

# CORPORATE GOVERNANCE

AQ Group is a Swedish public company listed on Nasdaq Stockholm’s main market since January, 2017.

Corporate governance in AQ Group AB (publ) means to ensure that the company is managed on behalf of its shareholders as efficiently as possible, through a combination of written rules and practices. AQ Group follows the "Swedish Corporate Governance Code" that applies to Swedish companies whose shares are traded on a regulated market (Nasdaq Stockholm’s main market).

## The shareholders

AQ Group had at year-end 4,943 (4,353) shareholders. Information on share performance, ownership, dividends and more can be found under shares, share capital and ownership.

## Legislation and articles of association

AQ Group primarily applies the Swedish Companies Act and the rules that apply due to the share being listed. AQ’s articles of association contain no restrictions on how many votes a shareholder may cast at the Annual General Meeting regarding the appointment of Board members and amending the Articles of Association.

## Annual General Meeting

Notice of an annual general meeting is issued no earlier than six and no later than four weeks before the meeting. The notice contains information about registration and the right to participate in and vote at the meeting, as well as numbered agenda with the matters to be considered. Registration for the meeting is made in writing to the Company’s address, or via e-mail. Proposals for the meeting should be addressed to the Board, with the address of its registered office, and submitted in good time before the notice is issued. The notice and agenda are also published on the website. Shareholders or representatives may vote for the full number of owned or represented shares.

The AGM shall be held within four months of the fiscal year’s end. At the AGM, among

other things decisions are made regarding the approval of the balance sheet and income statement, discharge from liability for the Board and CEO and the appropriation of retained earnings.

AQ Group’s Annual General Meeting on April 25, 2019 was attended by 43 shareholders and representatives amounting to 65.9 % of the total number of shares and votes in the Company. At the AGM, the CEO, Group Management Team and members of the Board were present. During the meeting, shareholders were given the opportunity to ask questions which were also answered during the meeting. In addition to the above mentioned decisions, the AGM decided on remuneration to the Board of SEK 1,910,000 in total. The Meeting resolved to approve the Board’s proposal for remuneration to senior executives. The meeting authorised the Board to, until the Annual General Meeting for fiscal year 2019, on one or several occasions, with or without preferential rights for shareholders, to decide on a share issue of a maximum of 1,500,000 shares via allocation or by cash

AQ Group has not had an extraordinary general meeting for the fiscal year in 2019.

## APPOINTMENT OF OFFICERS Nomination Committee

The Nomination Committee represents the shareholders and shall consist of one member appointed by each of the four largest shareholders.

These four shall be members of the Nomination Committee for the AGM in 2020.

If any of the four largest shareholders waive their right to appoint a member to the nomination committee, the next shareholder in size shall be given the opportunity to appoint a member. In the event of a significant change in the ownership structure after the Nomination Committee’s constitution, the composition of the nomination committee must also be changed accordingly.

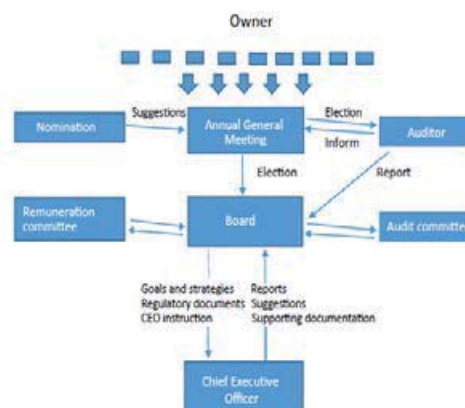
The nomination committee’s task is to, before the AGM, submit proposals with respect to the number of board members which are to be elected by the Annual General Meeting, the Board’s fees, the Board’s composition, the Chairman, the Chairman of the Annual General Meeting and the selection of auditors and auditor fees. The nomination committee’s term of office extends until a new committee is appointed. No fees shall be paid to the committee members.

The nomination committee consists of four members, of which two are not connected to the Company’s Board of Directors.

Furthermore, at least one must be independent of the Company.

The nomination committee consist of Chairman Vegard Søråunet, ODIN Fonder, Björn Henriksson elected from Nordea Fonder, PO Andersson via own mandate and Claes Mellgren via own mandate until the Annual General Meeting for 2020.

## How AQ is governed



## Board

The Nomination Committee shall submit proposals for the election of Chairman and other Board members and the fees awarded to the Chairman and the other members.

As a basis for its proposals, the Nomination Committee shall;

- assess the degree to which the current Board meets future requirements with regard to the Company's development and take part in the evaluation of the Board's activities during the year
- establish profile for new members, and
- systematically search for new members and consider in particular the need for versatility and breadth of the Board and strive for a good gender balance.

Upon publication of the Nomination Committee's proposals, information shall include age, other significant assignments, own share holdings and those of close relations, independent executives/shareholders in managing roles, number of years on the Board (upon re-election), and other items considered essential for assessing competence and independence.

At the AGM, the Nomination Committee shall submit a report on how the work was done, and present and motivate proposals. If no renewal is proposed, a special justification shall be provided.

The Board shall have, with regard to the company's business, development stage and other conditions, an appropriate composition, characterized by versatility and breadth regarding the competence, experience and background of the members elected by the Annual General Meeting. An even gender distribution should be strived for.

At the AQM, P-O Andersson, Ulf Gundemark, Gunilla Spongh, Lars Wrebo, Annika Johansson-Rosengren and Claes Mellgren were elected board members. Patrik Nolåker was elected Chairman of the Board.

## Tasks for the Board

The Board shall for its owners:

- set overall goals and strategies
  - continuously evaluate the company's management
  - take responsibility so that routines and systems are adapted for the Company's operations
  - take responsibility for transparency in external information
  - ensure that laws and regulations are complied with and
  - that the Company has good ethical conduct
- The Board's overall task is to manage the

Company's affairs in such a way that the interests of the shareholders for good and longterm capital returns are realised in the best possible way.

## Board composition

The Board shall, according to the articles of association, consist of at least three and no more than seven members. The members are selected annually for the period until the next AGM. The majority of the members shall be independent of the Company and its management. The Board shall have the size and composition which is required in terms of competence and experience for the Company's business and development, as well as the independence required so that the Board can independently and effectively manage the Company's affairs.

## Board's work

In 2019, four scheduled meetings were held, one statutory meeting, four teleconferences and four per capsulam meetings. Before Board meetings, Board members were provided with written information on the issues to be discussed at the meeting. The Board has, in 2019, devoted particular attention to the introduction of the new CEO and acquisitions.

Board's attendance in 2019:

Patrik Nolåker	13 of (13) possible
P-O Andersson	12 of (13) possible
Ulf Gundemark	13 of (13) possible
Gunilla Spongh	13 of (13) possible
Lars Wrebo	12 of (13) possible
Annika Johansson-Rosengren	13 of (13) possible
Claes Mellgren	13 of (13) possible

## Remuneration Committee

The Remuneration Committee is composed of Patrik Nolåker (Chairman) and P-O Andersson.

The Remuneration Committee prepares the Board's proposal for guidelines for remuneration and other terms of employment for senior executives. The proposal is considered by the Board and submitted to the AGM for resolution. The Remuneration Committee also has the task of dealing with and preparing remuneration issues for the company management, which the Board then decides.

The Remuneration Committee prepares proposals for the CEO's terms of employment. The CEO consults with the Remuneration Committee on the terms of employment of other members of company management.

The Remuneration Committee shall also monitor and evaluate current remuneration structures and remuneration levels in the Company and ensure that the Company's auditor submits a written opinion to the Board no later than three weeks before the Annual General Meeting on whether the guidelines for remuneration to senior executives that have been in force since the previous Annual General Meeting have been followed. In 2019, the Remuneration Committee held two minuted meetings.

## Audit Committee

The Audit Committee comprises of Gunilla Spongh (chairman), Claes Mellgren and Ulf Gundemark.

The Audit Committee has a monitoring role of the Company's financial reporting. The Audit Committee monitors the effectiveness of the Company's internal controls, internal audit and risk management with respect to financial reporting. The Audit Committee's duties include keeping regular contact with the Company's auditors to ensure that the Company's internal and external accounting satisfies requirements made on market-listed companies and to discuss the scope and focus of auditing work, evaluate the completed audit activities and notify the Company's Board of Directors regarding the results of the audit and the results of the evaluation. The Audit Committee also assists the Nomination Committee in establishing proposals for auditors and fees for audit work. The Audit Committee, in 2019, held six meetings where minutes were taken.

## The Board's Rules of Procedure

In addition to laws and regulations, the Board's work is governed by the annual set work plan. The work plan contains guidelines for the work of the Board, instructions for the CEO and financial reporting.

The rules of procedure include:

- that the Board shall meet at least five times per year and, upon urgent matters, meetings may take place via telephone or video conferencing,
- that certain matters shall be dealt with at each Board meeting and that specific decisions should be made at the inaugural meeting,
- that the Board members receive documentation regarding matters to be discussed at the meetings in good time before the meetings,
- that the Board, each month, receives a report regarding the Company's operations and development,

- that the auditors shall be invited to, upon at least one Board meeting, report on the audit work without any representative from Company management participating.

The rules of procedure further describe how the minutes shall be prepared and distributed to members and how the Board will be informed upon, for example, press releases. The rules of procedure also include guidelines for the decisions the Board may delegate to the CEO and senior management..

## ACCOUNTING, AUDITING AND INTERNAL CONTROL

### General

External auditors are appointed by the AGM. The auditors' task is to, on behalf of shareholders, review the Company's annual report and accounting and the management of the Board of Directors and the CEO. The internal financial statements prepared on a monthly basis have also been submitted to the auditors.

The entire Board is involved in the internal control of the financial statements and is jointly responsible for other internal controls. The Company regularly informs how the Board's issued guidelines have been implemented in the business and how the internal control is designed. The auditors provide ongoing feedback and suggestions for improvements to the Company regarding the same.

Read more about AQ's corporate governance on our website under investor / corporate governance.

There you will find:

- Articles of association
- Information from previous AGMs, summonses and minutes
- Audit opinions
- Guidelines for remuneration to senior executives
- The board's proposal for allocation of profits
- The Board's evaluation of remuneration for executive management
- The Nomination Committee's motivated opinion about the board

### Internal control

The Board is responsible for the work with corporate governance and internal controls. The overall aim is to protect the company's assets and shareholders' investments. The Board is responsible for ensuring that financial statements are prepared in accordance with applicable law. Quality assurance of AQ's financial reporting is done by the Board dealing with accounting issues and the financial reports which the Company submits.

AQ Group's Board has therefore striven to provide effective and regular financial reporting. The Board's reporting instructions to the CEO regarding financial reporting include internal controls. In each subsidiary, there is an internal division of roles and responsibilities aimed at realising good internal controls of financial reporting. AQ's accounting departments of each subsidiary informs regularly management of the economic development of their respective companies. The Board is committed to realising that all financial managers have strong integrity, embrace good ethics and have high expertise within respective areas of responsibility. AQ continuously works with the development of appropriate systems for administrative management. AQ has also developed an operations manual that describes the organisation, responsibilities, powers, policies, financial controls and more.

### Risk assessment and control activities

On a monthly basis, AQ establishes the appropriate reports with analysis and comments, which are reported for both group and individual subsidiaries. This gives the Board an excellent tool to monitor and control the ongoing development in AQ. Financial reports from management is a recurring item taken up at all Board meetings..

AQ's risk management is governed by a policy established by the management team, with the CFO responsible for compliance and reporting within the Group.

### Information and communication

AQ's financial reporting complies with the laws and regulations applicable in Sweden and the local rules in each country where it operates. Besides external rules and recommendations, there are internal instructions and directions.

AQ Group's information to shareholders and other stakeholders through the Annual Report and interim reports are provided on the Company's website ([www.aqg.se](http://www.aqg.se)). There are also press releases and presentation materials relating to recent years. Information released by the Company follows the Board's established information and insider policy.

### Follow-up

In addition to internal monitoring and reporting, AQ's external auditors report during the year to the CEO and Board. This gathered information mentioned in this report gives the board a good idea and a reliable basis regarding financial reporting in the annual report.

### Company management

The Board has delegated operational responsibility for the Company and the Group to the CEO. An instruction concerning the division of duties between the Board and the CEO are decided annually by the Board. AQ's senior management consists of the management team which, during 2019 consisted of Anders Carlsson - CEO, Mia Tomczak - Finance, Åsa Lostorp - Purchasing, James Ahrgren (until August 15, 2019) and Paulina Duszel (from September 1, 2019) - Marketing and sales, Per Lindblad - Business development and IT and Katharina Frisk - HR. From September 1, 2019 the Business Area Managers were included in the management team: Nerijus Olsauskas - Wiring Systems, Ola Olsson - Electric Cabinets, Niklas Ericsson - Inductive Components, Ragnar Koppel - Sheet Metal Processing and Per Wedel - acting Injection Molding.

Remuneration for MDs of subsidiaries is decided by the Group CEO according to the principles established by the remuneration committee in the parent company. AQ has no incentives in the form of options or other share programmes for senior executives or other persons within or outside the Company.

AQ's sustainability report for 2019 is described in more detail on pages 19-23 of this annual report.

## REMUNERATION TO THE BOARD

During 2019, SEK 200,000 (160,000) in Board remuneration was paid to Board members Per-Olof Andersson, Gunilla Spongh, Ulf Gundemark, Lars Wrebo, Annika Johansson-Rosengren and Claes Mellgren. The Chairman, Patrik Nolåker, was paid SEK 450,000 (400,000). Chairman of the Audit Committee, Gunilla Spongh has received SEK 100,000 (70,000) and other members of the Audit Committee, Ulf Gundemark and Claes Mellgren have each received SEK 40,000 (40,000). Chairman of the Remuneration Committee, Patrik Nolåker, has received SEK 50,000 (50,000) and the other member of the Remuneration Committee, P-O Andersson, has received SEK 30,000 (30,000). In addition to the above, no special remuneration or benefits were received by the Board. No benefits are payable to Board members after serving on the Board.

## REMUNERATION TO THE CEO AND SENIOR EXECUTIVES

Salary and other remuneration to CEO Anders Carlsson for 2019 amounted to SEK 3,490,000 (737,000 for 4 months). The CEO is entitled to a monthly pension provision equal to 35% of salary. Pension costs in 2019 for Anders Carlsson amounted to SEK

722,000 (253,000 for 4 months).

Guidelines for remuneration to senior executives is decided by the AGM. The decision means that AQ Group shall maintain remuneration levels and other employment conditions needed to ensure the company's access to executives with the competence and capacities to achieve set goals. The starting point for salary and other remuneration to senior executives of AQ Group AB is that they shall be at market level. The CEO's notice period is six months to the Group, and the Group's notice period is 12 months to the CEO. Salaries and other remuneration to other senior executives excluding the CEO in 2019 amounted to SEK 9,002,000 (4,448,000 excluding business area managers). AQ pays pension contributions in accordance with defined contribution plans, which corresponds to 20-31% of the salary amount. Pension costs in 2019 amounted to SEK 2,140,000 excluding the CEO (1,301,000 excluding business area managers). Senior executives normally have six months' notice, regardless of whether the employee or the Company terminates the agreement. No compensation is paid after termination of employment.

## AUDITORS

The company's auditor is continuously informed about the Company's operations and include regular meetings with company management, Board material and minutes of meetings. The auditor provides ongoing feedback and recommendations to the Board and management based on observations made during the audit.

Since the 2014 AGM, the auditing company is KPMG AB auditors with authorised accountant Helena Arvidsson Älgne as Chief Auditor. Helena was born in 1962 and is a member of FAR, and has been an authorised accountant since 1997.

KPMG's address:

KPMG AB, Box 382, 101 27 Stockholm, Sweden.

## COMPENSATION TO AUDITORS

According to decisions at the Annual General Meeting, AQ's auditors receive compensation in accordance with the auditing assignment.

Västerås, Sweden on April 2, 2020

*AQ Group AB (publ)  
Board of Directors*



### Auditor's report on the corporate governance statement

To the general meeting of the shareholders in AQ Group AB (publ), corporate identity number 556281-8830

### Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2019 on pages 32 - 35 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.

Västerås 2 April 2020

KPMG AB

Helena Arvidsson Älgne

Authorised accountant