

# Corporate Governance Report

Indutrade applies the Swedish Corporate Governance Code (the Code) since 1 July 2006. The Code is a component of self-regulation in Swedish industry and is based on the “comply or explain” principle. This means that companies that adhere to the Code may depart from individual rules, provided that they give an explanation for each departure. Indutrade has no departures to report for the 2021 financial year. The Corporate Governance Report has been reviewed by the Company’s auditors.

## Delegation of responsibilities

Responsibility for management and control of the Group is delegated among the shareholders (via general meetings), the Board, its designated committees and the President in accordance with the Swedish Companies Act, other laws and regulations, applicable rules for listed companies, the Company’s Articles of Association and the Board’s internal governance documents.

## Share capital and shareholders

The share capital amounts to SEK 728 million, divided among 364,188,000 shares with a share quota value of SEK 2. All shares have equal voting power. Indutrade, which was previously a wholly owned subsidiary of AB Industrivärden, was introduced on the Stockholm Stock Exchange on 5 October 2005. At year-end 2021 Indutrade had 20,533 shareholders (12,880). The ten largest shareholders controlled 64% of the share capital at year-end. Swedish legal entities, including institutions such as insurance companies and mutual funds, held 61% of the share capital and votes at year-end. Foreign ownership accounted for 33% of the share capital and votes.

One shareholder, L E Lundbergföretagen AB, with 26.6% of the share capital and votes, controlled 10% or more of the share capital and votes at year-end.

Indutrade’s shares are listed on Nasdaq Stockholm and are included on the Large Cap list.

According to Ch. 6 § 2 a of the Swedish Annual Accounts Act, listed companies are to provide disclosures about certain conditions that could affect opportunities to take over the company through a public offer to acquire the shares in the company. No such conditions exist in Indutrade AB.

## The Articles of Association

Indutrade is a public company whose business is to “on its own or through subsidiaries, pursue trade in connection with the import and export of machines, raw materials and finished and semi-manufactured products as well as industrial necessities, including production,

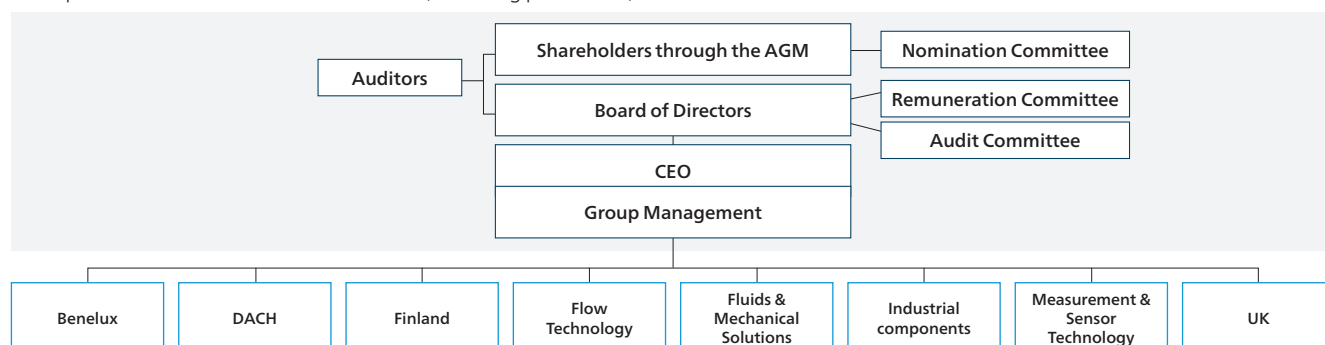
preferably within the plastics, mechanical and chemical industries, and activities compatible therewith.” The Board shall consist of a minimum of three and a maximum of eight elected directors. They are elected each year at the Annual General Meeting. Notices of general meetings of shareholders shall be made through advertisement in the Official Swedish Gazette (Post- och Inrikes Tidningar) and on the Company’s website within the time frame prescribed by the Swedish Companies Act. An advertisement shall be posted in the Swedish daily newspaper Dagens Nyheter announcing that notice of the Annual General Meeting has been issued. In votes at general meetings of shareholders, there is no limitation to the number of votes for represented shares.

## General meetings of shareholders

General meetings of shareholders are Indutrade’s highest governing body. At the Annual General Meeting (AGM), which is held within six months after the end of each financial year, the income statement and balance sheet are adopted, the dividend is set, the Board and auditors are elected (where applicable), their fees are determined, other items of legally ordained business are conducted, and decisions are made on proposals submitted by the Board and shareholders.

All shareholders who are registered in the shareholder register on a specified record date and who have notified the Company in due time of their intention to participate at the general meeting are entitled to attend the meeting and vote for the total number of shares they have. Shareholders may be represented by proxy. More information about the 2022 AGM is provided on page 101 of this Annual Report and on the Company’s website.

The notice of the AGM scheduled for 5 April 2022 was published on 25 February 2022 on Indutrade’s website and on 1 March in the Official Swedish Gazette. The notice includes a proposed agenda including proposals for the dividend, election of directors, directors’ fees (broken down by the Chairman and other directors), election of the auditor, the auditor’s fee, and a proposal for the establishment of a long-term incentive programme.



## External rules and regulations

Examples of external rules and regulations that affect governance of Indutrade

- The Swedish Companies Act
- Accounting laws, including the Bookkeeping Act, the Annual Accounts Act
- Nasdaq Stockholm’s Rulebook for Issuers
- Swedish Corporate Governance Code ([www.bolagsstyrning.se/koden/gallande-kod](http://www.bolagsstyrning.se/koden/gallande-kod))

## Internal rules

Examples of internal rules that affect governance of Indutrade

- The Articles of Association
- The Board’s work plan
- The CEO’s instructions
- The Code of Conduct
- Policies

## AGM 2021

The AGM, held on 13 April 2021, was conducted without the physical presence of shareholders, proxies and others. Shareholders exercised their voting rights via advance postal voting. Shareholders representing 69.8% of the votes and shares cast their votes in this way. Katarina Martinson was appointed to serve as AGM Chairman. The annual report and audit report were presented to the AGM.

### The 2021 AGM made the following resolutions:

- to adopt the financial statements for 2020,
- to pay a dividend of SEK 1.80 per share shall to the shareholders for the 2020 financial year,
- to discharge the members of the Board of Directors and the CEO from liability for the past financial year,
- to reelect directors Bengt Kjell, Ulf Lundahl, Krister Mellvé, Lars Pettersson, Katarina Martinson, Bo Annvik, Susanna Campbell and Anders Jernhall,
- to elect Katarina Martinson as Chairman of the Board,
- and to reelect PricewaterhouseCoopers AB as the company's auditor.
- that Indutrade shall apply compensation levels for senior executives which mainly shall consist normally of a fixed and variable portion, shall be in line with the going rate in the market, and shall be commensurate with the executives' level of expertise, responsibility and performance,
- to approve the submitted remuneration report for 2020,
- to set up a long-term incentive programme and hedging measures in connection therewith, and
- to approve proposal for amendments to the Articles of Association.

### Members of the Board of Directors

Indutrade's Board of Directors, which is elected by the AGM, consists of eight members including the CEO. No specific age limit for the board members, nor any term limit for how long a Director may sit on the Board, has been set.

A presentation of the current assignments of the members of the Board can be found on pages 42-43 of this Annual Report. Mattias Karlsson, Mannheimer Swartling, is the Board's secretary. Other executives participate at board meetings in a reporting role.

All of the directors, except for Bo Annvik, are independent in relation to Indutrade. Bo Annvik, Bengt Kjell, Krister Mellvé, Ulf Lundahl and Susanna Campbell are independent in relation to Indutrade's major shareholders. The Board thereby meets the requirement that at least two of the directors who are independent in relation to the Company shall also be independent in relation to the major shareholders. Only one director, Bo Annvik, has an operational role in the Company.

### The work of the Board of Directors

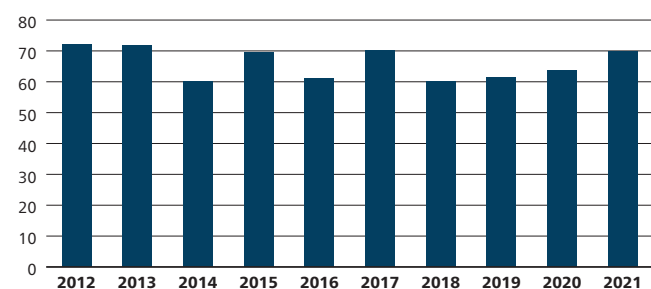
Each year the Board adopts a written work plan that governs the Board's work and its internal delegation of duties including the committees, decision-making procedures within the Board, meeting procedure, financial reporting and duties of the Chairman. The Board has also issued instructions to the CEO.

In addition, the Board has adopted numerous policies, including, Code of Conduct, a finance policy and an investment policy.

The Board is responsible for the Company's organisation and for the administration of its affairs. This entails ensuring that the organisation is suited for its purpose and designed in such a way so as

### AGM attendance

Votes, %



to ensure satisfactory control of its bookkeeping, treasury management and financial conditions in general. In addition, the Board is responsible for ensuring that the Company has satisfactory internal control and continuously evaluates the extent to which the Company's system for internal control works. The Board is also responsible for developing and monitoring the Company's strategies by drawing up plans and setting objectives. The Board oversees and evaluates the CEO's and operative management's work on a continuous basis. This particular matter is addressed yearly without any members of the Group Management present.

In accordance with the adopted work plan, the Board holds at least five regular meetings each year, including the statutory meeting after the AGM, and on any other occasions when warranted by the situation.

In 2021, the Board held a total of 15 meetings including the statutory meeting. The Board conducted its work during the year in accordance with the Board's work plan. Matters requiring special attention by the Board during the year pertained to strategy, finance, acquisitions and sustainability.

As a significant part of the Board's work during the year, a number of subsidiary managing directors and business area directors gave in-depth presentations of their businesses.

All decisions made by the Board during the year were unanimous.

### The Chairman's role

The Chairman organises and leads the work of the Board to ensure that it is carried out in compliance with the Swedish Companies Act, other laws and regulations, applicable rules for listed companies (including the Code), and the Board's internal governance documents. The Chairman monitors business activities through regular contact with the CEO and ensures that the other directors are provided with adequate information and decision-making documentation.

To ensure and improve the quality of the Board's work, an evaluation of the work it has done, along with the Board's composition, is carried out each year under the direction of the Chairman of the Board. In 2021, the evaluation took place through a survey and individual interviews. The results of the evaluation were reported in writing to the board members, who thereafter discussed it together at the Board meeting in December. The Chairman of the Board also reported on the results of the evaluation at a meeting of the Nomination Committee.

The Chairman represents the Company on ownership matters.

### Remuneration Committee

The Remuneration Committee draws up recommendations for decisions regarding the terms of employment for the CEO. It also addresses and conducts drafting work for issues related to compensation of the members of the Group Management team, which culminates with the submission of a recommendation for decision by the AGM.

The CEO consults with the Remuneration Committee regarding the terms of employment for other members of the Group Management.

During the year, one of the items discussed by the Remuneration Committee was a proposal for a new long-term incentive programme (LTI) for senior executives.

The committee held four meetings in 2021.

### Audit Committee

The Audit Committee has an oversight role with respect to the Company's risk management, governance and control, and financial reporting. The committee maintains regular contact with the Company's auditor to ensure that the Company's internal and external reporting satisfies the requirements made on market-listed companies and to discuss the scope and focus of auditing work. The Audit Committee evaluates completed audit activities and informs the Company's nomination committee about the results of its evaluation and assists the Nomination Committee on drawing up recommendations for auditors and fees for their auditing work. In addition, the Audit Committee evaluates the efficiency of the internal control system and the Group's risk management activities. It also monitors the financial structure.

The committee held six meetings during the year. The auditors participated in all meetings in conjunction with planning and reporting the results of this year's audit.

## Directors' fees

Fees are payable to the Chairman of the Board and directors in accordance with the AGM resolution. The Chairman receives a fee of SEK 620,000, the Vice Chairman receives a fee of SEK 465,000, and the other directors receive a fee of SEK 310,000 each. However, no fee is payable to directors who are employed by a company within the Indutrade Group. The Chairman of the Audit Committee receives a fee of SEK 84,000 and each of the committee members receives a fee of SEK 42,000. The Chairman and members of the Remuneration Committee each receive a fee of SEK 31,000. The total yearly amount of Board fees and fees to committee members thus amounts to SEK 2,896,000.

## Nomination Committee

At the AGM on 6 May 2013, the decision was made in favour of a standing instruction for Indutrade's nomination committee, which shall apply until further notice. According to this instruction, the Nomination Committee ahead of a forthcoming AGM shall consist of representatives of four of the largest shareholders in terms of votes, plus the Chairman of the Board, who shall also convene the first meeting of the Nomination Committee. The member representing the largest shareholder shall serve as committee Chair. The composition of the Nomination Committee ahead of the AGM is to be based on ownership data as per 31 August each year and is to be publicly announced not later than six months prior to the AGM. The composition of the Nomination Committee ahead of the 2022 AGM was announced on 16 September 2021, based on ownership information as per 31 August 2021.

### Nomination Committee composition

Representative	Shareholder	Share of votes as per 31 Aug 2021
Claes Boustedt	LE Lundbergföretagen, Committee Chair	26.6%
Dick Bergqvist	AMF insurance and funds	8.0%
Camilla Wirth	Alecta Pensionsförsäkring	4.3%
Javiera Ragnartz	SEB Investment Management	3.4%
Katarina Martinson	Chairman of the Board	

The Nomination Committee has had two minuted meetings prior to the 2022 AGM, where, among other things, it took part in the evaluation of the Board's work during the past year and discussed the composition of the Board. The Nomination Committee shall prepare proposals to be submitted to the Annual General Meeting for decision regarding the Chairman of the Meeting, the Chairman and other members of the Board, fees to the Board, remuneration and election of an auditor and principles for appointing a new Nomination Committee.

The Nomination Committee has applied Rule 4.1 of the Code as a diversity policy, i.e. the Board shall have a composition that is appropriate with regard to the company's operations, development stage and other conditions, characterised by versatility and breadth regarding

the competence, experience and background of the members elected by the Annual General Meeting. It must also strive to have an even gender distribution on the Board. The 2021 Annual General Meeting resolved in accordance with the Nomination Committee's proposal.

Based on the results of the Board's evaluation and the current directors' availability for re-election – among other things – the Nomination Committee makes an assessment of whether the sitting board meets the requirements that will be made for the Board in view of the Company's situation and future orientation, or if the composition of expertise and experience needs to be changed.

The Nomination Committee proposes that Katarina Martinson be elected as Chairman of the Board at the 2022 Annual General Meeting. The Committee also proposes the re-election of directors Susanna Campbell, Bengt Kjell, Ulf Lundahl, Krister Mellvé, Lars Pettersson, Anders Jernhall and Bo Annvik.

Provided that the Annual General Meeting resolves to amend the Articles of Association to enable more members, Kerstin Lindell is also proposed as a new Director.

Kerstin Lindell was born in 1967, is an Honorary Doctor at the Faculty of Engineering, LTH and holds a PhD. in Polymer Chemistry, Master in Chemical Engineering and Master in Business Administration. She is Chairwoman of the Board of Bona AB and Chamber of Commerce and Industry of Southern Sweden and is Board member of Nord-Lock, Inwido, Hexpol and PEAB.

The Nomination Committee's proposal entails that the number of directors during the coming mandate period will be increased to nine.

A more detailed presentation of the members of the Board is provided on pages 42-43 of this Annual Report.

## Operating activities

The CEO is responsible for the administration of Indutrade's day-to-day affairs, which are managed by the Company's Group Management Team. The CEO's decision-making authority regarding investments and financing matters is governed by rules set by the Board.

## CEO

Bo Annvik has served as CEO of Indutrade AB since April 2017. He was born in 1965 and holds a B.Sc. Econ. He served as President and CEO of Haldex from 2012 to 2017 and served in executive positions for Volvo Cars during the years 1994–2002, for SKF during the years 2002–2007, and for Outokumpu during the years 2007–2011.

## External auditor

At the 2021 AGM, the chartered accounting firm PricewaterhouseCoopers AB ("PwC") was elected as auditor for a term extending through the 2022 Annual General Meeting. The auditors maintain regular contact with the Audit Committee and the Group Management.

The lead partner since 2020 is Anna Rosendal, Authorised Public Accountant. The auditor's fee is reported in Note 11 of this Annual Report.

Indutrade's nine-month interim report for the 2021 financial year was reviewed by the Company's auditors.

## Board meetings 2021



**FEBRUARY** Year-end report. Questions in preparation for the AGM. Report from the auditors, Audit Committee and Remuneration Committee. Business, financing and acquisition issues.

**MARCH** Decision about the annual report. Questions in preparation for the AGM. Financing and acquisition issues.

**APRIL** AGM. Statutory meeting: decisions on company signatories, adoption of instructions and policies, appointment of Vice Chairman, Remuneration Committee, Audit Committee, meeting schedule. Interim report January – March 2021. Business, financing, acquisition, investment and remuneration issues. Report from the Audit Committee.

**JUNE** Evaluation of acquisitions. Business and organisational issues. Competitor analysis. Company presentations.

**JULY** Interim report January – June 2021. Business and acquisition issues. Report from the Audit Committee.

**SEPTEMBER** The Group's strategy, including acquisition, personnel and sustainability issues. Company presentations.

**OCTOBER** Interim report January – September 2021. Report from the Audit Committee regarding the review of the interim report. Report from the Remuneration Committee. Business, financing and acquisition issues. Company presentations.

**NOVEMBER** Financing issues.

**DECEMBER** Budget and targets for 2022. Evaluation of the work done by the Board. Evaluation of the CEO and senior executives. Report from the Remuneration Committee and Audit Committee, including review of internal control. Personnel and acquisition issues.

## Internal control over financial reporting

### Internal control over financial reporting

As prescribed by the Swedish Companies Act, the Board is responsible for internal control. This report has been prepared in accordance with the Annual Accounts Act and describes how the internal control over financial reporting is organised.

### Control environment

Effective board work is the foundation for good internal control. The Board's work plan and the instructions for the CEO and the Board's committees ensure a clear delegation of roles and responsibilities to the benefit of effective management of risks in the Company's operations.

In addition, the Board has adopted a number of fundamental guidelines and policies designed to create the conditions for a good control environment. These include, among other things, Indutrade's Code of Conduct, Finance Policy and Investment Policy. These policies are followed up and revised as needed. The Group Management continuously draws up instructions for the Group's financial reporting which, together with the policies adopted by the Board, are included in the Group's manual of instructions and policies.

The Group has a joint reporting system that serves as the base for the Group's monthly reporting, consolidation work and monitoring of earnings performance.

### Risk assessment

The Company has implemented a structured process for assessing risks that could affect financial reporting. This is an annually recurring process and is evaluated by the Audit Committee and the Board.



Through this risk assessment it has been ascertained that the Group's structure, consisting of a large number of standalone companies of varying size that are independent from each other in various sectors and geographic markets, entails a considerable diversification of risk. The risk assessment also covered the Group's income statement and balance sheet items to identify areas in which the aggregate risk for error and the effects of these would be greatest. The areas identified consisted primarily of revenue recognition, acquisition reporting, trade receivables and inventories.

In addition, continuous risk assessment is conducted in connection with strategic planning, budgeting, forecasts and acquisition activities, aimed at – among other things – identifying events in the market or operations that could give rise to changes in e.g., revenue streams and valuations of assets or liabilities.

### Control activities

The Indutrade Group was organised in eight business areas in 2021. In addition to a business area director, the respective business area management teams include a controller. The controller plays a central role in analysing and monitoring the business area's financial reporting and in ensuring compliance by the companies in the business area with Group policies. The Parent Company has additional functions for continuous analysis and monitoring of financial reporting by the Group, the business areas and subsidiaries. The Parent Company's finance department also initiates work on the annual self assessment routine regarding internal control over financial reporting. The routine was reviewed and further developed during the year.

At the start of 2021, all companies owned by Indutrade were required to respond to a questionnaire designed to evaluate internal control based on the risk analysis. The responses were compiled and evaluated. As a complement to this work, the auditors validated parts of the respective companies' completed questionnaires. In addition to this, the controllers of the business areas and Parent Company monitor internal control through visits to a number of companies each year. Both the evaluation performed by the Company and the result of the auditors' validation were reported and discussed with the Audit Committee. Feedback is provided to the companies in the Group where a need for improved routines has been identified. The audit committee also presented the results to the Board. The evaluation of internal control over the Group's financial reporting will serve as documentation for the subsequent years' self assessment and work on further strengthening internal control.

### Information and communication

The Company's governing documents, consisting of policies, guidelines and manuals – to the extent that these pertain to financial reporting – are updated on a regular basis and communicated to the companies within the Group. A number of trainings and informational meetings were held during the year, both in person and in digital formats. Systems and routines have been established to provide management with reports on the results of operations and financial position in relation to set targets, among other things.

### Monitoring

The Board conducts a monthly evaluation of business development, earnings, position and cash flow using a report pack containing comments on outcomes and certain key ratios.

The Audit Committee has an oversight role regarding the Company's financial reporting, risk management, and governance and control. In addition, the Audit Committee maintains regular contact with the Company's auditors to ensure that the Company's internal and external reporting satisfies requirements made on market-listed companies and to monitor any observations that emerge from the audit.

### Internal audit

The Group has a simple operative structure consisting primarily of small and medium-sized standalone businesses that are independent of each other, with varying conditions for internal control. Compliance with governance and internal control systems that have been drawn up by the Group is checked by the company boards of directors and controllers on a regular basis at the business area and Parent Company levels. It is done in a variety of ways, such as special internal control visits. In addition, the controllers perform continuing analyses of the companies' reporting and financial outcomes to identify deviations and errors. Added to this is the routine for annual self assessment of internal control over financial reporting. In view of the above, the Board has opted to not have a dedicated internal audit function.

# Board of Directors and auditors



**Katarina Martinson**



**Bengt Kjell**



**Susanna Campbell**



**Anders Jernhall**

<b>Position</b>	Chairman since 2018 Director since 2015 Chairman of the Remuneration Committee, member of the Audit Committee	Vice Chairman since 2013 Director since 2002 Member of the Remuneration Committee	Director since 2017	Director since 2018 Member of the Audit Committee
	Works with asset management for Lundberg family, among others.	Own investment business	Own investment business	Executive Vice President and CFO of Holmen AB.
<b>Born</b>	1981	1954	1973	1970
<b>Nationality</b>	Swedish	Swedish	Swedish	Swedish
<b>Education</b>	M. Sc. Economics, Stockholm School of Economics	M. Sc. Economics, Stockholm School of Economics	M. Sc. Economics, Stockholm School of Economics	M. Sc. Economics, Stockholm School of Economics
<b>Professional experience</b>	Analyst at Handelsbanken Capital Markets, Vice President of Strategas Research Partners LLC, New York, Analysis of investment strategies investment research at ISI, International Strategy & Investment Group, New York.	Acting President and CEO of Industrivärden, President and CEO of Handel och Industri AB, Executive Vice President and Head of Investment Operations at Industrivärden, Head of Corporate Finance at Securum, Senior Partner and founder of Navet, Authorised Public Accountant.	President and CEO of Ratos. Various positions with McKinsey and Company, and Alfred Berg Fondkommission.	Various positions at Holmen and Citibank.
<b>Other directorships</b>	Director of L E Lundbergföretagen, Fastighets AB L E Lundberg, Fidelio Capital, Husqvarna, Förvaltnings AB Lunden and L E Lundberg Kapitalförvaltning.	Vice Chairman at Pandox and Logistea. Director at Industrivärden and others.	Chairman of the Board at Babyshop Group, Rönnisch Sportswear, Estrid Sweden AB, Network of Design (NOD) and X Shore AB. Director at Nalka Invest, Kinnevik, Northvolt and H2 Green Steel AB.	Director of L E Lundberg Kapitalförvaltning.
<b>Attendance at Board meetings</b>	15/15	14/15	15/15	15/15
<b>Attendance at Audit Committee meetings</b>	6/6			6/6
<b>Attendance at Remuneration Committee meetings</b>	4/4	4/4		
<b>Independent of Indutrade and its management</b>	Yes	Yes	Yes	Yes
<b>Independent in relation to major shareholders</b>	No	Yes	Yes	No
<b>Shareholding in Indutrade <sup>1)</sup></b>	96,840,000 (via L E Lundbergföretagen)	150,000	6,000	3,000

1) Holdings of shares in Indutrade AB are stated as of 31 December 2021 and they include the holdings of related parties (both individuals and legal entities).





**Ulf Lundahl**



**Krister Mellvé**



**Lars Pettersson**



**Bo Annvik**

Position	Director since 2006 Chairman of the Audit Committee	Director since 2012	Director since 2013 Member of the Remuneration Committee	Director since 2017 President and CEO
<b>Born</b>	1952	1949	1954	1965
<b>Nationality</b>	Swedish	Swedish	Swedish	Swedish
<b>Education</b>	Master of Laws and M. Sc. Economics	M. Sc. Economics	M. Sc. Engineering, Uppsala University, PhD h.c., Uppsala University	M. Sc. Business Administration and Economics
<b>Professional experience</b>	Executive Vice President and Deputy CEO of LE Lundbergföretagen, President of Östgöta Enskilda Bank, Head of Swedish operations of Danske Bank, CEO of Danske Securities.	Various executive positions at Robert Bosch Group.	President and CEO of Sandvik AB, Sandvik Materials Technology, Sandvik Tooling and Sandvik Coromant.	President and CEO of Haldex, executive positions with Volvo Cars, SKF and Outokumpu.
<b>Other directorships</b>	Chairman of the Board at Fidelio Capital, Attendo and Nordstjernan Kredit AB. Director at Holmen.	Director at Modular Management and Stein Automation.	Chairman of KP Komponenter A/S. Director at Husqvarna, Industrivärden and LE Lundbergföretagen.	Director at SSAB and Abdon Group AB.
<b>Attendance at Board meetings</b>	15/15	15/15	15/15	15/15
<b>Attendance at Audit Committee meetings</b>	6/6			
<b>Attendance at Remuneration Committee meetings</b>			4/4	
<b>Independent of Indutrade and its management</b>	Yes	Yes	Yes	No
<b>Independent in relation to major shareholders</b>	Yes	Yes	No	Yes
<b>Shareholding in Indutrade <sup>1)</sup></b>	36,000	142,500	6,300	45,955 Warrants: 300,000

**Auditors**

**PricewaterhouseCoopers AB**  
**Anna Rosendal**  
 Authorized Public Accountant  
 Born 1975  
 Lead Partner of Indutrade since 2020

Other auditing assignments for listed companies:  
 Dometic Group and Addnode Group.