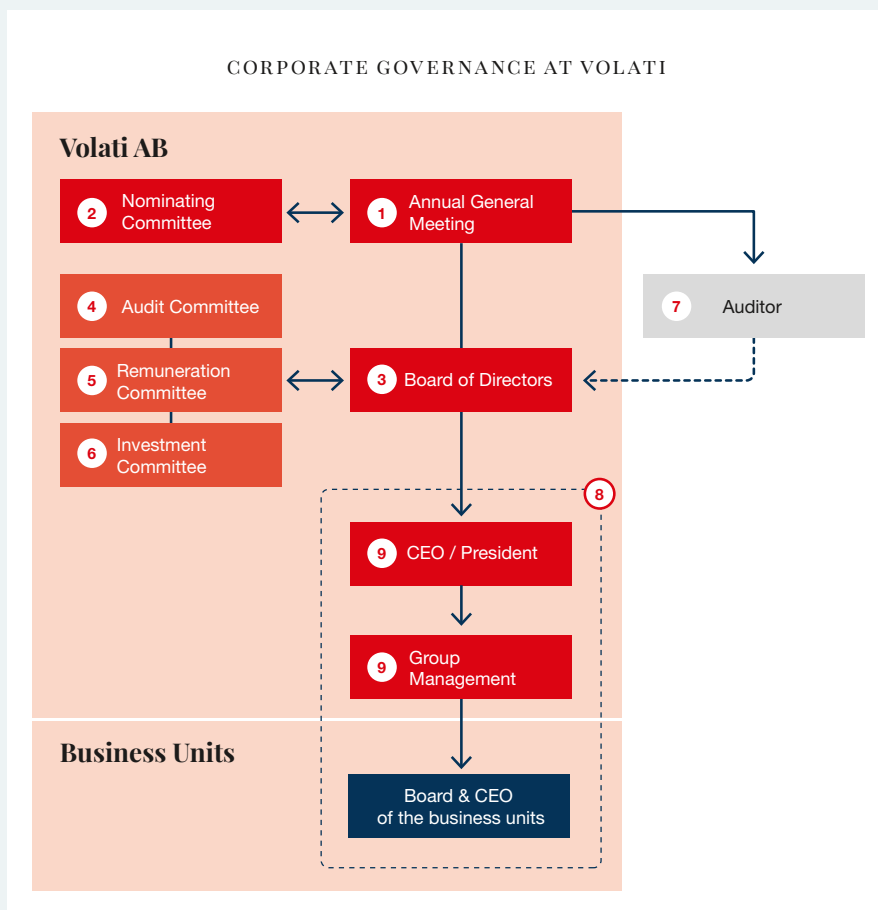


# **Corporate Governance Report 2018**

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# Corporate Governance Report



Volati AB is a public limited liability company whose ordinary and preference shares are listed on Nasdaq Stockholm. Governance and control of Volati are exercised by shareholders at general meetings and otherwise by the Board, the CEO and other members of management. Governance and control are based on the Swedish Companies

Act, the Articles of Association, Nasdaq's Rules, the Swedish Corporate Governance Code ("the Code") and internal rules and regulations. Volati believes that they have followed the Code throughout the year without any derogation. The Company's auditors have conducted a statutory review of the corporate governance report.

## ① *General Meeting*

The general meeting is Volati's highest decision-making body and it is by participating in general meetings that shareholders exercise their influence. The annual general meeting is held within six months of the end of the financial year. The financial statements are adopted at the AGM and resolutions are passed on matters that include appropriation of the Company's profit, Board and auditor elections, remuneration of Board members and auditors, and other statutory business to be dealt with at the AGM. Notice of the AGM and any extraordinary general meetings must be given in accordance with the Articles of Association. Shareholders who wish to have business dealt with at the AGM must submit a written request to [bolagsstamma@volati.se](mailto:bolagsstamma@volati.se) or to Volati AB (publ), attn: CFO, Engelbrektsplan 1, SE-114 34 Stockholm, Sweden. To guarantee inclusion in the notice of the Annual General Meeting, the request must have been received no later than seven weeks prior to the AGM. Further information on how and when to provide notification of attendance will be published in advance of the Meeting.

Volati's ordinary shares entitle holders to one vote per share, while preference shares carry entitlement to one-tenth of a vote per share. Dividends on preference shares are regulated in the Articles of Association and have priority over ordinary shares. Preference shares represented 2.0 percent of Volati's share capital at the end of the year. As preference shares carry entitlement to one-tenth of a vote, this means that the share of votes in Volati from preference shares corresponds to 0.2 percent.

### *2018 Annual General Meeting*

At the Annual General Meeting on 16 May 2018 at Nalen in Stockholm, 72,567,495 ordinary shares and 69,506 preference shares were represented, totalling 72,574,445.6 votes, which corresponds to 88.57 percent of the total number of shares, and 90.08 percent of the total number of votes in the Company. Minutes are available at [www.volati.se/sv/om-volati/bolagsstyrning](http://www.volati.se/sv/om-volati/bolagsstyrning). The AGM was held in Swedish. All members of the Board except for one and the Group's chief auditor were present at the Meeting.

Resolutions passed at the AGM included elections of the Board and auditors and a dividend of SEK 0.50 per ordinary share, corresponding to a total of SEK 40,203,285.50. The AGM also adopted a dividend of SEK 40.00 per preference share, corresponding to a total of SEK 64,150,960, to be paid quarterly at SEK 10.00 per share. The AGM authorised the Board of Directors to decide on acquisitions of ordinary shares, and acquisitions, transfers and new issue of the Company's own preference shares in accordance with the Board's proposal. Under this mandate, the Board may, on one or more occasions during the period until the next AGM, decide on the acquisition of ordinary shares or acquisition, transfer or new issue of the Company's own preference shares. The acquisition may take place on Nasdaq Stockholm or in accordance with an offer to all preference shareholders to acquire a number of preference shares that results in the Company's holding of own shares amounting to no more than one-tenth of all shares in the Company. The authorisation therefore meant that the Board could decide to acquire one-tenth of ordinary shares or all preference shares in the Company. The purpose of the acquisition, transfer or new issue of own shares is to enable an optimised capital structure and to allow the Company to use its own preference shares as payment for or financing of acquisitions of companies or operations.

### *2019 Annual General Meeting*

Volati's next Annual General Meeting will be held at 17.00 on Thursday, 25 April 2019 at Finlands-huset in Stockholm.

## ② *Nomination Committee*

The AGM decides on the process for the election of the Board and auditors. The 2016 AGM adopted instructions, which apply indefinitely, for the establishment of a nomination committee. These instructions require the Nomination Committee to have a minimum of three members, of whom one is the Chairman of the Board. The other members are appointed as follows: the Chairman, no later than six months before the AGM, offers each of the two largest shareholders – based on Euroclear Sweden AB's list of registered shareholders on the last banking day of

September of the current year – the opportunity to appoint a representative to serve on the Nomination Committee.

The Chairman of the Nomination Committee is the member representing the largest shareholder by votes, unless the members agree otherwise. However, the Chairman of the Board may not serve as Chairman of the Nomination Committee. At least one member of the Nomination Committee must be independent of the largest shareholder of the Company in terms of votes or group of shareholders that collaborates on the Company's management. Changes in the composition of the Nomination Committee may occur due to shareholders who have appointed a member to the Committee selling all or part of their shareholdings in the Company.

The composition of the Nomination Committee must be announced no later than six months prior to the AGM. The Nomination Committee's mandate period extends until a new nomination committee has been appointed. The names of representatives on the Nomination Committee and the shareholders they represent must be published as soon as they are appointed. The Nomination Committee's proposals are published no later than the date of the notice of the AGM. Shareholders are given the opportunity to submit nomination proposals to the nomination committee.

The Nomination Committee for the 2018 Annual General Meeting consisted of three members. Carin Wahlén, representing Patrik Wahlén, led the Nomination Committee's work. In the nomination work prior to the 2018 AGM, the Nomination Committee assessed both the composition and size of the current Board, and the Volati Group's operations. Special emphasis was placed on Volati's strategies and objectives, and what the Group's future direction is expected to mean for the Board. As a diversity policy, the Nomination Committee has applied point 4.1 of the Code, taking into account that the Board must have an appropriate composition, characterised by diversity and breadth with regard to Board members' skills, experience and background, that is appropriate to Volati's operations, stage of development and other circumstances. The Nomination Committee also worked on the goal of achieving a balanced gender distribution on the Board. The Nomination Committee recommended that Karl Perlhagen,

Patrik Wahlén, Björn Garat, Louise Nicolin and Christina Tillman be re-elected to the Board and that Anna-Karin Celsing and Magnus Sundström be elected as new members of the Board for the period up to the end of the next AGM. The Committee also recommended that Patrik Wahlén be re-elected as Chairman for the same period. After the election at the 2018 AGM, three of the seven meeting-elected Board members are women (the CEO is not included in the total number of Board members). A report on the work of the Nomination Committee was submitted in the Nomination Committee's explanatory statement which was published prior to the 2018 AGM.

### ***Nomination Committee for the 2019 AGM***

On 26 October 2018, the Company published the composition of the Nomination Committee for the 2019 AGM: Carin Wahlén (chair) representing Patrik Wahlén, Jannis Kitsakis representing Fjärde AP-fonden, and Karl Perlhagen representing himself.

Shareholders wishing to submit proposals to the Nomination Committee can do so at the Company's address or by e-mail to [bolagsstamma@volati.se](mailto:bolagsstamma@volati.se).

### ***The AGM decides on the following:***

- Adoption of the Annual Report.
- Dividend.
- Election of Board members and, if applicable, auditors.
- Remuneration of the Board and auditors.
- Guidelines for remuneration of Group management.
- Other important business.

### ***The Nomination Committee's tasks include submitting recommendations to the next AGM concerning:***

- Chairman of the Meeting.
- Board members including number of members.
- Chairman of the Board.
- Fees to Board members.
- Other remuneration for Board tasks and any committee work.
- Election of auditors, if applicable, and auditor's fees.
- Changes to the Nomination Committee's instructions, as required.

### ③ **Board of Directors**

According to the Articles of Association, the Board of Directors of Volati shall consist of a minimum of three and a maximum of ten ordinary members. The Articles of Association do not contain any provisions on the appointment or dismissal of Board members or amending the Articles of Association.

#### ***The Board and the Board's work***

The Board's overall task is to manage the Company's affairs and be responsible for its organisation on behalf of shareholders. The Board's work is led by its Chairman. The Board holds an annual statutory meeting following the AGM. In addition to this, the Board is required to meet at least five times annually. At the statutory Board meeting, the Chairman of the Board is appointed, the Company's signatories are appointed, and the Board's formal work plan, instructions for the CEO and the Board's instructions on reporting to the Board (referred to as the reporting instruction) are reviewed and adopted. The Company's Board meetings deal with business such as

the Company's financial situation, acquisition-related matters, evaluation of the business units and other relevant issues concerning Group companies. The Company's auditor attends and reports at the Board meetings at least once a year and more often when necessary. A quorum of the Board is attained when more than half of the members are present. At present, Volati's Board consists of seven members. Nine Volati Board meetings were held in 2018 and Board members' attendance is presented in the table below.

The Board has decided to perform an annual evaluation of the Board's work, whereby Board members are able to give their views on forms of work, Board materials, their own and other members' input, and the scope of the assignment. According to the evaluation, the work of the Board is considered to be functioning very well. All Board members are seen to be contributing constructively to strategic discussions and governance, and the discussions are viewed as open and dynamic. Dialogue between the Board and management is also considered to be very good.

#### ***Composition of the Board***

<b>Name</b>	<b>Position</b>	<b>Elected</b>	<b>Independent of the Company</b>	<b>Independent of major shareholders</b>	<b>Total fee (SEK million)</b>	<b>Meeting attendance in 2018</b>
Patrik Wahlén	Chairman	2006	No	No	0.4	9/9
Karl Perlhagen	Member	2003	No	No	0.2	8/9
Björn Garat	Member	2015	Yes	Yes	0.2	9/9
Louise Nicolin	Member	2016	Yes	Yes	0.2	9/9
Christina Tillman	Member	2016	Yes	Yes	0.2	9/9
Anna-Karin Celsing	Member	2018	Yes	Yes	0.2	6/6 <sup>1)</sup>
Magnus Sundström	Member	2018	Yes	Yes	0.2	6/6 <sup>1)</sup>

<sup>1)</sup> Elected at 2018 AGM; attendance is from election.



## Board of Directors

From left:  
Anna-Karin Celsing , Karl Perlhagen,  
Christina Tillman, Björn Garat,  
Patrik Wahlén, Louise Nicolin and  
Magnus Sundström.



# Board of Directors

## 1. Patrik Wahlén

*Chairman of the Board since 2018, Board member 2005-2017. Born 1969.*

**Education:** Business and Economics studies at Lund University.

**Other assignments:** Deputy Board member of Italo Invest AB (and subsidiaries of Italo Invest AB) and Wahlén & Partner AB.

**Assignments concluded during the last five years:** Deputy Board member of Fastighets AB Italo.

**Background:** Patrik founded Volati in 2003 together with Karl Perlhagen. He has previously worked for Kemira Group and Ernst & Young Management Consulting AB.

**Shareholding in the Company:** 19,356,283 ordinary shares.

## 2. Karl Perlhagen

*Chairman of the Board 2005-2017, Board member since 2018. Born 1970.*

**Education:** Business and Economics studies at Lund University.

**Other assignments:** Chairman of the Board of Fridhems Intressenter Gladan AB, Fridhem Fastighetsutveckling Stockholm AB and Fridhem Grönskogen AB, Board member of Italo Invest AB (and assignments in subsidiaries of Italo Invest AB) and Ullna Golf Aktiebolag.

**Assignments concluded during the last five years:** Board member of Corem Property Group AB, PharmaSurgics in Sweden AB, Fastighets AB Italo and Imed AB.

**Background:** Karl founded Volati in 2003 together with Patrik Wahlén, having previously founded Cross Pharma AB.

**Shareholding in the Company:** 34,440,000 ordinary shares and 216,190 preference shares (through companies).

## 3. Björn Garat

*Board member since 2015. Born 1975.*

**Education:** B.Sc., International Economics, Linköping University.

**Other assignments:** CFO and Deputy CEO at AB Sagax (and assignments in subsidiaries of AB Sagax), Board member of Manolo Holding AB and Paco Holding AB, and deputy Board member of LMG Distribution Aktiebolag.

**Assignments concluded during the last five years:** Board member of Söderport Göta AB and deputy Board member of Bastian Holding AB and TEMG Holding AB.

**Background:** Partner and Head of Corporate Finance at Remium Nordic AB and financial analyst. CFO and Deputy CEO at AB Sagax since 2012.

**Shareholding in the Company:** 30,000 ordinary shares (via pension insurance).

## 4. Louise Nicolin

*Board member since 2016. Born 1973.*

**Education:** M.Sc. Engineering, Uppsala University, eMBA, Stockholm University, and International Directors Programme at INSEAD.

**Other assignments:** Chair of AB Better Business World Wide, Board member of VBG Group AB (publ), Dellner Couplers Aktiebolag. Enzymatica AB (publ), Simris Alg AB (publ) and Uppdragshuset Sverige AB and deputy Board member of Arts for a reason AB.

**Assignments concluded during the last five years:** Board member of Dellner Tools AB and My Reed AB.

**Background:** Since 2011, Louise has run Nicolin Consulting AB, focusing on business development and quality assurance. Previously worked as Business Unit Manager and Consultant Manager at PlantVision AB.

**Shareholding in the Company:** 16,642 ordinary shares (including family).



## 5. Christina Tillman

Board member since 2016. Born 1968.

**Education:** B.Sc. in Business and Economics, Stockholm University.

**Other assignments:** Board member of Corem Property Group AB (publ), Corem Logistik Holding AB, House of Dagmar AB, Kavat, Eleven/Nordic Feel, and deputy board member of Kattvik Financial Services Aktiebolag och Stocksunds Fastighets AB.

**Assignments concluded during the last five years:** CEO Happy Plugs AB. Chair of PFG Group AB (and subsidiaries of PFG Group AB), board member of Coop Sverige AB, Tobin Properties AB, Boozt AB (and subsidiaries to Boozt AB), G13 IT-utveckling i Stockholm AB, Wonderful Times Group AB and YPO Service AB, CEO for Odd Molly International AB, Gudrun Sjödén Group AB (and subsidiaries of Gudrun Sjödén Group AB), CEO and deputy board member of Vincent Shoe Store Sweden AB and deputy Board member of Nordic Kids Shoes AB, Stocksunds Financial Management AB and Association of Swedish Fashion Brands economic association.

**Background:** Christina's previous roles include CEO of Odd Molly and CEO of Gudrun Sjödén Design.

**Shareholding in the Company:** 6,000 ordinary shares.

## 6. Anna-Karin Celsing

Board member since 2018. Born 1962.

**Education:** MBA, Stockholm School of Economics.

**Other assignments:** Chair of Sveriges Television AB, Board member of Landshypotek Bank AB, Lannebo Fonder AB, OX2 Group and Serneke AB.

**Background:** Head of Investor Relations at Swedbank, Head of Communications at Ratos AB, Director of Swedish Financial Supervisory Authority. Various advisory roles and directorships within strategy, finance and corporate governance.

**Shareholding in the Company:** 700 preference shares.

## 7. Magnus Sundström

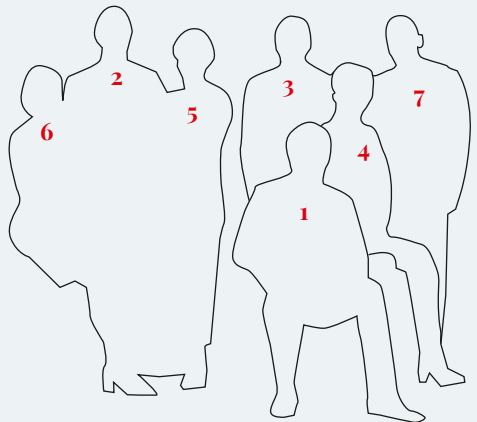
Board member since 2018. Born 1954.

**Education:** M.Sc., Industrial Economics, Linköping University.

**Other assignments:** CEO and owner of 1909 Gruppen AB and joint owner (50%) of B2B IT-Partner AB.

**Background:** Board member and Chairman of Tricorona AB.

**Shareholding in the Company:** 290,758 ordinary shares and 44,940 preference shares through associated company.





## Management Group

From left:  
Karin Rosenthal, Håkan Karlström,  
Nicklas Margård, Mattias Björk,  
Maria Edsman, Mårten Andersson  
and Johan Ekström.



# Management Group

## 1. Mårten Andersson

CEO since 2014. Born 1971.

**Education:** B.Sc. in Business and Economics, Lund University and General Manager Program at Harvard Business School.

**Other assignments:** –

**Background:** Mårten previously served as CEO of Försäkringsbolaget Skandia and has held a number of international positions at Skandia.

**Shareholding in the Company:** 2,511,532 ordinary shares and 1,887 preference shares.

## 2. Karin Rosenthal

Finance Manager since 2017. Born 1978.

**Education:** Bachelor's degree, Stockholm University.

**Other assignments:** –

**Background:** Karin has previously worked at Klarna Bank AB and Fabegge AB, among others.

**Shareholding in the Company:** 2,000 ordinary shares.

## 3. Mattias Björk

CFO since 2009. Born 1975.

**Education:** LLB and B.Sc. in Business and Economics, Lund University.

**Other assignments:** Deputy Board member of VQ Legal AB, Virtual Intelligence VQ AB, VQ Systems AB and Ridderwold Bygg & Design AB.

**Background:** Mattias previously worked at Modern Times Group MTG AB, Investment AB Kinnevik and Invik & Co AB.

**Shareholding in the Company:** 2,198,805 ordinary shares.

## 4. Håkan Karlström

Head of Business Area Trading since 2018. Born 1958.

**Education:** Business and Economics studies at Lund University.

**Other assignments:** –

**Background:** Since 1996, has worked as CFO in the business area's subsidiaries and for the Group, including Board member in former holding company during this period. Since 2015, CFO of Volati Handel. Before 1996, auditor at E&Y and various financial management positions in Swedish industry and trade.

**Shareholding in the Company:** 8,000 ordinary shares, and purchase option for 20,000 shares, 460 preference shares.

## 5. Nicklas Margård

Head of Business Area Industry since 2017.  
Born 1969.

**Education:** Studied Economics at Lund University, MBA Studies at Concordia University, Montreal, Canada.

**Other assignments:** Board member of Micvac AB.

**Background:** Nicklas has worked as CEO of Besikta Bilprovning since 2014 and has served on the Board of Tornum since 2005. Nicklas previously worked as CEO of John Bean Technologies AB and was also responsible for Asia at JBT FoodTech.

**Shareholding in the Company:** 115,000 ordinary shares, and purchase option for 200,000 ordinary shares.

## 6. Maria Edsman

Head of Business Area Akademibokhandeln since 2018. Born 1968.

**Education:** M.Sc. in Business Administration, Stockholm School of Economics and studies at University of Chicago Business School

**Other assignments:** Board member of Rusta AB.

**Background:** Maria was previously Retail Director at Akademibokhandeln, CEO of Polarn O. Pyret and CEO of Brothers & Sisters.

**Shareholding in the Company:** 0.75% of the shares in Akademibokhandeln.

## 7. Johan Ekström

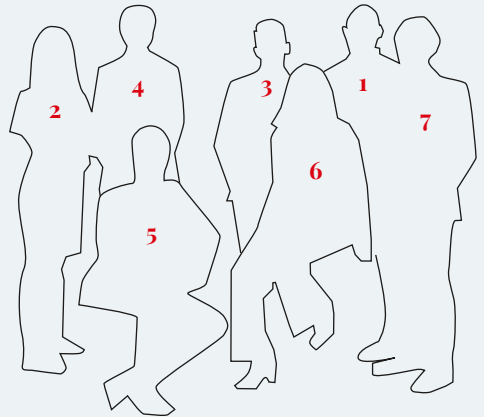
Head of Business Area Consumer since 2018.  
Born 1970.

**Education:** Ph.D. in Business (M&A strategies), Lund University.

**Other assignments:** –

**Background:** Previously Operational Manager at Volati in 2017. Johan was a Business Area Manager at Skandia and a Board member of Skandia Investment Management. Johan has also held various roles as a Partner/ Senior Executive at Accenture, and served as a researcher and lecturer at the School of Economics and Management at Lund University.

**Shareholding in the Company:** 18,393 ordinary shares and 1,973 preference shares.



*Clear and methodical follow-up*

Volati has an annual calendar scheduling selected topics for discussion by the Board at each Board meeting. Correspondingly, Volati's management has an annual calendar with Board meetings for each business unit.



#### ④ *Audit Committee*

The Board has decided not to establish a separate audit committee; instead, the full Board will carry out the tasks that such a committee would have under the Code. These obligations mainly include the following tasks:

- Monitoring the Company's financial reporting and making recommendations and proposals to ensure the reliability of the reporting.
- Monitoring the efficiency of the Company's internal control and risk management in the area of financial reporting.
- Staying informed about the audit of the annual accounts and consolidated accounts.
- Addressing how the audit contributed to the reliability of financial reporting and what was the Board's specific function.
- Examining and monitoring the auditor's impartiality and independence and in doing so, noting in particular whether the auditor provides the Company with services other than audit services and the quality control by the Inspection Board of Public Accountants (Revisionsinspektionen).
- Assisting in the preparation of proposals for resolution on the appointment of auditors at general meetings.
- Preparing the Board's decisions in the above matters.

#### ⑤ *Remuneration Committee*

The Board has decided not to establish a remuneration committee, as the Board considers it more appropriate for the full Board to carry out the tasks incumbent on a remuneration committee in accordance with the Code.

In terms of remuneration matters, this means that the Board will:

- prepare decisions on matters concerning guidelines for remuneration and other terms of employment for senior executives;
- monitor and evaluate ongoing programmes and programmes concluded during the year for variable remuneration of senior executives; and
- monitor and evaluate the outcome of variable remuneration and the Company's application of the guidelines for remuneration of senior executives as adopted by the general meeting.

#### ⑥ *Investment Committee*

The Board has established an Investment Committee. The Investment Committee consists of Chairman of the Board Patrik Wahlén (Chairman), Board member Karl Perlhagen, CEO Mårten Andersson and CFO Mattias Björk. The Investment Committee's primary task is to examine and ensure the quality of decision-support material for acquisitions and divestments. In addition, the Committee has been given an investment and divestment mandate authorising it to make decisions on the acquisition and divestment of shares or operations of up to SEK 100 million per acquisition or divestment for the Group as a whole.

The Board appoints the members and Chairman of the Investment Committee, which must consist of a minimum of three and maximum of five members. The Investment Committee meets as necessary, and minutes of the meeting are kept. The minutes are included in the material for the next Board meeting.

#### ⑦ *Audit*

An auditor is appointed annually by the AGM. The auditor's tasks are, on behalf of the shareholders, to audit Volati's annual accounts and consolidated accounts, and to examine the corporate governance report and administration of the Board of Directors and CEO. The audit process and audit report are presented at the AGM. At the 2018 AGM, Ernst & Young Aktiebolag (EY) was elected as the auditing firm until the next AGM. EY has appointed Rickard Andersson as chief auditor. Auditor's fees are paid in accordance with a separate agreement made in accordance with the AGM's decision. In 2018, the Parent Company's audit fees from EY amounted to SEK 0.9 million, while the Group's audit fees were SEK 4.9 million, and other assignments were SEK 0.2 million. Fees to auditors other than EY were SEK 1.1 million.

#### ⑧ *Volati's operational model*

Volati's operational model is based on decentralised governance of the business units, which means that daily decision-making takes place in the operations, with limited involvement by Group management. The Group's strategy and governance model are based on the vision of being the best owner of medium-sized companies. This will be achieved by preserving the companies'

independence while the Group creates long-term conditions and support for change. This is mainly accomplished through six areas: decentralised leadership, corporate governance, strategic capital allocation, strategic HR, expertise and business tools, and support related to acquisitions. Volati has a flexible organisation which facilitates fast decision-making. A decentralised governance model creates a high level of entrepreneurship in the business units, provides a clear responsibility framework and helps to ensure that Volati can continue to grow with limited central resources. Volati believes that decentralised leadership is a key success factor for a scalable business model with several business units operating in different sectors. A strong focus on local entrepreneurship creates the right conditions for effective and informed decisions. In order to secure value creation throughout Volati, a vision and a long-term strategy are developed for each business unit. The long-term strategy is given concrete form through action plans and clear financial targets that are continuously monitored. The financial targets for each business unit are focused on value creation and include growth, EBITDA margin, cash conversion and return on capital employed.

Decentralised leadership involves great responsibility and confidence in the business units' management, both in terms of delivering results and upholding Volati's values. Achievement of goals is ensured by creating clear incentives, such as part ownership, and facilitating career development for the Group's employees.

### **Corporate governance at Volati**

To create conditions for value creation in a decentralised business model, Volati focuses on maintaining a high level of professional corporate governance within the Group.

Group management governs, controls and monitors the Group's operations. This is primarily done by appointing business area managers, and CEOs and boards for several of the business units, and also by continuously monitoring developments as part of normal Board work and monthly reporting from the business units. The Boards of the business units comprise one or more individuals from Group management, including the business area manager and, where applicable, external Board members. The business area manager is the chairman of the business unit's Board.

The Board meets in accordance with a carefully planned schedule aimed at maximising the business unit's long-term potential and maintaining profitability, even in a short-term perspective. Four annual Board meetings that deal with various matters are combined with monthly reports to follow up strategic and financial targets.

In addition to a well-established calendar of Board meetings, Volati has introduced a structured model for following up results which permeates the entire Group and each business unit. Monthly Board reports and meetings are complemented by informal contacts between Group and business unit management on a daily basis, continuous risk assessment of the business unit, and annual assessments of profitability, market outlook and long-term strategy. Group management and the business area manager hold monthly status meetings with each business unit's CEO and CFO to follow up on the business unit's financial development and strategic initiatives.

### **⑨ CEO and Management Group**

Volati's CEO is responsible for the Company's day-to-day management in accordance with the rules of the Swedish Companies Act, and the instructions for the CEO and the reporting instruction established by the Board. The CEO's responsibilities include acquisitions and divestments, human resources, financial and accounting matters, and regular contact with the Group's stakeholders and the financial market. In addition, the CEO prepares delegation regulations for the Group's senior executives, and also employs and dismisses senior executives and establishes their terms and conditions (within the scope of the guidelines adopted by the AGM).

The CEO reports to the Company's Board and implements the Board's decisions. The CEO ensures that the Board, in accordance with the current reporting instruction, receives the information it needs in order to make informed decisions. The CEO also ensures that the Board is presented with matters that are required to be addressed by the Board under applicable legislation, the Articles of Association and internal policies and guidelines. The CEO attends and reports at all Board meetings, apart from occasions when the CEO is under evaluation by the Board and when the Board meets the Company's auditor without the presence of members of Company management.



The CEO has appointed a Group management that has day-to-day responsibility for different operations. In addition to the CEO, Group management consists of Volati's CFO, Finance Manager and the Heads of Business Areas. Group management meets regularly to manage and monitor current projects, Group-wide development issues and organisational matters.

### **Guidelines and principles for remuneration of senior executives**

The 2017 AGM adopted guidelines for the remuneration of individuals who were senior executives at the date of the AGM. The guidelines apply to employment contracts signed after the AGM's adoption of the guidelines and to changes in existing employment contracts that are signed thereafter.

The basic principle is that management's remuneration and other employment terms and conditions must be competitive in order to ensure that the Volati Group is able to attract and retain competent senior executives. Management's fixed remuneration must be competitive and based on the individual's experience, area of responsibility and performance. Other forms of remuneration and benefits, such as pension benefits, company car and health insurance, must be market-based. Pay during the notice period may total a maximum of 12 months' salary. No termination benefits shall apply. Senior executives may receive variable remuneration in addition to fixed remuneration. Variable remuneration must be connected to pre-defined targets and measurable criteria, and be designed to promote the Company's long-term value creation. Variable remuneration paid in cash may not exceed 50 percent of the annual fixed remuneration.

The AGM may decide that variable remuneration will take the form of share-based payment in both the Company and its subsidiaries. In addition to promoting long-term value creation, share-based payment must be designed to achieve an increased community of interests between senior executives and the Company's shareholders.

The Board is entitled to deviate from the above guidelines if this is justified by special circumstances in individual cases. Any such deviations from the guidelines must be reported at the next AGM.

### **The Board's proposals for new guidelines on remuneration of Group management**

No significant changes to the guidelines for remuneration and other conditions of employment for Group management are being recommended to the 2019 AGM.

### ***Internal control and risks***

In accordance with the Swedish Companies Act, the Board is responsible for the internal control and governance of the Company. In order to maintain and develop a functioning control environment, the Board has adopted a number of fundamental documents of key importance to financial reporting. These include the Board's formal work plan, the instructions for the CEO and the reporting instruction. In addition, a functioning control environment requires an established structure with continuous supervision. The main responsibility for day-to-day maintenance of the control environment lies with the Company's CEO. The CEO reports to the Company's Board on a regular basis. This is done in accordance with the current reporting instruction and the procedures set out below.

Volati applies the definition of risk as "a future event that threatens the Company's ability to achieve its vision, business concept, objectives and strategy". Volati and the business units each conduct an annual overall risk assessment aimed at identifying, evaluating and managing risks that threaten the Group's vision, business concept, objectives and strategy. The management groups conduct the risk assessment within the following categories: strategic risks, operational risks, compliance risks and financial risks.

Identified risks are then analysed based on the following three criteria:

- 1.** Impact on the business concept, vision and objectives. The rating scale is from "low" to "very serious."
- 2.** Probability that the risk will occur within the planning period. The rating scale is from "unlikely" to "likely."
- 3.** The efficiency of existing control activities is qualitatively evaluated in accordance with separate instructions.

The risks are documented in a uniform format. Each year, the business unit's management presents an updated risk analysis to its Board and the Company's Group management. Based on the business units' reporting, the CEO identifies the risks affecting the Group's business concept, vision and objectives. The CEO presents an updated risk analysis to the Company's Board annually. Significant changes in the risk situation or major risk exposures are reported to each Board concerned. An action plan for top priority risks is also presented to the relevant business unit's Board, and the Company's Group management and Board.

To ensure a relevant level of control, the Company's Group management and each business unit establish a number of control activities to counteract the most significant risks identified in the risk analysis. These control activities serve as a basis for determining the minimum level of control that must be established and functioning within the Group and the relevant business unit.

The Group and business unit keep a list of identified risks and the control activities that must be established in order to counteract the risks, together with a description of how the control activities are monitored efficiently.

A self-assessment of minimum requirements is conducted annually and reported to the Board of each business unit. The CEO of each business unit is responsible for the self-assessment process. The CEO compiles an annual summary of the main conclusions from the business units' self-assessments for the Company's Board.

Volati has not appointed an internal audit function, as this is not considered necessary for maintaining internal control. The corresponding tasks will be conducted instead by management, the boards and external auditors.

### **Process for financial reporting**

Volati has a Group-wide reporting system, Ocro, for all business units. The business units also have separate accounting systems that are customised to their particular operations. Each business unit reports on a monthly basis via Ocro.

### **1 Reporting from the business units**

Volati has a fixed schedule for financial reporting, with all companies submitting a complete monthly report package comprising an income statement, balance sheet, cash flow, specific notes, employment matters and investments. In addition, qualitative comments from each business unit or business area are also submitted. The reporting is implemented based on the relevance for each business unit or business area, with the aim of allowing for efficient monitoring and analysis. The report package complies with laws, regulations and accounting practice. Volati works continuously to provide training for the business units and further develop the reporting process, in order to streamline the processes and improve data for the analysis of operations in a cost-efficient way.

### **2 Qualitative comments from the business units**

Each unit submits monthly qualitative comments on developments in the last month in the areas of financial performance and specific strategic initiatives. The reports are submitted to Volati's management and to each business unit's Board. Group management and the business area manager hold monthly status meetings with each business unit's CEO and CFO to follow up on the business unit's financial development and strategic initiatives.

### **3 Reconciliation**

When Volati has received the reports, a reconciliation process is conducted to ensure that the reporting was done correctly and implemented in a technically correct way. Volati's consolidated financial statements also undergo reconciliation.

#### 4 Analysis

Volati's management analyses the reporting based on the available knowledge about each business unit and, together with the business area manager, holds monthly status meetings with each business unit's CEO and CFO to follow up on the business unit's financial development and strategic initiatives.

#### 5 Consolidation

Any deviations identified in the compilation of legal and operational monitoring or the analysis and reconciliation process are rectified following dialogue with the business unit. The consolidation process comprises among others the reconciliation of equity, intra-Group transactions, tax, investments and cash flow.

#### 6 Reporting to the Board

Volati's management submits monthly reports to the Board on the Group's financial performance, information about the Group's development, the financial position, ongoing projects and certain specific key figures. The Board continuously monitors financial performance against Volati's financial targets. The Board receives more comprehensive material prior to each regular Board meeting, which may contain additional in-depth data about issues relevant to the theme of the meeting.

#### 7 External reporting (quarterly)

Volati publishes quarterly reports and press releases. The Annual Report is printed and sent to all major shareholders, employees, subscribers and other stakeholders, as well as to potential acquisition targets and business partners. Previous financial reports are available on the Company's website.

The company is subject to the provisions of the EU Market Abuse Regulation No. 596/2014 (MAR) which places great demands on how the Company handles inside information. MAR regu-

lates, among other things, how inside information shall be disclosed to the market, the conditions under which the disclosure may be postponed and the way the company is obliged to keep a list of people who work for the company and who had access to inside information (a so-called logbook).

Volati uses the digital tool InsiderLog to ensure that its handling of inside information meets the requirements of MAR and the Company's insider policy; from the decision to postpone disclosure of inside information all the way to the notice to be provided to the Swedish Financial Supervisory Authority when the insider event is over and the information is published. Only authorized persons in the Company have access to InsiderLog.

#### 8 Audit

E&Y is the auditor for the Parent Company and Group as a whole. Although the business units have E&Y as their local auditor, there are a few exceptions for some of the business units' minor subsidiaries that are newly acquired or based outside Sweden. In the autumn, the auditor conducts a review of internal control and management, which is reported to the business units and Volati's management. For the year-end report, an audit is performed in December and the auditors are present for physical inventory counts. Meetings are also held with Volati's accounting function to discuss accounting estimates and other relevant issues during the audit of the year-end report. The auditor submits significant auditors' notes to the Board of Directors and the auditor attends Board meetings as required. The audit reporting process includes a traffic-light system whereby the observations are graded by risk, materiality and control. Each business unit draws up an action plan to ensure that the auditors' notes are addressed. During the next review of internal control and management, the auditor checks that actions have been taken.

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