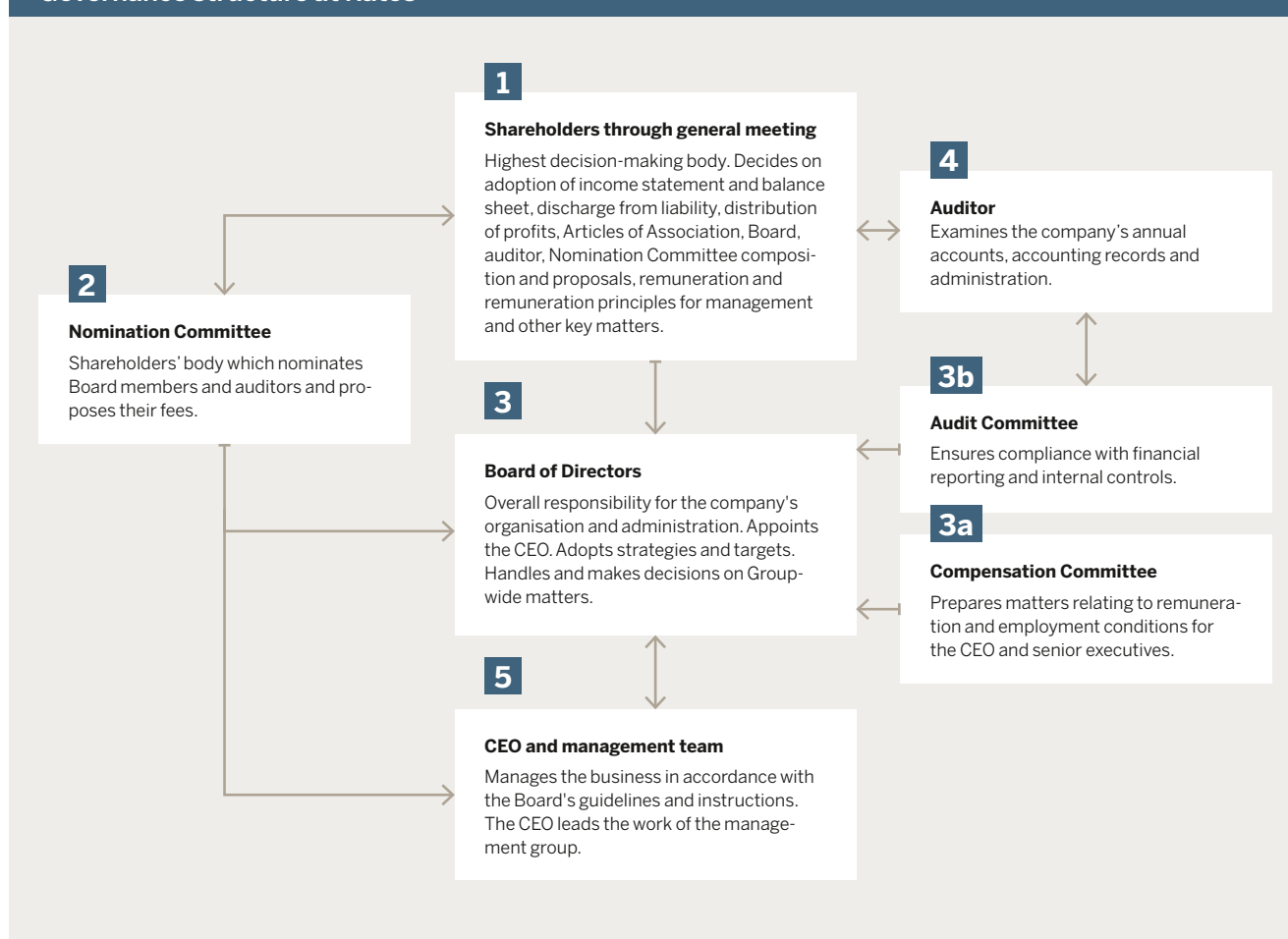


# Corporate Governance Report

## Governance structure at Ratos



## Corporate governance in Ratos

Ratos AB is a public limited liability company and the basis for governance of Ratos is both external and internal regulations. In order to establish guidelines for the company's activities, the Board has prepared and adopted several policy documents. These provide guidance to the organisation and employees based on the basic values and principles that must characterise the operations and conduct.

Ratos applies the Swedish Corporate Governance Code (the Code) and did not report any non-compliance with the Code in the 2019 financial year, except with regard to the composition of the Nomination Committee (see Nomination Committee on page 49).

This Corporate Governance Report seeks to avoid repetition of information that is included in applicable regulations and primarily to describe corporate governance for Ratos AB.

The company's auditors have performed a statutory examination of the Corporate Governance Report.

### Key external rules

- Swedish Companies Act
- Accounting legislation and recommendations
- Nasdaq Stockholm's Rule Book for Issuers
- Swedish Corporate Governance Code

### Key internal rules and documents

- Articles of Association
- Rules of procedure for the Board of Directors and Board Committees
- Decision-making procedures/authorisation instructions
- Instructions to the President and CEO and reporting instructions
- Internal guidelines, policy documents and manuals which provide guidelines for the Group's operations and employees, such as Ratos's communication policy, owner policy, Code of Conduct and policy for sustainability, corporate responsibility and responsible investments

### Read more about Ratos's corporate governance

Read more about Ratos's corporate governance on our website under Investor Relations/Corporate governance:

- Corporate governance reports from previous years
- Articles of Association
- Information from general meetings in previous years
- Nomination Committee
- The Board and its committees
- Incentive systems
- Auditor

## 1 Shareholders and general meetings

### Share capital and shareholders

Ratos has been listed on Nasdaq Stockholm since 1954. At year-end, the share capital amounted to SEK 1,021m divided among a total of 324,140,896 shares, of which 84,637,060 Class A shares and 239,503,836 Class B shares. The company's Class A shares carry entitlement to one vote per share while Class B shares carry entitlement to one-tenth of a vote per share. Class A and B shares carry the same right to a share of the company's assets and to the same amount of dividend. The general meeting decides on dividends.

At year-end, Ratos had a total of 52,070 shareholders according to statistics from Euroclear Sweden. The ten largest shareholders accounted for 78.4% of the voting rights and 51.6% of the share capital. More information about Ratos's shares and shareholders is provided on pages 24–25.

### General meetings

The general meeting is the highest decision-making body in Ratos and it is through attendance that Ratos's shareholders exercise their influence on the company. Normally, one general meeting is held each year, the Annual General Meeting of Shareholders, which is convened in Stockholm before the end of June. Notice is published in the form of an announcement in the Official Swedish Gazette (Post- och Inrikes Tidningar) and on Ratos's website. Publication of the notice is announced in Svenska Dagbladet. All documentation required ahead of the Meeting is available on the website ([www.ratos.se](http://www.ratos.se)) in Swedish and English.

A shareholder with at least one-tenth of the votes in Ratos is entitled to request an extraordinary general meeting. The Board and Ratos's auditor can also convene an extraordinary general meeting.

In order to have a matter considered at an Annual General Meeting, a shareholder must submit a written request to the Board in good time so that the matter can be included in the notice of the meeting, normally approximately seven weeks before the Annual General Meeting. The closing date for such requests is stated on Ratos's website.

Shareholders who are registered on Euroclear Sweden's list of shareholders and who have notified their attendance to the company in due time are entitled to attend the Meeting, in person or through a proxy, and to vote for their holding of shares. Shareholders may bring an assistant to the meeting provided they have notified the company. A summary of the main resolutions to be made at the Annual General Meeting is presented in Ratos's Articles of Association on Ratos's website.

### 2019 Annual General Meeting

The 2019 Annual General Meeting was held on 8 May at Skandiascenen, Cirkus, in Stockholm, Sweden. The Meeting was attended by 215 shareholders, proxies and assistants, who together represented 75.6% of the voting rights and 44.5% of the capital.

All Board members who were elected at the Annual General Meeting as well as Ratos's CEO and auditor were present at the Meeting. Minutes and information about the 2019 Annual General Meeting in both Swedish and English as well as the CEO's address to the Meeting are published on Ratos's website.

Resolutions at the 2019 Annual General Meeting included the following:

- Dividend of SEK 0.50 per Class A and B share, a total of SEK 160m.
- Fees of SEK 970,000 to the Chairman of the Board and SEK 485,000 to each member of the Board as well as fees to auditors
- Re-election of Board members Per-Olof Söderberg, Ulla Litzén, Karsten Slotte, Jan Söderberg and Jonas Wiström and the new election of Eva Karlsson. Annette Sadolin declined re-election. Re-election of Per-Olof Söderberg as Chairman of the Board
- Election of the audit firm Ernst & Young AB (EY)
- Adoption of guidelines for remuneration to senior executives
- Offer to CEO and other key employees in Ratos to acquire convertibles and warrants in Ratos
- Authorisation for the Board to acquire Ratos shares up to 7% of all shares
- Authorisation for the Board to decide on a new issue of a maximum of 35 million Class B shares to be used for acquisitions

## 2 Nomination Committee

The Annual General Meeting has decided on the principles for how the Nomination Committee should be appointed and these principles apply until otherwise decided by the general meeting. The Nomination Committee is to comprise a minimum of five members together with the Chairman. The Nomination Committee's members are to be appointed by the largest shareholders in terms of voting rights, or group of shareholders in the Euroclear Sweden system (such a group is considered one shareholder), based on Euroclear Sweden AB's shareholder statistics at 31 August the year before the Annual General Meeting. If a shareholder waives the entitlement to appoint a member, the shareholder who is the next largest owner in terms of voting rights is to appoint a member. The majority of the members of the Nomination Committee are to be independent in relation to the company and management. The Nomination Committee's mandate period extends until a new Nomination Committee has been appointed. If a member resigns from the Nomination Committee, the owner that appointed the member is entitled to appoint a replacement. If the owner who the member of the Nomination Committee represents considerably reduces its shareholding in the company, the Nomination Committee can offer another shareholder the opportunity to appoint a replacement.

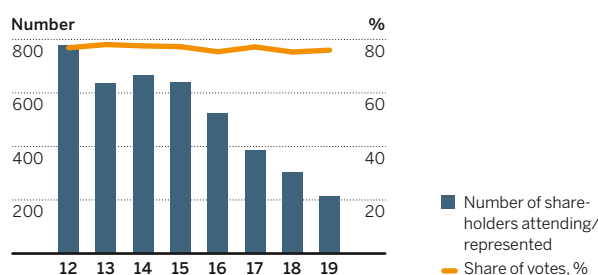
The current composition of the Nomination Committee was announced on Ratos's website and disclosed through a press release on 30 September 2019. The Nomination Committee comprises:

### 2020 Annual General Meeting

Ratos's 2020 Annual General Meeting will be held on 1 April 2:00 p.m. at Skandiascenen, Cirkus, in Stockholm, Sweden.

For matters related to the Nomination Committee and the Annual General Meeting, refer to Ratos's website. For further information about the Annual General Meeting, see page 129.

### Attendance at Annual General Meetings



- Jenny Parnesten, appointed by the Ragnar Söderberg Foundation as well as own and related parties' holdings, Chairman of the Nomination Committee
- Jan Söderberg, own holdings
- Maria Söderberg, appointed by the Torsten Söderberg Foundation as well as own holdings
- Erik Brändström, appointed by Spiltan Fonder AB
- Håkan Roos, appointed by RoosGruppen AB as well as own holdings
- Per-Olof Söderberg, Chairman of Ratos's Board

Combined, the Nomination Committee represents 62% of the voting rights for all the shares in the company.

A summary of the Nomination Committee's tasks is presented in Ratos's instructions to the Nomination Committee on Ratos's website.

### Nomination Committee's work ahead of the 2020 Annual General Meeting

Ahead of the 2020 Annual General Meeting, the Nomination Committee held three minuted meetings and was in regular contact in between. In its work, the Nomination Committee has taken note of the internal evaluation of the Board's work.

Ratos develops mid-sized companies headquartered in the Nordics that are or can become market leaders. In 2019, Ratos adopted a new strategy that is currently being implemented. This new strategy requires the Board to have a broad industrial background as well as a documented ability to operate and develop companies in different industries and phases of development. The Nomination Committee deems the members proposed for re-election to have broad and complementary experience that more than adequately meets these requirements and deems that ongoing continuity in the work of the Board is paramount given the company's current stage of development. Consequently, the Nomination Committee sees no reason at this time to elect another Board member and feels that the proposed composition of six members is suitable and appropriate.

The requirement for independence is also assessed as having been met.

The Nomination Committee has continued to discuss requirements for diversity based in part on the Code's requirement for stipulating how the diversity policy has been applied and has chosen to use Rule 4.1 of the Code, which states that the Board is to exhibit diversity and breadth of qualifications, experience and background, and strive for an equal gender balance. Following deliberation by the Nomination Committee regarding, for example, the Board members' background and experience, it is noted that the gender balance will be unchanged compared with previous years as the members proposed include two women and four men, resulting in a gender distribution of 33.3%/66.7% for the proposed Board. According to the Nomination Committee, this is in accordance with the requirement for an equal gender balance.

Proposals regarding fees to the members of the Board as well as remuneration for committee work have been prepared by the four members of the Nomination Committee who are not members of Ratos's Board.

Shareholders have been informed that proposals to the Annual General Meeting can be submitted to the Nomination Committee.

The Nomination Committee's proposals, an account of the work of the Nomination Committee ahead of the 2020 Annual General Meeting as well as complementary information on proposed members of the Board will be announced in conjunction with the Notice of the Meeting and be presented at the 2020 Annual General Meeting.

No fees have been paid for participation in the Nomination Committee.

### Deviations/violations

Ratos deviates from the Code's rule 2.4, second paragraph, which states that if more than one Board member sits on the Nomination Committee, a maximum of one of them may be non-independent in relation to the company's major shareholders. Per-Olof Söderberg

(also the Chairman of the Board) and Jan Söderberg are members of the Nomination Committee and regarded as non-independent in relation to the company's major shareholders. Against the background of these persons' extensive experience of Board work, their in-depth knowledge of Ratos and roots in the ownership group, and their network in Swedish industry, it was deemed beneficial to the company to deviate from the Code on this point.

No violations of Nasdaq Stockholm's Rule Book for Issuers or good practice in the stock market have occurred.

## 3 Board of Directors

### Composition of the Board

Ratos's Board is to comprise of a minimum of four and a maximum of nine members with a maximum of three deputies. The Board is appointed by the shareholders at each Annual General Meeting. The mandate period is thereby one year.

The 2019 Annual General Meeting resolved that the Board is to consist of six members and no deputies. The Meeting re-elected Per-Olof Söderberg, Ulla Litzén, Karsten Slotte, Jan Söderberg and Jonas Wiström and newly elected Eva Karlsson. Annette Sadolin declined re-election. Per-Olof Söderberg was re-elected as Chairman of the Board. The CEO is part of the Board and attends Board meetings. The composition of the Board and an assessment of each Board member's independence is presented in more detail on pages 54–55.

### Responsibilities and duties of the Board

The Board has overall responsibility for Ratos's organisation and management of its affairs, in the interests of both the company and its shareholders. The Board adopts financial targets, decides on the company's strategy and business plan, and ensures good internal control, risk management and an adequate sustainability programme. The work of the Board is regulated by, among other things, the Swedish Companies Act, the Articles of Association, the Code and the formal work plan adopted by the Board for its work. The Board's overarching responsibility cannot be delegated but the Board may appoint committees tasked to prepare and evaluate matters ahead of a decision by the Board.

Each year, the Board adopts a formal work plan for its work designed to ensure that the company's operations and financial circumstances are controlled in an adequate manner. The formal work plan describes the special role and duties of the Chairman of the Board, decision-making procedures, instructions for Ratos's CEO and reporting as well as areas of responsibility for the committees. Furthermore, the Board also adopts annually a number of policy documents for the company's operations and ensures that there is satisfactory control of the company's compliance with laws, rules and internal guidelines. The Board ensures compliance through various tools including Ratos's annual risk management process and assurance mapping, in which responsibility for and validation of internal processes and identified risks are clarified.

The main duty of the Chairman of the Board is to lead the work of the Board and ensure that Board members carry out their respective duties.

### Work of the Board in 2019

During 2019, a total of 13 minuted Board meetings were held: five ordinary meetings, one statutory meeting, and seven extra Board meetings. Board meetings have a recurrent structure with established key items. Information and documentation for decision ahead of Board meetings are usually sent out approximately one week before each meeting. Ratos's General Counsel has taken the minutes at the Board meetings.

At every ordinary Board meeting, information is presented about the company's financial position and important events that affect the company's operations. At extra Board meetings, acquisition and divestment matters are normally examined as well as financing and

## Composition of the Board

Name <sup>1)</sup>	Elected year	Independent of the company	Independent of major shareholders	Total fee <sup>2)</sup> , SEK thousand	Attendance at meetings 2019		
					Compensation Committee meetings	Audit Committee meetings	Board meetings
Per-Olof Söderberg	2000	Yes	No	1,120	8/8	5/5	13/13
Jan Söderberg	2000	Yes	No	635	7/8	5/5	13/13
Eva Karlsson	2019	Yes	Yes	585	–	3/3	8/8
Ulla Litzén	2016	Yes	Yes	635	–	5/5	13/13
Karsten Slotte	2015	Yes	Yes	635	8/8	5/5	13/13
Jonas Wiström <sup>3)</sup>	2016	No	Yes	0	–	–	11/13
<b>Total</b>				<b>3,610</b>			

<sup>1)</sup> Annette Sadolin declined re-election at the 2019 Annual General Meeting.

<sup>2)</sup> Relates to fees for the Annual General Meeting year 2019/2020.

<sup>3)</sup> Jonas Wiström received no fee for the role as ordinary Board member.

incentive matters. Extra Board meetings are held when such matters requiring a Board decision arise. 2019 was characterised by the new strategy for Ratos, the CEO's presentation of the companies' business areas and strategies, capital contributions and other financing matters. Senior executives at Ratos attended Board meetings to present specific matters.

### Evaluation of the Board

The Board annually evaluates the work of the Board in a structured process where members are given an opportunity to express their opinions on working methods and efficiency, Board material, the performance of the members and the scope of the assignment in order to develop the Board's working methods. For the 2019 financial year, the evaluation was performed internally with the members answering an anonymous questionnaire, and the results of the evaluation have been presented by the Chairman with a subsequent discussion by the Board. Furthermore, the Chairman of the Nomination Committee held individual interviews with each Board member. The results of the evaluation have been reported to the Nomination Committee. The evaluation indicates that the Board work is deemed to function well.

### Committees

The Board has established a Compensation Committee and an Audit Committee in order to structure, improve efficiency and assure the quality of its work, and to prepare the Board's decisions within these areas. The members of these committees are appointed annually at the statutory Board meeting.

### 3a Work of the Compensation Committee

The Compensation Committee has both an advisory function (follow-up and evaluation) and a preparatory function for decision matters prior to their examination and decision by Ratos's Board.

The following matters, among others, are handled by the Compensation Committee:

- the CEO's terms of employment, and terms for management and those directly subordinated to the CEO
- Follow and evaluate variable remuneration programmes for company management
- Matters of principle concerning pension agreements, severance pay, notice periods, bonus/earnings-related remuneration, fees, benefits, etc.
- Prepare matters and decisions relating to the incentive systems for Ratos and the companies, in some cases for decision by the Board and/or the general meeting
- The Board's proposal to the Annual General Meeting on guidelines for remuneration to senior executives

The Compensation Committee works in accordance with an adopted formal work plan. Normally, early in the autumn, an examination is carried out to see whether there are any major remuneration-related matters of principle to prepare. If such matters exist, they are addressed ahead of a final proposal at the ordinary meetings in December and January. In 2019, the Compensation Committee made a thorough evaluation of Ratos's remuneration structures and incentive programmes, which resulted in proposals from the committee to leave the structure for variable cash salary for 2019 essentially unchanged and, as in 2018, to propose to the 2019 Annual General Meeting a new long-term incentive programme in the form of a warrants and convertible debenture programme. Prior to the 2020 Annual General Meeting, adjustments were proposed to the remuneration guidelines due to the new rules that entered into force in the area. The Compensation Committee also conducts an annual review of Ratos's long-term incentive systems, which Ratos's Board of Directors then submit an account of on the company's website no later than three weeks before the Annual General Meeting.

During 2019, Per-Olof Söderberg (Chairman of the Board and of the Compensation Committee), Jan Söderberg and Karsten Slotte were members of the Compensation Committee.

The Compensation Committee held eight minuted meetings in 2019 and was in regular contact in between. Ratos's General Counsel has taken the minutes of the Committee. The Compensation Committee provides continuous oral reports to the Board and submits proposals on matters that require a Board decision. Minutes are made available to all members of the Board. The CEO and other senior executives normally attend the meetings of the committee to present specific matters.

### 3b Work of the Audit Committee

In 2019, all Board members except the CEO served on the Audit Committee. Ulla Litzén is the Chairman of the committee. The company's auditor participated in five Audit Committee meetings in 2019. The Audit Committee held five minuted meetings. Ratos's General Counsel has taken the minutes of the Committee.

The Audit Committee has both an advisory and preparatory function for decision matters prior to review and decision by Ratos's Board.

Each year, the Audit Committee adopts a fiscal cycle for its working duties and areas for which the Audit Committee is responsible. In 2019, adjustments were made to the Audit Committee's fiscal cycle and formal work plan. The Audit Committee is responsible for and monitors according to an adopted schedule, among other things, accounting and reporting, audit, internal control, corporate governance, risk management, purchases of non-audit-related services, tax payment, the parent company's guarantee and equity commitments, IT security, insurance, disputes and strategic accounting matters as

well as compliance with rules and regulations and certain policy documents adopted by Ratos's Board. Furthermore, the Audit Committee oversees Ratos's externally operated whistleblowing system. The Audit Committee's work follows Ratos's interim reporting and Ratos's work on valuation matters and impairment testing, with five regular meetings held every year where the auditor participates in all Committee meetings. Specific matters addressed in 2019 included valuation and impairment matters, follow-up of bank terms, commitments concerning capital contributions and disputes. The CEO and senior executives normally attend the meetings of the Committee to present specific matters.

The Audit Committee submits proposals on matters that require a Board decision and the minutes are made available to all members of the Board. The Chairman of the Committee maintains regular contact with the company's auditor.

#### Remuneration to the Board of Directors

The 2019 Annual General Meeting resolved that remuneration to the ordinary members of the Board should be paid in an amount of SEK 485,000 per member and year. Remuneration to the Chairman of the Board should amount to SEK 970,000 per year. It was decided to pay an additional SEK 150,000 per year to the Chairman of the Audit Committee and SEK 100,000 per year to other members of the Committee. It was decided to pay SEK 50,000 per year to the Chairman of the Compensation Committee and SEK 50,000 per year to other members of the Committee.

## 4 Auditor

Ratos's auditor is appointed annually by the Annual General Meeting. Nominations are made by the Nomination Committee. The auditor is tasked on behalf of shareholders to examine the company's annual accounts and consolidated financial statements as well as the administration of the company by the Board and the CEO, remuneration of senior executives, the sustainability report and the corporate governance work. The review work and auditor's report are presented at the Annual General Meeting.

At the 2019 Annual General Meeting, the audit firm Ernst & Young AB (EY) was elected as auditor until the next Annual General Meeting. EY appointed Erik Sandström as Chief Auditor. In addition to his assignment in Ratos, Erik Sandström is Chief Auditor for, among others, Autoliv, Gränges and Mycronic. At the 2020 Annual General Meeting, EY was proposed as the company's audit firm until the next Annual General Meeting.

#### Auditor's fees

Remuneration is paid to the company's auditor in accordance with a special agreement on this matter in accordance with a resolution at the Annual General Meeting. For a specification of audit fees and fees for other assignments, see Note 8. Ratos's policy for the purchase of non-audit-related services is continuously monitored by the Audit Committee, which also evaluates the content of both auditing and consulting services.

## 5 Governance in Ratos

#### Ratos's principles for active ownership and the exercise of its ownership role

Ratos's business concept is to develop mid-sized companies headquartered in the Nordics that are or can become market leaders. Ratos enables independent mid-sized companies to excel by being part of something larger. Ratos's owner policy includes specific strategic foundations that provide a basis for how we choose to act as an owner and how we view corporate governance. One of these foundations is that Ratos's companies must be independent of each other,

strategically, operationally and financially. As an owner, Ratos is to add and create value but value creation and governance are therefore not identical in all situations. Having a clear division of responsibility between owner, board and CEO is important for the governance of Ratos's companies as well as for the parent company Ratos AB, and is therefore a key part of Ratos's business model and success as an owner. Read more about Ratos's exercise of its ownership role on pages 9–11.

#### CEO and management team

The CEO is appointed by the Board and is responsible, together with the management team, for daily operations in Ratos in accordance with the Board's instructions. The CEO provides the Board with regular updates on operations and ensures so that the Board members receive information on which to base well-considered decisions.

Ratos's management team consisted of the CEO, CFO, two Vice Presidents, the General Counsel and the Head of IR and Press from the beginning of 2019 until November, when the Vice President Investments & Ownership Excellence left the management team. The role of the management team is to prepare and implement strategies, manage corporate governance and organisational matters, and monitor Ratos's financial development and Ratos's sustainability programme.

The companies' financial development and ongoing activities are addressed at monthly meetings attended by the respective company's CEO and CFO alongside Ratos's CEO, CFO and other senior executives.

#### Remuneration to senior executives

Guidelines for remuneration to senior executives were approved at the 2019 Annual General Meeting. More information about basic and variable salary is available in Note 7.

## Evaluation of the need for an internal audit

Ratos develops mid-sized companies headquartered in the Nordics that are or can become market leaders. At the close of the year, Ratos had 12 companies operating in three business areas in different industries with various risks. With regard to Ratos and the need for an internal audit, it has been judged more suitable to discuss and decide for each individual company according to need, size and complexity, rather than from parent company or Group level.

Ratos performs an annual review of risks where significant risks in the companies are summarised and discussed in Ratos's management and Board (refer to page 52). Ratos's management and Board can use this as a basis to identify a need for a closer look at/development of certain areas, the opportunity to identify areas that need to be centralised/strengthened, and to provide guidance to the Audit Committee for audit priorities for the companies.

In addition, the audit measures carried out by the auditor for the parent company and Group, including an audit of internal controls, are important instruments for identifying shortcomings and providing a basis for more in-depth measures/follow-up and the basis for decision regarding future audit priorities for the companies.

With 20 employees at the beginning of 2020, the parent company Ratos AB is a relatively small company which lacks complex functions that are difficult to analyse. The need to introduce an internal audit function for the parent company Ratos AB must therefore be regarded as negligible. Against this background, the Audit Committee has decided, as in previous years, not to establish an internal audit function at Group level or for the parent company Ratos AB.



## Internal control

The Board has overarching responsibility for ensuring that Ratos has an effective and adequate process for risk management and internal control. The purpose is to provide reasonable assurance that operations are conducted in an appropriate and effective manner, that external reporting is reliable and that laws as well as internal rules and policy documents are complied with. This work is conducted through structured Board work as well as by tasks being delegated to management, the Audit Committee and other employees. In addition, the Group engages in a dialogue with the its auditors regarding their ongoing observations as well as the annual audit of internal control completed during the third quarter and presented by Ratos's auditors to the Audit Committee. Responsibilities and authorities are also defined in Ratos's assurance mapping, which is part of Ratos's risk management process, and in instructions for powers of authorisation, policy documents and manuals which provide guidelines and guidance for the Group's operations and employees. As a complement to the companies' financial reporting and sustainability reporting, Ratos sends an annual compliance survey to all the CFOs of the companies. The findings are compiled and reported by the General Counsel to the Audit Committee, providing a basis for, among other things, decisions regarding future audit priorities for the companies.

Furthermore, the board of each company is responsible for ensuring that the company in question complies with laws and regulations as well as for compliance with internal policy documents and guidelines. A procedure has gradually been implemented to strengthen the follow-up of these matters.

### Ratos's risk management process

Ratos performs an annual review of risks where significant risks in its own operations and the companies are summarised and discussed in Ratos's management and Board. The process is intended to give Ratos's management and Board of Directors an understanding of the Group's most material risks.

As part of good corporate governance, the companies are expected to have a continuous process for identifying, assessing and managing their risks. Each company's CEO and management have operational responsibility for ensuring that an appropriate risk management process is in place and has been approved by the individual company's board. All company chairmen are asked every year to confirm to

Ratos's CEO that the company concerned has implemented an appropriate process and internal control for management of the company's risks.

Ratos provides support to its companies in the form of structures and models, and works continuously to strengthen their risk processes as well as its own. Ratos has supplemented the risk management process to include an assurance mapping, meaning a clarification of responsibilities and validation of internal processes and identified risks. Ratos's most material risks are summarised in the Directors' Report on pages 42–45.

### Internal control of financial reporting

Internal control of financial reporting is based on how Ratos's operations are conducted and how the organisation is built up. Ratos's operations focus on the development of mid-sized companies. Ratos has three business areas – Construction & Services, Consumer & Technology and Industry – and each business area currently consists of four companies. Each business area has a dedicated team that also works actively in the companies' boards. Each company is independent of other companies owned by Ratos. The intention is not that these companies' systems and reporting should be integrated into the Ratos Group, but rather that resources be used for follow-up and development of financial reporting from subsidiaries and associates. Ratos's aim, as part of its value-creating work with the companies, is to create independent and high-quality organisations with a quality of financial reporting that corresponds to that of a listed company.

Ratos has the overarching responsibility but the decisions and management of each company are carried out based on the needs, size and complexity of the company. Internal control of financial reporting is therefore designed to be appropriate in Ratos AB as well as in the companies. Evaluations and decisions are made by each board and management. This means that the material risks that affect internal control of financial reporting are identified and managed by Ratos as well as at the company level.

The basis for internal control of financial reporting consists of an overarching control environment where organisation, decision-making processes, authority and areas of responsibility have been documented and communicated in several guiding documents. This

### Recommended internal risk management process for Ratos

**1.**  
Identification

**2.**  
Classification

**3.**  
Management

**4.**  
Reporting

**5.**  
Report to owner

**1. Identification:** Ratos recommends a broad process where all relevant operational, strategic, financial and legal areas are covered in order to identify the companies' most material risks. Each company should identify and discuss risks at a suitable level in the organisation in a company-adapted process.

**2. Classification:** Classification and ranking of identified risks based on probability, degree of impact, type of risk and time perspective.

**3. Management:** A plan for how identified risks should be managed should be drawn up with activities and means to eliminate/ reduce/monitor the risk and specifying who is responsible.

**4. Reporting:** The risk assessment and management plans are presented and discussed in each company's board at least once a year.

**5. Report to owner:** A report that summarises the biggest risks at Ratos and the companies is compiled and presented to the Ratos Board annually.

means that authority and responsibility within Ratos AB are established in several internal guidelines, policy documents and manuals. This applies, for example, to the division of work between the Board and the CEO and other bodies set up by the Board, instructions for powers of authorisation as well as accounting and reporting instructions. This also serves to reduce the risk of irregularities and inappropriate favouring of a third party at the company's expense.

All companies report complete accounts and forecasts on a monthly basis. These reports are entered into a Group-wide consolidated reporting system. This is the foundation for the Group's consolidated financial reporting. Each company is responsible for its own financial management and for ensuring that the reports are correct, complete and delivered in time for the Group's reporting. The financial reporting is designed to follow the applicable laws and regulatory frameworks, such as IFRS. The companies' application of IFRS in their reporting and how they comply with the principle choices Ratos has made are followed up regularly. As support for the companies' reporting, Ratos Accounts has a number of supporting instructions and documents to ensure the financial reporting is complete and accurate.

#### **Quality assurance for financial reporting**

It is the opinion of the Board that the quality of a company's reporting is primarily determined by the organisation's competence in accounting matters as well as how the accounting, reporting and finance functions are staffed and organised. At Ratos, the business area teams and Ratos Accounts are involved in the reporting from the companies. This means that the quality of the accounting and reporting of the companies is continuously examined and developed. Ratos's business area teams, together with Ratos Accounts, evaluate the material reported by the companies analytically, looking at its

completeness, accuracy and compliance with Ratos's accounting principles. Ratos Accounts has an active dialogue with each company. Any deviations noted in the legal and operational follow-up are corrected following a dialogue with the company concerned. Performance and risks that are identified are communicated monthly to the CEO and CFO who, where appropriate, in turn report to Ratos's Board.

Every month, the companies provide a report in which the activities in the company and the company's development are described and analysed. The report is submitted to Ratos's management each month and to Ratos's Board each quarter. The reports are supplemented with monthly meetings between the companies and Ratos's management, during which the reporting is discussed and analysed to understand each company's financial development and follow up on the company's operations.

Accounts relating to acquisitions and investments as well as major transactions and accounting matters are discussed and regularly reconciled with Ratos's auditors. Group consolidation includes a number of reconciliation controls, both manual and automatic, such as in the Group-wide consolidated reporting system.

Ratos Accounts is organised and staffed on the basis of the need to ensure that the Group maintains a high accounting standard and complies with IFRS and other standards within accounting. Working duties include preparing regular accounts mainly for the parent company and preparing closing accounts for both the parent company and the Group. A total of four people are employed within the function, which is headed by Ratos's CFO. The employees have long professional experience in reporting and accounting.

Through the Audit Committee, the Board oversees the internal control and the accuracy of the financial reporting and evaluates recommendations for improvement. The Audit Committee submits proposals on matters that require a Board decision.

# Board of Directors and CEO



**Auditor**

At the 2019 Annual Meeting, the auditing firm Ernst & Young AB, with authorised public accountant Erik Sandström as Chief Auditor, was elected for the period until the 2020 Annual General Meeting has been held.

**Jonas Wiström, CEO**

Board member since 2016. Chairman of the Board April 2016 – December 2017, President and CEO since December 2017. Independent in relation to major shareholders in the company. Dependent in relation to the company and company management.  
MSc Eng.  
Born 1960, Swedish.  
Vice Chairman of the Board in Business Sweden.  
Former President and CEO ÅF, President and CEO Prevas, CEO Silicon Graphics northern Europe and positions within Philips, Saab-Scania and Sun Microsystems.

*Shareholding in Ratos (own):*  
170,000 B shares  
*Warrants in Ratos:* 200,000  
*Convertible debentures in Ratos:*  
250,000  
*Options issued by Ratos's principal owner:* 260,000

**Secretary to the Board**

Magnus Stephensen, General Counsel, Ratos.

**Ulla Litzén**

Board member since 2016. Independent in relation to the company, company management and major shareholders in the company. MSc Econ and MBA. Born 1956, Swedish. Board member in Electrolux, Epiroc, Husqvarna and NCC. Former CEO of W Capital Management AB (wholly owned by the Wallenberg Foundations) and Managing Director, and member of the Management Group, Investor AB.

*Shareholding in Ratos (own):*  
20,000 B shares  
*Options issued by Ratos's principal owner:* 85,000

Board's and CEO's holdings at 31 December 2019





**Per-Olof Söderberg, Chairman**

Board member since 2000 and Chairman of the Board since December 2017. Independent in relation to the company and company management. Dependent in relation to major shareholders in the company.  
MSc Econ, SSE, MBA Insead. Born 1955, Swedish. Chairman of the Board and co-founder in Söderberg & Partners AB. Board member and co-founder of SOBRO AB. Chairman of the Board and founder of the association Inkludera. Deputy Chairman of the Board in Stockholm School of Economics. Former CEO of Dahl.

*Shareholding in Ratos (own and related parties):* 16,684,396 A shares, 1,425,635 B shares

**Karsten Slotte**

Board member since 2015. Independent in relation to the company, company management and major shareholders in the company. B.Sc. Econ. Born 1953, Finnish. Chairman of the Board in LEDiL. Board member of Antti Ahlströms arvingar, Conficap, Royal Unibrew and Scandi Standard among others. Former President and CEO in the Karl Fazer Group 2007–2013 and prior to that as Managing Director of Cloetta-Fazer 2002–2006.

*Shareholding in Ratos (own):* 8,600 B shares  
*Options issued by Ratos's principal owner:* 42,500

**Eva Karlsson**

Board member since 2019. Independent in relation to the company, company management and major shareholders in the company. Master's degree in industrial work environment. Born 1966, Swedish. Vice President Product Supply Arcam EBM. Board member in Assa Abloy AB, Bräcke Diakoni and Valcon A/S. Former President and CEO of Armatec AB, CEO of SKF Sweden and Global Manufacturing Manager Industry division, Director Industrial Marketing & Product Development at SKF and positions within the SKF Group within Manufacturing Management.

*Shareholding in Ratos (own):* 0

**Jan Söderberg, Deputy Chairman**

Board member since 2000 and Deputy Chairman of the Board since December 2017. Independent in relation to the company and company management. Dependent in relation to major shareholders in the company. MSc Econ. Born 1956, Swedish. Founder and Chairman of the Board in Söderbergföretagen. Board member of Blinkfyrrar, Constant Clean, Elisolation, Nordic Plastics Group, Motala Intressenter and SEAB Nordic. Member of the Lund School of Economics Management Advisory Board. Board member of My Special Day Foundation. Former positions include the President and CEO of Bröderna Edstrand and senior positions in Dahl Invest AB, Fosselius & Alpen and Esselte.

*Shareholding in Ratos (own and related parties):* 14,503,583 A shares, 3,873,000 B shares