

Company governance report 2020

The revised version of the Swedish Corporate Governance Code, hereinafter referred to as "the Code", which entered into force on 1 January 2020 (the "Code") covers, as of that date, among other things, all companies that have debt securities admitted to trading on a regulated market.

The Code's rules are a complement, mainly to the regulations of the Swedish Companies Act, regarding the company's organization and the relatively extensive self-regulation that exists regarding corporate governance. The code follows the principle of "follow or explain". According to this principle, a company may deviate from individual rules but must then explain the reason for each deviation. According to the revised Code, companies that have chosen to deviate from a rule must also disclose which solution has been chosen as an alternative to the rule recommended in the Code. This corporate governance report has been prepared in accordance with the rules set out in Chapter 10 of the Code.

Annual General meeting

The Annual General Meeting, which is the company's highest decision-making body, gives shareholders the opportunity to exercise their influence by voting on significant issues. The Annual General Meeting of Swedish Electromagnet Invest AB (publ) is held annually and is open to all shareholders. In connection with the Annual General Meeting, shareholders are given the opportunity to ask questions to the Board of Directors and the CEO. The company also answers questions from shareholders as they arise during the year to the extent possible. In 2020, Swedish Electromagnet Invest AB (publ) held its Annual General Meeting on June 30.

Annual General Meeting 2020

At the Annual General Meeting 2020, it was resolved, among other things:

- (a) adopt the presented profit and loss account and balance sheet;
- (b) profit for the financial year of SEK 7,967 thousand together with a balanced profit of SEK 323,535 thousand, totaling SEK 331,502 thousand, would be disposed of in accordance with the Board's proposal in such a way that SEK 331,502 thousand would be carried forward;
- (c) the Board of Directors would be discharged from liability for the financial year 2019;

The AGM, it was further decided that the number of elected board members shall be five full members and one deputy member. The meeting resolved to elect Yana Augustsson, Christina Hallin, Halvar Jonzon, Hasse Johansson and Hans Wikse as ordinary board members and Björn Lindberg as deputy board member. Furthermore, it was decided that board fees shall be paid in a total of SEK 900,000, divided by SEK 200,000 each to the board members who are not employed by Procuritas and SEK 500,000 to the chairman of the board, to be paid proportionally in relation to the length of the term.

Company board

Board members

According to the Articles of Association, the Board of Directors shall have not less than 3 and not more than 10 board members and not less than 0 and not more than 10 deputies elected by the Annual General Meeting.

The Board of directors in Swedish Electromagnet Invest AB (publ) was during 2020 five ordinary members: Christina Hallin, Halvar Jonzon, Hasse Johansson, Hans Wikse and Yana Augustsson.

The Board of Directors of Swedish Electromagnet Invest AB (publ) has one deputy board member.

Chief executive officer

The company's CEO during 2020 was Tom Gustavsson, born 1966. Tom Gustavsson has previously held senior positions within BTG Group, REAC AB and Opcon Group. From January 1, 2021, Christina Hallin has replaced Tom Gustavsson as CEO of the Company.

Responsibilities of the Board of Directors

The Board of Directors is responsible for, among other things, the company's organization, and management in accordance with the Swedish Companies Act. The Board of Directors shall continuously assess the company's financial situation, which means, among other things, that the Board of Directors shall specify the strategic direction and decide on issues regarding the company's capital supply and management. The Board of Directors appoints the CEO and also decides on salary and other remuneration to the CEO. The Board meets at least four times a year. The company's auditors attend one board meeting per year.

Rules of Procedure of the Board of Directors

The Board's activities and the division of responsibilities between the Board of Directors and management are governed by the Board's Rules of Procedure. The Rules of Procedure are adopted by the Board of Directors each year after the Annual General Meeting. The updated and current Rules of Procedure were adopted by the Board of Directors of Swedish Electromagnetic Invest at Board meeting on 30 June 2020. According to the Board's Rules of Procedure, the Board of Directors decides, among other things, on the company's overall strategy and investments. The Rules include a CEO instruction and an instruction for financial reporting. The Board's Rules of Procedure are documented in writing stating, among other things:

- The Board of Directors shall have at least four ordinary meetings plus one constituting meeting;
- All members of the Board of Directors shall be invited to the meetings and have access to documentation approximately one week before each meeting;
- The Board of Directors shall normally follow the rules set out in the Rules of Procedure;
- The CEO shall submit a monthly report, on behalf of the company;
- Internal reporting shall be appropriately ensured by the Board of Directors.
- The CEO is responsible for preparing and presenting an economic and financial report before each Board meeting;
- The Board of Directors, once a year, without the presence of the CEO or other senior executives, should meet with the company's auditors;
- The Board of Directors has not appointed remuneration or audit committees but has chosen to discuss these issues in its entirety;
- A board member may not deal with or decide on a matter where he or she is in conflict of interest.

Work of the Board in 2020

In 2020, the Board held 9 meetings, one of which was a constituent. In addition, the Board of Directors has held informal monthly follow-up meetings with management. Furthermore, senior executives have presented parts of the companies' operations to the Board of Directors. This has contributed to the board members gaining a deeper knowledge of the activities within the group. The Board of Directors has also received financial reports on the company's financial position. In this context, the Board of Directors has also discussed the Code and the accounting standard that the company follows. Furthermore, during the year, the Board of Directors carried out an evaluation of its work under the direction of the Chairman. The evaluation ensures that the Board complies with the Code's fundamental intention.

Board members attendance in Board meetings 2020	Meetings
Total number of meetings	10
Christina Hallin	9
Halvar Jonzon	10
Hasse Johansson	10
Tomas Therén	2
Hans Wikse	7
Yana Augustsson	5
Björn Lindberg – as deputy for Y Augustsson	6
Henri Peltomäki – observer	6

Note: Christina Hallin did not participate in the meeting when the appointment of new CEO was decided

Independence of the Members of the Board of Directors

Namn	Independence of major owner	Independence of Company and management
Christina Hallin	Yes	Yes
Halvar Jonzon (chair)	Yes	Yes
Hasse Johansson	Yes	Yes
Tomas Therén	No	Yes
Hans Wikse	No	Yes
Yana Augustsson	No	Yes
Björn Lindberg (deputy)	No	Yes

Financial reporting

The Board of Directors ensures the quality of the financial reporting through a review of all financial reports presented by management. The financial reporting that includes valuation issues as well as assessments and guidelines for accounting is continuously treated by the Board of Directors. The Board of Directors ensures that review and follow-up of legal matters and disputes takes place regularly. The company's auditors report annually to the Board of Directors stating that they have reviewed the company and their results of the audit. The audit report is presented orally by the auditors at the Board meeting that deals with the annual report. At this meeting, the members of the Board of Directors are given the opportunity to ask the auditors questions. The auditors' report describes, among other things, whether the company is organized in a way that makes it possible to securely monitor the accounting, management of assets and control of the company's financial conditions.

Audit and remuneration issues

The Board of Directors has decided not to appoint audit and remuneration committees but considers it most effective and appropriate for the Board of Directors as a whole to participate in matters relating to the audit in the company and the relationship with the auditors and preparation and resolutions on matters relating to remuneration to senior executives.

The proposal to the Annual General Meeting is that the 2021 remuneration levels for board members who are not employed by Procuritas be paid at the same levels as in 2020, ie SEK 500 thousand for the chairman and SEK 200 thousand for others, except for the CEO who during his employment in the Group does not receive any board fees. The fees are paid in proportion to the length of the term of office.

Guidelines for remuneration to Chief Executive officer

Remuneration to the CEO means that a market-based and competitive remuneration shall be paid in the form of salary, other benefits, and pension. The notice period shall normally be six months from both sides.

Auditor

At the Annual General Meeting on June 30, 2020, Öhrlings PricewaterhouseCoopers AB was re-elected as auditors until next AGM. The auditor in charge since the 2018 Annual General Meeting is authorized public auditor Martin Johansson. The auditors' work shall be carried out following an audit plan, which shall be established together with the Board of Directors. The auditors shall present their conclusions from the audit of the company at the board meeting that deals with the annual report. In addition, the auditors shall annually inform the Board of Directors of the services performed in addition to the audit, fees for such services and other circumstances that may affect the assessment of the auditors' independence. The auditors shall also attend the Annual General Meeting if necessary and present their work, findings, and conclusions. The Board of Directors normally meets with the company's auditors without the presence of the CEO or any other person from the company management at least once a year. The audit is carried out in accordance with International Standards on Auditing (ISA) and Swedish good audit practice. In addition to his position as auditor in charge of Swedish Electromagnet Invest AB (publ), Martin Johansson has also been auditor in charge of companies such as Södra, Studsvik, Orio, Melker Schörling AB and Toyota Industries during 2020.

Communication policy

Swedish Electromagnet Invest AB (publ) adopted its communication policy at the Board meeting on February 12, 2019. The communication policy is based on the company's need to communicate both internally and externally and specifically to ensure the regulatory framework when communicating with the Frankfurt Stock Exchange and Nasdaq Stockholm stock exchange. The company has a listed bond, ISIN SE0011167600, and is therefore covered by Regulation (596/2014/EU) of the European Parliament and of the Council on market abuse ("MAR").

Insider policy

Swedish Electromagnet Invest AB (publ) adopted its insider policy at the Board meeting on February 12, 2019. The insider policy is based on the company's need to ensure the regulatory framework for securities trading with the Frankfurt Stock Exchange and Nasdaq Stockholm stock exchange. The company has a bond listed on the Frankfurt Stock Exchange and Nasdaq Stockholm ISIN SE0011167600 and is therefore covered by Regulation (596/2014/EU) of the European Parliament and of the Council on market abuse ("MAR"), the Law (2016:1307) on penalties for market abuse in the securities market ("MML") and the Law (2016:1306) with additional provisions to the EU Market Abuse Regulation ("KompL").

Sustainable development

Swedish Electromagnet Invest AB (publ) believes that successful long-term industrial development is closely linked to being a good social actor. Above all, this means that the company will work to take economic, social and ethical responsibility and contribute to a lasting positive and acceptable financial and social development over time.

Internal control

According to the Code, the Board of Directors shall provide a description of the most important elements of the company's internal control and risk management system regarding financial reporting. For Swedish Electromagnet Invest AB (publ), whose primary business is to acquire and manage securities in the form of shares, financial reporting focuses on ensuring an efficient and reliable process around financial transactions as well as the operation and management of the various holdings.

Internal control refers to the control relating to financial reporting. This is a process involving the Board of Directors, company management and staff. The process is designed to ensure the quality of external reporting. Internal control is usually described according to an established framework with five main areas. These are control environment, risk assessment, control activities, information and communication and follow-up.

Control environment

In the field of control environment, a number of elements are included that together create the culture that shapes how Swedish Electromagnet Invest AB (publ) works and operates. Swedish Electromagnet Invest AB (publ) is ultimately governed by a strong set of core values: customer needs, respect for the individual and resource efficiency. These values characterize Swedish Electromagnet Invest AB (publ) and are guaranteed by employees having high competence and integrity. In addition, as mentioned earlier, the Board of Directors has drawn up Rules of Procedure. It shows responsibilities, mandates, authorities and how they are followed up.

Risk assessment

Swedish Electromagnet Invest AB (publ) continuously works and evaluates the risks around reporting. Among other things, there is a continuous discussion in the board and management about the risks that arise as tax laws and accounting standards change. These require new procedures and processes that take shape through the joint work of the Board of Directors and management. In 2018 and 2019, the company's risks were properly monitored with the listing of the company's debt securities on the Frankfurt and Stockholm stock exchanges. The risk assessment is updated annually by management and the Board of Directors.

Control activities

The risks mentioned in the previous paragraph result in a range of activities aimed at preventing, detecting, eliminating and/or reducing deviations. Activities include, for example, follow-up of decisions, comparisons between reports, analysis, and follow-up of the subsidiaries' financial reporting. The Board's Rules of Procedure are part of the control activity.

Information and communication

To ensure effective and accurate information, internally as well as externally, good communication is required. Swedish Electromagnet Invest AB (publ) communicates through the Board of Directors, management, and employees. The development activities are continuously communicated within the group of companies.

Follow-up

Before each Board meeting, the Board receives information about Swedish Electromagnet Invest AB (publ)'s group's financial situation. Each board meeting deals with the situation, risks, threats, and opportunities of companies. Against this background, and with reference to the financial reporting in general, the Board sees no need for a special audit function in the form of internal audit.

Follow up of internal control by the Board of Directors

The Board of Directors receives ongoing information about material changes in the internal control structure. It is thus well updated in the overall framework. On this basis, the Board evaluates the quality of internal control and takes any measures as needed.