments, inventories, accounts receivable, accrued expenses, taxes and revenue recognition.

These risk assessments are based on effects on financial reporting, the outcome of the income statement, business processes, external factors and the risk of fraud.

Control activities

Those risks that have been identified in relation to financial reporting are dealt with via the company's control activities, e.g. authentication checks for IT systems and authorisation controls.

These operational-specific controls are supplemented by detailed financial analyses of earnings and monitoring against business plans and forecasts, providing an overall assessment of the quality of the reporting.

Policy documents

The following overall policy documents for the Group have been established by the Board of Directors:

- **Nolato's Basic Principles**
These define the platform of shared values for all Group operations.
- **Code of Conduct**
This sets out the ethical and compassionate principles that Nolato employees are obliged to follow. Nolato's groupwide policies regarding the environment, working environment, suppliers and quality are integrated into the Code of Conduct.
- **Finance policy**
This governs how financial risk should be managed within the Group.
- **IT policy**
This governs the Group's IT security structure.
- **Information policy**
This governs the dissemination of information by the Group, including in relation to stock exchange listing requirements.
- **Inside information policy**
This supplements the rules contained in the EU Market Abuse Regulation and other insider trading legislation with directives on notification obligations and trading in Nolato's shares.
- **Trade sanctions policy**
This regulates the restrictions on employees having business relationships with certain individuals, companies, governments and countries according to sanctions, laws and rules issued by various countries at any given time.
- **Whistleblowing policy**
This governs the Group's systems and procedures for receiving and handling reports of possible irregularities.

Information and communication

The company's steering documents for financial reporting consist mainly of policies and guidelines, which are kept up-to-date and communicated via the relevant channels. Information is obtained from the subsidiaries through financial and operational reports to the boards of the subsidiaries, the business area management and the Group management.

There is an information policy for communication with external parties, which provides guidelines on how such communication should be carried out.

The aim of the policy is to ensure that all information obligations are complied with in a correct and complete manner.

Monitoring

The President and CEO is responsible for internal control being organised and monitored in accordance with the guidelines established by the Board. Financial control is carried out by the Group financial function. Financial reporting is analysed in detail each month.

The Board has monitored the financial reporting at its meetings, and the company's auditors have reported back their observations to the Board and the Audit Committee. The Audit Committee has received reports from the auditor on an ongoing basis, and monitors measures taken to improve or amend controls. The Board has received financial reports on a monthly basis and

the company's financial situation has been addressed at each Board meeting.

The Board and the Audit Committee have reviewed all interim reports and the Annual Report prior to publication.

Internal audit

Nolato has a simple legal and operating structure and established management and internal control systems. The Board and the Audit Committee monitor the organisational assessment of internal control, including through contact with Nolato's auditors. In view of the above, the Board has chosen not to carry out any specific internal audit.

Torekov, Sweden, 12 March 2020



Fredrik Arp
Chairman of the Board



Dag Andersson
Board member



Sven Boström-Svensson
Board member



Lovisa Hamrin
Board member



Åsa Hedin
Board member



Henrik Jordén
Board member



Lars-Åke Rydh
Board member



Jenny Sjö Dahl
Board member



Björn Jacobsson
Employee representative



Håkan Svensson
Employee representative

Auditor's statement on the corporate governance report

To the general meeting of the shareholders of Nolato AB, company reg. no. 556080-4592

Directive and division of responsibility

The Board of Directors is responsible for the corporate governance report for the 2018 financial year and for ensuring that it is prepared in accordance with the Swedish Annual Accounts Act.

Focus and scope of the review


Our review has been carried out in accordance with FAR's auditing standard RevU 16, Auditor's Examination

of the Corporate Governance Statement. This means that our review of the corporate governance report has a different focus and is considerably less in scope than the focus and scope of an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our opinions.

Opinion

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6 second paragraph, points 2–6 of the Annual Accounts Act and Chapter 7, Section 31 second paragraph of the same law are consistent with the annual accounts and consolidated accounts, and are in accordance with the Annual Accounts Act.

Torekov, Sweden, 19 March 2020
Ernst & Young AB



Joakim Falck
Authorised public accountant

Nolato's Board of Directors

Nolato's Board of Directors



Name	Fredrik Arp	Dag Andersson	Sven Boström-Svensson	Lovisa Hamrin	Åsa Hedin
Elected	2009 (also member 1998–1999)	2014	2013	2017	2014
Position	Chairman of the Board and Chairman of the Remuneration Committee.	Board member	Board member	Board member	Board member
Born	1953	1961	1983	1973	1962
Education	Master of Science (Economics) and Ec. Doctor h.c.	Master of Science (Economics), Stockholm School of Economics. MBA INSEAD.	Bachelor of Science (Chemistry) Master of Science (Analytical Chemistry) and Bachelor of Science (Economics).	Master of Science (Economics and Business), Stockholm School of Economics and Bachelor of Science.	Master of Science (Biophysics), Bachelor of Science (Physics).
Other assignments	Chairman of Bravida Holding AB. Board member of Vattenfall and Swedfund International.	Board member of GHP AB (publ), Terveystalo OY (publ) and XVIVO AB (publ).	—	Chairman of the Carl-Olof and Jenz Hamrin Foundation. Board member of JIBS Strategy Board.	Board member of Tobii AB, Cellavision AB, C-Rad AB, Immunovia AB and Industrifonden AB.
Background	CEO of Volvo Cars, Trelleborg, PLM.	President and CEO of Diaverum AB. Deputy CEO of Mölnlycke Health Care, various positions at SKF.	—	Owner and President of Herenco AB, owner and Executive Chairman of Herenco Holding AB, senior management positions at Hall Media AB and Schibsted.	Deputy CEO of Elekta AB. Senior management positions at Siemens Healthcare and Gambro AB.
Attendance	8 out of 8 meetings	7 out of 8 meetings	8 out of 8 meetings	7 out of 8 meetings	7 out of 8 meetings
Remuneration¹⁾	595,000	215,000	215,000	215,000	215,000
Shareholding²⁾	3,000 B (3,000 B)	5,000 B (10,000 B)	255,870 B (255,870 B)	819,200 A + 1,431,743 B (819,200 A + 1,486,743 B)	0 (0)
Dependence	Independent of the company and major shareholders.	Independent of the company and major shareholders.	Independent of the company but not independent of major shareholders.	Independent of the company but not independent of major shareholders.	Independent of the company and major shareholders.

¹⁾ For further information about remuneration, see Note 27 on page 77 in the Annual Report 2018.

²⁾ Shareholding in Nolato at 31/12/2019 (31/12/2018) incl. family and companies, according to Euroclear Sweden. For current information see www.nolato.com

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Name	Henrik Jorlén	Lars-Åke Rydh	Jenny Sjö Dahl	Björn Jacobsson	Håkan Svensson
Elected	1974	2005	2016	2015 (also member 2000–2013) Deputy 2014	2014 Deputy 2009–2014
Position	Board member and member of the Audit and Remuneration Committees.	Board member and Chairman of the Audit Committee.	Board member	Employee representative from LO (the Swedish Trade Union Confederation).	Employee representative from PTK (Swedish Federation of Salaried Employees in Industry and Services).
Born	1948	1953	1973	1971	1960
Education	Business school	Master of Science (Engineering)	Master of Science (Industrial Economics), MBA	Upper secondary school	Upper secondary school. Completed PTK employee representative course.
Other assignments	—	Chairman of Danfo AB, Olja ek. för., Schuchardt Maskin AB, Chiffonjén AB, CombiQ AB and Prototypen AB. Board member of Nefab AB, Garo AB, Spectria Invest Fond AB, Söderbergsföretagen AB, Hjo Verktyg AB and Östrand o Hansen AB.	Board member of Nibe Industrier AB.	—	—
Background	Senior management positions within the Nolato Group.	President and CEO of Nefab.	CEO of Westermo Network Technologies AB (ongoing). Senior management positions within ABB.	Employed at Nolato Gota.	Employed at Nolato Cerbo.
Attendance	8 out of 8 meetings	8 out of 8 meetings	7 out of 8 meetings	8 out of 8 meetings	8 out of 8 meetings
Remuneration¹⁾	262,000	285,000	215,000	0	0
Shareholding²⁾	294,000 A + 37,950 B (294,000 A + 37,950 B)	2,000 B (2,000 B)	0 (0)	0 (0)	0 (0)
Dependence	Independent of the company but not independent of major shareholders.	Independent of the company and major shareholders.	Independent of the company and major shareholders.	—	—

Deputy employee representatives are Arif Mislimi (LO Swedish Trade Union Confederation), Mats Larsson and Reynaldo Mejedo (PTK organisation).

¹⁾ For further information about remuneration, see Note 27 on page 77 in the Annual Report 2018.

²⁾ Shareholding in Nolato at 31/12/2019 (31/12/2018) incl. family and companies, according to Euroclear Sweden. For current information see www.nolato.com

Nolato Group management



Name	Christer Wahlquist	Per-Ola Holmström	Johan Iveberg	Jörgen Karlsson	Johan Arvidsson
Employed	1996	1995	2010	1995	1994
Position	President and CEO since 2016.	Executive Vice President and CFO since 1995.	President of Medical Solutions since 2016.	President of Integrated Solutions since 2009.	President of Industrial Solutions since 2012 and MD of Nolato Hungary since 2008.
Born	1971	1964	1969	1965	1969
Education	Master of Science (Engineering) MBA	Bachelor of Science (Economics)	Master of Science (Engineering)	Polymer Engineering	Master of Science (Engineering)
Background	Business Area President. MD in Group companies.	Authorised Public Accountant.	Senior positions with Trelleborg, Akzo Nobel and Perstorp. MD in Group companies.	Marketing manager. MD in Group companies.	MD in Group companies.
Shareholding¹⁾	17,712 B (15,712 B)	15,084 B (14,084 B)	5,500 B (3,000 B)	2,000 (0)	10,000 B (5,000 B)
Warrants	38,000 (Series 2017/2020) 38,000 (Series 2018/2021)	19,000 (Series 2017/2020) 19,000 (Series 2018/2021)	19,000 (Series 2017/2020) 19,000 (Series 2018/2021)	19,000 (Series 2017/2020) 19,000 (Series 2018/2021)	19,000 (Series 2017/2020) 19,000 (Series 2018/2021)

¹⁾ Shareholding in Nolato at 31/12/2019 (31/12/2018) incl. family and companies, according to Euroclear Sweden. For current information see www.nolato.com



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