

# SALES

# CORPORATE GOVERNANCE

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CORPORATE GOVERNANCE REPORT 2019 TROAX GROUP

## CORPORATE GOVERNANCE

Troax Group AB (publ) ("Troax" or "The Company") is a Swedish public limited company. The company's shares were admitted to trading on Nasdaq Stockholm on 27 March 2015 and since then the Company applies the Swedish Code for Corporate Governance ("the Code"). The guidelines relating to the Code can be found on the website of the Swedish Corporate Governance Board ([www.bolagsstyrning.se](http://www.bolagsstyrning.se)). The Code is based on the principle "comply or explain", which means that companies applying the Code may deviate from individual rules provided they give an explanation for the deviation. Troax did not deviate from the Code in 2019.

## SHARE CAPITAL AND SHAREHOLDERS

The share capital at year-end amounted to EUR 2,574,618, comprising 60,000,000 shares. In the financial year the company carried out a share split at a ratio of 3:1, resulting in the number of shares rising from 20,000,000 to 60,000,000. All shares carry the same number of votes. At the end of 2019, Investmentaktiebolaget Latour owned 18,060,000 shares (6,020,000), corresponding to 30.1% (30.1%) of the equity and votes. The ten largest shareholders together owned 74.5% (70.0%) of the shares in the company. For further information about the share and shareholders, see [www.troax.com](http://www.troax.com).

## ANNUAL GENERAL MEETING

According to the Swedish Companies Act (2005:551), the General Meeting of shareholders is the company's highest decision-making body. At General Meetings shareholders exercise their voting rights on key issues such as adoption of the income statement and balance sheet, appropriation of the Company's profit or loss, discharge from

liability of the members of the Board and the CEO, election of Board members and auditors and remuneration of the Board and auditors. The Articles of Association do not contain any separate restrictions on the appointment or removal of a Board member or amendment of the Articles of Association. Nominations of Board members comply with the instructions issued by the Annual General Meeting in 2019.

The Annual General Meeting must be held within six months of the end of the financial year. In addition to the Annual General Meeting, extraordinary general meetings may be called. In accordance with the Articles of Association, notice of a general meeting of shareholders must be given through an advertisement in the official gazette Post- och Inrikes Tidningar and notice of the meeting must be made available on the company's website. At the time of the notice, information that notice has been given must be published in the Swedish newspaper Svenska Dagbladet.

## RIGHT TO PARTICIPATE IN GENERAL MEETINGS OF SHAREHOLDERS

Shareholders who want to participate in a general meeting must be entered in the share register maintained by Euroclear Sweden on the day five working days before the meeting, and must notify the Company of their attendance not later than on the date stated in the notice of the general meeting. Shareholders can attend general meetings in person or through a proxy and can also be assisted by up to two people. Normally, shareholders have an opportunity to notify the company of their intention to attend the general meeting in several different ways, which are stated in the notice. Shareholders are entitled to use all the voting rights attached to their shareholding in the company.

## SHAREHOLDER INITIATIVES

Shareholders who wish to have a matter considered by the meeting must submit a written request to the Board. Such a request must normally be received by the Board not later than seven weeks before the general shareholders' meeting.

## ANNUAL GENERAL MEETING 2019

The 2019 Annual General Meeting was held on 14 May. The Annual General Meeting elected six Board members, including Chairman of the Board, Jan Svensson, and appointed a Nomination Committee, see below under "Nomination Committee". At total of 60.49% (66.06%) of the shares and votes in the company were represented at the Annual General Meeting. The financial statements and accompanying Auditor's report were presented to the Annual General Meeting and adopted, while the Board and CEO were granted discharge from liability. The Annual General Meeting also decided that fees totalling SEK 1,540,000 (SEK 1,420,000) will be paid to the Board, plus SEK 250,000 (SEK 200,000) for committee work, and that the elected auditors will receive payment against an approved invoice. The Annual General Meeting also authorised the Board, in the period until the next Annual General Meeting, to take a decision on one or more occasions on purchase of own shares, to carry out a share split at a ratio of 3:1, and also passed a resolution on a share option scheme for senior executives.

## NOMINATION COMMITTEE

Companies that adhere to the Code must have a Nomination Committee. With effect from 2019, the Nomination Committee is appointed on the basis of ownership of the company as at the last banking day in August. According to the Code, the Nomination Committee must comprise at least three members, of which a majority shall be independent in relation to the company and the Group management. At least one of the Nomination Committee's members must be independent in relation to the company's largest shareholder in terms of voting power or in relation to a group of shareholders that cooperate on the company's management. The Nomination Committee shall prepare its recommendations taking into account that the composition of the Board must be appropriate in view of the company's business, stage of development and other relevant circumstances. The Board members must together offer diversity and breadth in terms of qualifications, experience and background.

The Nomination Committee for the 2020 Annual General Meeting comprises Jan Svensson (Chairman of the Board), Johan Hjertson (representing shareholder Latour and Chairman of the Nomination Committee), Jan Särilvik (representing shareholder Nordea Funds) and Lilian Fossum Biner (representing shareholder Handelsbanken). The Nomination Committee's mandate remains in force until a new Nomination Committee has been appointed.

## BOARD OF DIRECTORS

The Board of Directors is the company's next highest decision-making body after the General Meeting of shareholders. In accordance with the Swedish Companies Act, the Board is responsible for the

company's administration and organisation, which means that the Board is responsible for, among other things, establishing goals and strategies, safeguarding procedures and systems for evaluation of established goals, continuously evaluating the company's results and financial position, as well as evaluating the operational management. The Board is also responsible for ensuring that the annual report and interim reports are prepared in a timely manner. The Board also appoints the CEO.

Board members are normally elected by the Annual General Meeting for the period until the end of the next Annual General Meeting. According to the company's Articles of Association, the Board must, to the extent it is elected by the Annual General Meeting, comprise at least four members and not more than eight members, with up to four deputy members. In accordance with the Code, the Chairman of the Board must be elected by the Annual General Meeting and have special responsibility for management of the Board's work and for ensuring that the Board's work is well-organised and performed in an effective manner. The persons elected to the Board of Directors at the Annual General Meeting in 2019 are shown on pages 64–65. It is the Nomination Committee's opinion that the composition of the Board of Directors is appropriate in view of the company's business, financial position, stage of development and other circumstances. An important basis for nomination of board members is that the composition of the board must reflect and accommodate the various skills and experiences that may be required for the company's strategic development and governance. In particular, the Nomination Committee has taken into account the requirement for diversity and breadth on the board, as well as the need to strive for equal gender distribution. According to the Nomination Committee, the composition is appropriate for the purpose of meeting such requirements in the company's business. The Nomination Committee has chosen to apply rule 4.1 of the Corporate Governance Code as its diversity policy.

The Board of Directors adheres to written rules of procedure that are revised annually and established at the first scheduled board meeting following election. The rules of procedure govern such matters as board practices, functions and the division of responsibilities between Board members and the CEO. In connection with the board meeting following election, the Board shall establish the terms of reference for the CEO relating to financial reporting.

The Board meets in accordance with an annually established schedule. In addition to these board meetings, additional board meetings can be convened in order to deal with matters that cannot be referred to an ordinary board meeting. In addition to board meetings, the Chairman of the Board and the CEO maintain a continuous dialogue concerning management of the company.

During the reporting year the Board met four times. For attendance in 2019, see separate table. Agendas for board meetings, together with the documentation that is required in accordance with the rules of procedure, are sent out to Board members approximately one week before the meeting. In addition to this documentation, Board

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members receive monthly continuous follow-up of financial performance and other relevant information.

The Chairman of the Board and CEO discuss and decide issues for the respective meetings before these take place. The Company's CFO regularly participates in the company's board meetings. In addition to this member of the Group management, others can participate in the meetings if so desired or required.

The company's Board currently comprises six ordinary members and two employee representatives, who are presented in the section "Board of Directors, senior executives and auditors".

#### AUDIT COMMITTEE

The Board has decided to work via an Audit Committee chaired by chairman Anna Stålenbring, and this Committee held four meetings in 2019. The primary duties of the Audit Committee include:

- » overseeing the company's financial reporting
- » overseeing the effectiveness of the company's internal control, internal audit and risk management
- » keeping informed about the audit of the financial statements and the consolidated financial statements
- » reviewing and monitoring the auditor's impartiality and independence, paying particular attention to whether the auditor provides the company with other services than audit services
- » assisting with preparing proposals to the Annual General Meeting for the election of auditors.

#### REMUNERATION COMMITTEE

The Board decided to appoint a Remuneration Committee for 2019, and to appoint Jan Svensson chairman of the Committee. The Remuneration Committee met twice in 2019. In terms of remuneration issues for 2019, this meant that the Committee:

- » prepared suggestions concerning remuneration principles, remuneration and other employment terms and conditions for the CEO and senior executives
- » reviewed and evaluated existing and completed variable remuneration programmes for the company's management

- » reviewed and evaluated the application of guidelines for remuneration of senior executives, as decided by the Annual General Meeting, and other remuneration structures and remuneration levels within the company.

#### EVALUATION OF THE BOARD'S WORK

The Chairman of the Board of Directors is responsible for evaluation of the Board's work, including assessment of individual Board members' performances. This is carried out on an annual basis according to an established procedure. The assessment focuses on factors such as availability of, and requirements for, specific competence within the Board, commitment, the quality of the Board material and time for reading the same. The results of the evaluation are reported to the Nomination Committee and form the basis for the Nomination Committee's proposals for board members and fees for the Board.

#### CEO AND OTHER SENIOR EXECUTIVES

The CEO is subordinate to the Board of Directors and is responsible for the company's ongoing management and day-to-day operations. The division of responsibilities between the Board of Directors and the CEO is set out in the rules of procedures for the Board and the terms of reference issued to the CEO. The CEO is also responsible for preparing reports and compiling information from management ahead of board meetings, and for presentation of the material at board meetings.

In accordance with the instructions for financial reporting, the CEO is responsible for the company's financial reporting and must consequently ensure that the Board receives correct information in order to be able to evaluate the company's financial position.

The CEO must continuously keep the Board informed about the development of the company's operations and sales, results and financial position, cash flows, credit status, significant business events and all other events, circumstances or conditions that can be assumed to be important to the company's shareholders.

The CEO and the senior executives are presented in the section "Board of Directors, senior executives and auditors".

## REMUNERATION OF BOARD MEMBERS, THE CEO AND SENIOR EXECUTIVES

#### REMUNERATION FOR BOARD MEMBERS

Decisions on fees and other remuneration for Board members, including the chairman, are taken by the Annual General Meeting. Remuneration of the Chairman of the Board was determined at SEK 540,000, with a fee of SEK 250,000 to be paid to each of the Board members Bertil Persson, Anna Stålenbring, Eva Nygren and Fredrik Hansson. Thomas Widstrand does not receive remuneration

in his capacity as an employee of the company. Board members are not entitled to benefits after the end of their appointment.

#### GUIDELINES FOR REMUNERATION OF THE CEO AND OTHER SENIOR EXECUTIVES

The Annual General Meeting in May 2019 passed resolutions on guidelines for remuneration of the CEO and other senior executives.

#### REMUNERATION IN THE FINANCIAL YEAR 2019

Remuneration to the company's management comprises basic salary, variable compensation, pension benefits and other benefits. The table below shows an overview of remuneration of Board members and senior executives in the financial year 2019. The amounts are shown in EUR thousand.

GROUP	Attendance		Remuneration				
	Board meetings	Audit Committee	Remuneration Committee	Fee/Basic salary	Variable remuneration	Other benefits	Pension
Jan Svensson (chair)	4/4		2/2	55.7	–	–	–
Anna Stålenbring	4/4	4/4		33.1	–	–	–
Eva Nygren	4/4		2/2	26.0	–	–	–
Bertil Persson	4/4	4/4		30.7	–	–	–
Fredrik Hansson	4/4			23.6	–	–	–
Bength Håkansson (empl)	4/4			–	–	–	–
Milenko Simic (empl)	3/4			–	–	–	–
Thomas Widstrand (CEO)	4/4			276.5	14.6	9.7	85.9
Other senior executives, 6 persons				958.2	77.8	95.0	219.5
<b>Total</b>				<b>1,403.8</b>	<b>92.4</b>	<b>104.7</b>	<b>305.4</b>

#### CURRENT EMPLOYMENT CONTRACTS FOR THE CEO AND OTHER SENIOR EXECUTIVES

Decisions on current remuneration levels and other employment terms and conditions for the CEO and other senior executives are taken by the Board of Directors. Agreements on pensions must, where possible, be based on fixed premiums and must adhere to levels, practices and collective agreements that apply in the country where the senior executive in question is employed.

The CEO is entitled to a fixed annual salary of EUR 276,500 and a variable salary linked to certain key performance indicators which corresponds to a maximum of EUR 138,000. In 2019, total remuneration, including pension provisions, to the CEO amounted to EUR 386,700. The CEO falls within the scope of both the Swedish National Insurance Act and the so-called basic level in accordance with the ITP plan on salary components of up to 7.5 income base amounts. In addition to this, a premium increment applies that replaces the opt-out premium for alternative ITP pension.

At the end of the financial year, the senior management comprised six senior executives in addition to the CEO. In 2019, total remuneration

to senior executives amounted to EUR 1,350,500. Senior executives resident in Sweden are subject to a period of notice of 3–6 months in case of resignation by the employee, and 6–12 months in the case of termination by the employer. Senior executives fall within the scope of both the Swedish National Insurance Act and the ITP plan, including the right to a pension scheme for high earners.

#### AUDIT

The auditor must audit the Company's financial statements and accounts and the Board's and CEO's administration. After each financial year the auditor must submit an Auditor's report and a consolidated Auditor's report to the Annual General Meeting. In 2019, the auditor participated in one board meeting in order to provide comments on continuous auditing and the general approach to the accounting year. Auditors are elected until the Annual General Meeting in 2020.

In accordance with the company's Articles of Association, the company must have a minimum of one and not more than two auditors and up to two deputy auditors. The Company's auditor is Öhrlings PricewaterhouseCoopers AB, with Johan Palmgren

as auditor in charge. The company's auditor is presented in more detail in the section "Board of Directors, senior executives and auditors". In 2019, total remuneration to the Group's auditors amounted to EUR 245,000 (EUR 236,000).

#### **INFORMATION POLICY, INSIDER POLICY AND LOGBOOK INSTRUCTIONS**

The company has adopted an information policy in order to comply with the information requirements for a company whose shares are listed on a regulated market.

The company has prepared a policy document in order to inform employees and other stakeholders within Troax about the applicable rules and regulations relating to the company's disclosure of information and the special requirements that apply for persons active in a listed company, for example with regard to information that affects the share price.

#### **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The objective of the internal financial controls within Troax is to create an effective decision-making process in which requirements, targets and frameworks are clearly defined. The company and management use the internal control systems to monitor operations and the group's financial position.

#### **CONTROL ENVIRONMENT**

The basis for internal controls relating to financial reporting comprises the overall control environment. Troax's control environment includes sound values, competence, management philosophy, organisational structure, responsibility and authorities. Troax's internal instructions, policies, guidelines and manuals provide guidance for employees. The control environment also includes laws and external regulations.

Troax maintains a clear division of roles and responsibilities in order to ensure effective management of the company's risks, for example, through rules of procedure for the Board and committees and through the terms of reference for the CEO. In the continuing operations, the CEO is responsible for the system of internal controls that is required to create a control environment for material risks. Troax also has guidelines and policies on financial governance and follow-up, issues concerning communication and business ethics. All companies within the Group have the same financial system with the same accounting plan.

The Board has appointed an Audit Committee, the duties of which include ensuring that established principles for financial reporting and internal controls are upheld.

#### **RISK ASSESSMENT AND CONTROL ACTIVITIES**

There is a risk that material misstatement could occur in the financial statements in connection with accounting and measurement of assets, liabilities, income and expenses or deviations from information requirements. Troax's finance function

carries out an annual risk analysis with regard to the group's balance sheet and income statement based on qualitative and quantitative risks.

Standard control activities include account reconciliation and supporting controls. The purpose of all control activities is to prevent, detect and correct any errors or deviations in financial reporting. The most significant risks concerning financial reporting identified as a result of the Group's internal control activities are managed through control structures that in all material respects are based on deviation reporting from established goals or standards.

#### **FOLLOW-UP**

The Group applies IFRS. Financial data is reported monthly from 24 reporting entities in accordance with standardised reporting procedures. The reporting constitutes the basis for the Group's consolidated financial reporting. Consolidation is done from a legal and operational perspective, resulting in statutory quarterly reporting and monthly operating reports.

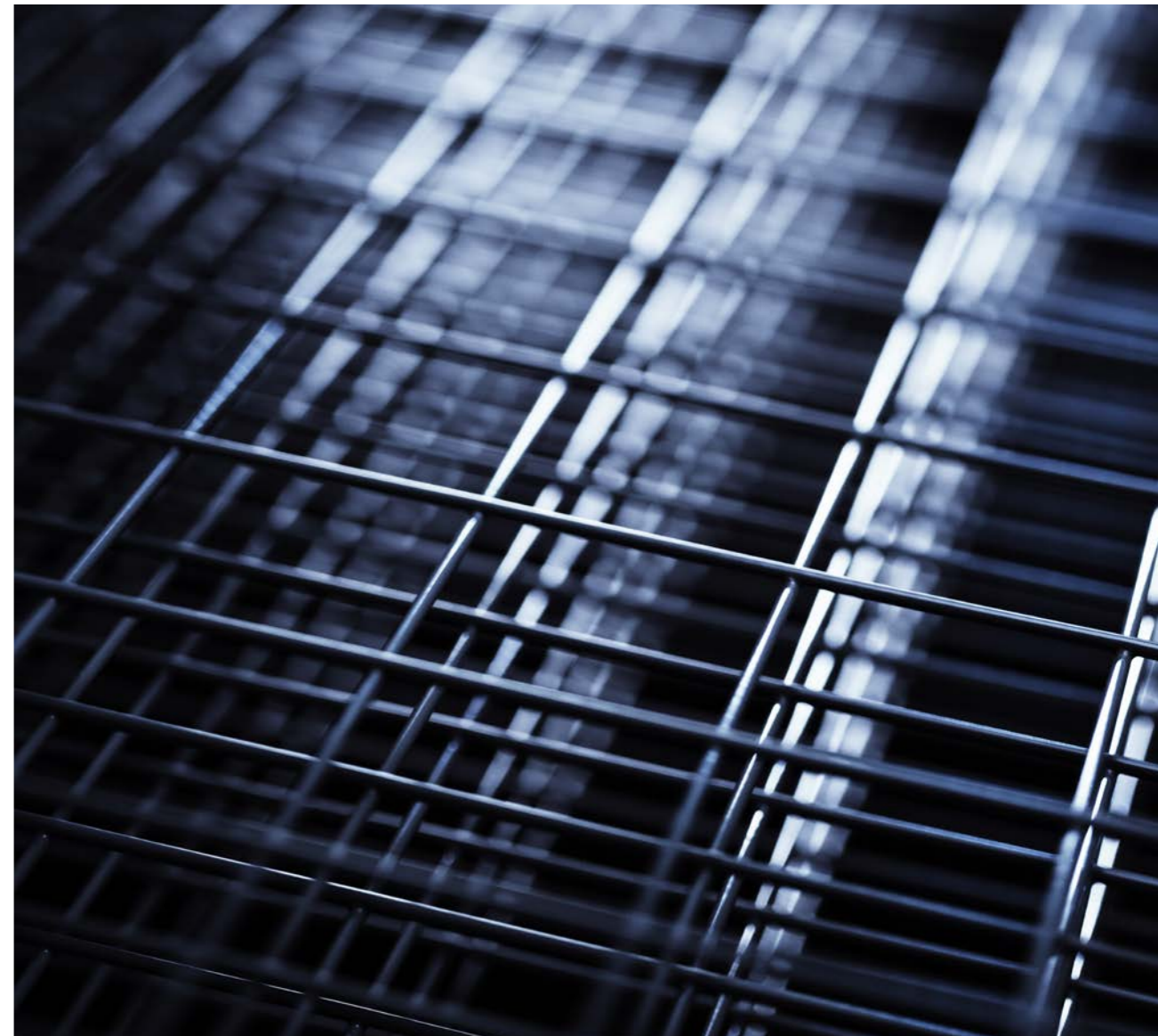
#### **INTERNAL AUDIT**

According to the Code, the Board must make a decision annually on whether the Company should have an internal audit function that evaluates whether internal governance and controls are functioning as planned, or whether the Board should establish that this is the case in some other way.

The Company has not established a separate internal audit function with regard to financial reporting. This function is performed by the Board in its entirety. The issue is also reviewed annually by the Audit Committee. Efficient work by the Board therefore forms the basis for good internal control. Troax's Board has established rules of procedure and clear instructions for its work.

At Group level, the managing director of each legal entity, together with the legal and/or operating entity's finance function and the Group's finance director, are responsible for ensuring that requisite controls are carried out and followed up. Internal control includes control over the company's and Group's organisation, procedures and follow-up measures. The purpose is to ensure that financial reporting is reliable and accurate, that the company's and Group's financial reporting is prepared in accordance with laws and applicable accounting standards and that other requirements are adhered to. The system for internal control also aims to monitor adherence to the company's and Group's policies, principles and instructions. In addition, monitoring covers protection of the company's assets and that the company's resources are utilised in a cost-effective and appropriate manner. Furthermore, internal control is performed through follow-up of implemented information and business systems and through risk analysis.

The size of the company, combined with the activities described above relating to internal governance and control, mean that the Board has not found it necessary to establish a separate internal audit function. The matter of a separate internal audit function will be assessed annually, however.



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

#### **ENGAGEMENT AND RESPONSIBILITIES**

The Board of Directors is responsible for the Corporate Governance Report for 2019 on pages 58–62 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

#### **FOCUS AND SCOPE OF THE AUDIT**

Our review has been carried out in accordance with FAR's auditing standard RevU 16 Auditor's review of the Corporate Governance Report. This means that our review of the Corporate Governance Report has a different focus and is significantly less in scope than the focus and scope of an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides sufficient basis for our opinions.

#### **OPINION**

A Corporate Governance Report has been prepared. Disclosures in accordance with Chapter 6, Section 6, paragraph 2, items 2–6 of the Swedish Annual Accounts Act and Chapter 7, Section 31, paragraph 2 of the same Act are consistent with the financial statements and consolidated financial statements and are in accordance with the Swedish Annual Accounts Act.

Gothenburg, 25 March 2020  
Öhrlings PricewaterhouseCoopers AB

#### **JOHAN PALMGREN**

*Authorised Public Accountant  
Auditor in Charge*

# BOARD OF DIRECTORS

## SHAREHOLDINGS AS AT 31 DEC 2019



### JAN SVENSSON

Chairman of the Board since 2016.

**BORN:** 1956

**EDUCATION:** Mechanical engineer and MSc in Business and Economics.

**PROFESSIONAL EXPERIENCE:** Group CEO and CEO of Investment AB Latour.

**OTHER SIGNIFICANT BOARD APPOINTMENTS:** Chairman of the Board of AB Fagerhult, Tomra Systems ASA and Alimak Group AB. Board member of Assa Abloy AB, Loomis AB, Climeon AB, Stena Metall AB and Herenco AB.

**SHAREHOLDING:** 15,000



### ANNA STÅLENBRING

Board member since 2015.

**BORN:** 1961

**EDUCATION:** MSc from Växjö University.

**PROFESSIONAL EXPERIENCE:** 30 years of experience of management of industrial companies, mostly within the Nefab group.

**OTHER SIGNIFICANT BOARD APPOINTMENTS:** Board member of FM Mattsson Mora Group AB (publ) and Investment AB Chiffonjén.

**SHAREHOLDING:** 9,000



### FREDRIK HANSSON

Board member since 2018.

**BORN:** 1971

**EDUCATION:** MSc in Business and Economics from University of North Alabama.

**PROFESSIONAL EXPERIENCE:** CEO of Roxtec AB, owner-manager.

**OTHER SIGNIFICANT BOARD APPOINTMENTS:** Chairman of the Board of Scanbox Thermoproducts AB and Hedson International AB. Board member of HMS Networks AB, NordLock Group AB and Anocca AB.

**SHAREHOLDING:** 0



### BERTIL PERSSON

Board member since 2018.

**BORN:** 1961

**EDUCATION:** MSc in Business and Economics from Stockholm School of Economics.

**PROFESSIONAL EXPERIENCE:** CEO of Beijer Alma group, senior positions at LGP Telecom, Scania AB and Investor AB.

**OTHER SIGNIFICANT BOARD APPOINTMENTS:** Board member of Christian Berner Tech Trade AB and Nobina AB.

**SHAREHOLDING:** 4,500



### THOMAS WIDSTRAND

CEO since 2008 and Board member since 2014.

**BORN:** 1957

**EDUCATION:** MBA from the University of Gothenburg; School of Business, Economics and Law.

**PROFESSIONAL EXPERIENCE:** Managing Director of Borås Wärfveri AB and Cardo Pump AB.

**OTHER SIGNIFICANT BOARD APPOINTMENTS:** Board member of Profilgruppen AB.

**SHAREHOLDING:** 3,447,780



### EVA NYGREN

Board member since 2016.

**BORN:** 1955

**EDUCATION:** Architecture at Chalmers University of Technology.

**PROFESSIONAL EXPERIENCE:** Investment Director at the Swedish Transport Administration, CEO and President of Rejlerkoncernen AB, CEO of Sweco Sverige AB, Sweco Russia AB and Sweco FFNS Architects AB.

**OTHER SIGNIFICANT BOARD APPOINTMENTS:** Chairman of the Board of Brandkonsulten AB, Board member of JM AB, Uponor OY, Ballingslöv International AB, Diös AB and NRC Group ASA.

**SHAREHOLDING:** 1,500



### BENGTH HÅKANSSON

Board member (employee representative) since 2010.

**BORN:** 1957

**EDUCATION:** Technical college graduate.

**PROFESSIONAL EXPERIENCE:** Business area manager for the Stockholm region at Troax Nordic AB.

**SHAREHOLDING:** 4,125



### MILENKO SIMIC

Board member (employee representative) since 2016.

**BORN:** 1967

**EDUCATION:** Production manager, Higher Vocational Training.

**PROFESSIONAL EXPERIENCE:** Industrial production. Employed by Troax AB since 2001.

**SHAREHOLDING:** 3

