

# CORPORATE GOVERNANCE REPORT

Mekonomen Group comprises approximately 200 companies operating primarily in Denmark, Norway, Poland and Sweden, with a smaller operation in Finland. The Parent Company of the Group is the Swedish public limited liability company Mekonomen AB, whose shares are listed on the Nasdaq Stockholm.

## Principles for corporate governance

The Group's corporate governance concerns how the operations are governed, managed and controlled in order to create value for the company's shareholders and other stakeholders. The aim of corporate governance is to create the conditions for active and responsible company bodies, to clarify roles and segregation of responsibilities and to ensure true and fair reporting and information.

**Both internal and external regulations are used as a foundation for the governance of the Group.**

External regulations	Internal regulations
Swedish Companies Act	Articles of Association
Annual Accounts Act	Board's and committees' rules of procedure
Other relevant laws	Board's instruction for the President
Nasdaq Stockholm AB's Rule book for issuers	Code of Conduct and Core Values
Swedish Corporate Governance Code (the Code)	Policies, guidelines and instructions
EU Market Abuse Regulation (MAR)	

## Application of the Swedish Corporate Governance Code

The Group applied the Swedish Corporate Governance Code ("the Code") with the following deviation in 2020:

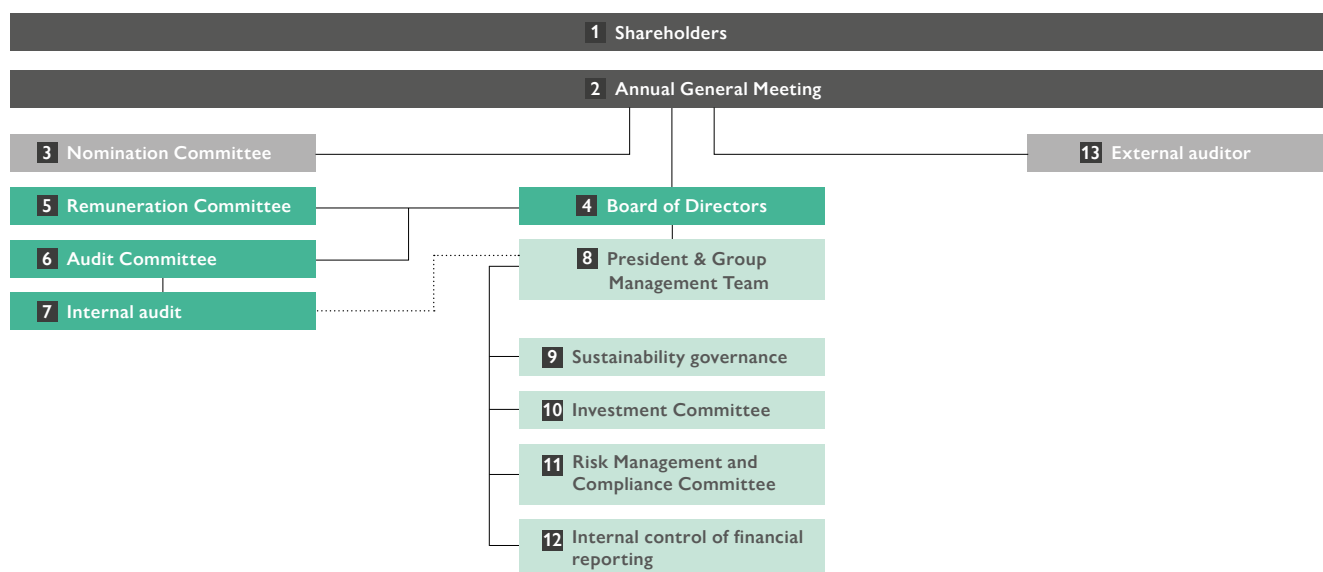
### Deviation from the Code (rule 2:4):

According to the Code, a Board member shall not be the Nomination Committee's chairman.

### Explanation:

Chairman John S. Quinn is also chairman of the Nomination Committee as it is a natural choice considering the ownership structure of Mekonomen.

## Overall Corporate Governance Model



## 1 Shareholders

The Mekonomen share has been listed on the Nasdaq Stockholm, Mid Cap segment since May 29, 2000. Share capital amounted to SEK 141 on December 31, 2020, represented by 56,416,622 shares. At year-end, Mekonomen AB had 93,250 treasury shares. Treasury shares do not entitle the holder to dividends or votes. The total market value for the company on December 31, 2020 amounted to SEK 5.1 billion, based on the closing price of SEK 91.10. All shares (excluding treasury shares) provide the same voting rights and equal rights to the company's profit and capital. The company's Articles of Association do not include any restrictions on how many votes each shareholder can cast at a General Meeting.

The number of shareholders on December 31, 2020 was 11,728 (12,259). On the same date, the ten largest shareholders controlled 60.0 per cent (63.6) of the capital and voting rights, foreign owners accounted for 41.4 per cent (42.5) of the capital and voting rights.

Shareholders which directly or indirectly represent at least one-tenth of the voting rights for all shares in Mekonomen are LKQ Corporation and subsidiaries, whose shareholding on December 31, 2020 amounted to 26.6 per cent (26.6). For further information on Mekonomen's shares and shareholders, see page 30.

## 2 General Meeting

The Annual General Meeting is the company's highest governing body, at which every shareholder is entitled to participate. The Annual General Meeting is to be held within six months of the close of the financial year. The Annual General Meeting approves the income statement and balance sheet, the appropriation of the company's earnings, decides on discharge from liability, elects the Board of Directors and auditors, and approves fees, addresses other statutory matters as well as making decisions pertaining to proposals from the Board and shareholders. The company announces the date and location of the Annual General Meeting as soon as the Board has made its decision, but not later than in connection with the third-quarter report. Information pertaining to the location and time is available on the company's website. Shareholders that are registered in Euroclear's shareholders register on the record date and have registered participation in adequate time are entitled to participate in the Annual General Meeting and vote according to their shareholdings. All information concerning the company's meetings, such as registration, entitlement for items to be entered in the agenda in the notification and minutes, is available on the company's website, mekonomen.com.

It is the company's aim that the Annual General Meeting be a consummate body for shareholders, in accordance with the intentions of the Swedish Companies Act, which is why the objective is normally that the Board in its entirety, the representative of the Nomination Committee, the President and CEO, auditors and other members of the Group Management Team should be present at the Meeting. Regarding participation at the 2021 Annual General Meeting, the Board of Directors has decided to apply the Collegiate's special application regulations in connection with covid-19, which means that the meeting will be conducted via postal voting without physical participation.

### Annual General Meeting 2020

The Annual General Meeting was held in Stockholm on May 7, 2020. The complete minutes of the Annual General Meeting are available on the company's website at mekonomen.com. Due to covid-19, the majority of participants at the 2020 AGM were not

physically present and participated by postal voting. In brief, the Annual General Meeting resolved:

- to adopt the income statement and balance sheet, the consolidated income statement and the consolidated balance sheet
- to pay a dividend of SEK 0 per share to shareholders
- to discharge the members of the Board and the President from liability
- that the number of members of the Board elected by the Annual General Meeting be seven with no deputy members
- to pay total Board fees of SEK 2,885,000, of which SEK 620,000 relates to fees to the Chairman of the Board and SEK 400,000 relates to the Executive Vice Chairman, and also SEK 300,000 relates to fees to each of the other Board members elected by the Annual General Meeting who are not employed by the Group. Total board fees also includes fees to members of the Board's committees, paid as follows: SEK 120,000 to the Chairman of the Audit Committee, SEK 50,000 to each of the other members of the Audit Committee, SEK 45,000 to the Chairman of the Remuneration Committee and SEK 25,000 to each of the other members of the Remuneration Committee
- to re-elect John S. Quinn as the Chairman of the Board
- to re-elect Board members John S. Quinn, Helena Skåntorp, Eivor Andersson, Kenny Bräck, Joseph M. Holsten, Magnus Håkansson and Arja Taaveniku
- to re-elect the auditing firm of PricewaterhouseCoopers AB as the company's auditor for the period until the close of the 2021 Annual General Meeting
- to adopt the Board's proposals for guidelines regarding remuneration of senior executives
- to adopt the Board's proposal to establish a long-term incentive programme (LTIP 2020) and in conjunction with this to authorize the Board to decide on acquisition of own shares and transfer of own shares
- to adopt the Board's proposals concerning employees' acquisition of shares in subsidiaries
- to adopt authorization for the Board, for the period until the next Annual General Meeting, on one or more occasions, with or without preferential rights for shareholders, to make decisions on new share issues of not more than 5,641,662 shares.

## 3 Nomination Committee

In accordance with the guidelines established at the Annual General Meeting on May 7, 2020, Mekonomen Group has established a Nomination Committee comprising four members. The largest shareholders of the company were contacted by the company's Board based on the list of registered shareholders on August 31, 2020 as provided by Euroclear Sweden AB.

The Nomination Committee for the 2021 Annual General Meeting is comprised of John S. Quinn, LKQ Corporation, Arne Lööv, Fjärde AP-Fonden, Kristian Åkesson, Didner & Gerge Fonder AB and Caroline Sjösten, Swedbank Robur Fonder AB. In accordance with the guidelines, John S. Quinn has been appointed the Chairman of the Nomination Committee (deviation from the Code (rule 2:4). Mekonomen's Board member, Helena Skåntorp, was co-opted to the Nomination Committee. Fees are not paid to members of the Nomination Committee.

In accordance with the Swedish Corporate Governance Code, the Nomination Committee is to have at least three members, one of whom is to be appointed Chairman. The majority of these members are to be independent in relation to the company and

company management and at least one of the Nomination Committee members is to be independent in relation to the company's largest shareholders in terms of the number of votes. Mekonomen Group's Nomination Committee comprises four members, all of whom are deemed to be independent in relation to the company and company management. Mekonomen Group's Nomination Committee also meets other independence requirements.

The Nomination Committee's task is to present proposals to the Annual General Meeting concerning:

- number of Board members and deputy Board members,
- the election of the Chairman of the Board and other members of the company's Board of Directors,
- Board fees and any remuneration for committee work,
- the election and remuneration of auditors, and
- any changes to the instructions for the Nomination Committee.

### Annual General Meeting 2021

The Annual General Meeting will be held on May 7, 2021. Participation is by postal voting; read more in the notice of the Annual General Meeting on [www.mekonomen.com](http://www.mekonomen.com).

In conjunction with its task, the Nominating Committee is to perform the duties incumbent on nomination committees in accordance with the Swedish Corporate Governance Code, and at the request of the Nomination Committee, the company is to provide human resources, such as a secretary function for the Committee, to facilitate its work. If necessary, the company is also to pay reasonable costs for external consultants deemed necessary by the Nomination Committee for it to perform its duties.

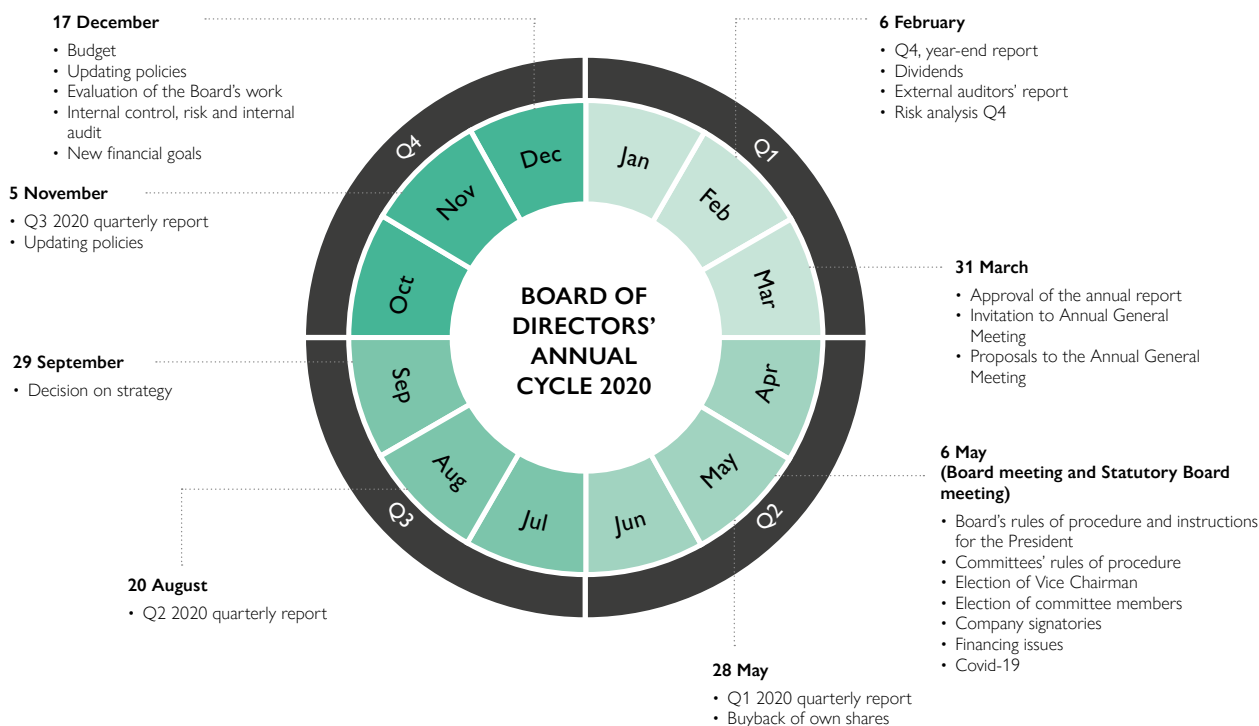
Mekonomen Group has not established any specific age limit for Board members or time limits pertaining to the length of time Board members may sit on the Board. Auditors are elected annually when the matter is submitted to the Annual General Meeting.

## 4 Board of Directors

### Size and composition

According to the Articles of Association, the Board of Directors is to comprise three to seven members and not more than three deputy members. The company's Articles of Association have no specific provisions relating to the appointment and discharge of Board members or amendments to the Articles of Association. The Board of Directors is to be elected annually at the Annual General Meeting. The Board of Directors shall consist of a well overall mix of the competencies that are important to govern the company's strategic work in a responsible and successful manner.

## Overview of all points on the Board's agenda in 2020\*



At each ordinary Board meeting, the Group's position and performance and the outlook for the future were discussed.

\*Extra Board meetings in 2020: 17/3 (covid-19), 30/3 (data breach, covid-19), 7/4 (data breach, covid-19, financing issues), 15/4 (data breach, covid-19, financing issues), 28/4 (data breach, covid-19, financing issues), 15/5 (covid-19, financing issues), 20/5 (covid-19, financing issues), 9/6 (covid-19, financing issues)

Examples of such competencies include knowledge of retailing, the automotive industry, corporate governance, compliance to rules and regulations, financing and financial analysis as well as remuneration issues. Previous Board experience is another important competency.

### Board members

In the opinion of the Nomination Committee, the Board has a suitable composition considering the company's operations, financial position, stage of development and circumstances otherwise. An important starting point for the proposal of Board members was that the Board's composition should reflect and provide space for the different knowledge and experience that the company's strategic development and governance may demand. The company has a diversity policy for the Group that includes the company's Board and management. The company's diversity policy, which was prepared in accordance with the Code's rule 4.1, aims to achieve an even distribution of people in the company in terms of age, gender, education and professional background. The diversity policy forms the basis of the Nomination Committee's proposal to the Board at the 2021 Annual General Meeting.

### Chairman

The Chairman of the Board, John S. Quinn, is not employed by the company and does not have any assignments with the company beyond his chairmanship. It is the opinion of the Board that John S. Quinn ensures that the Board conducts its assignments efficiently and also fulfils its duties in accordance with applicable laws and regulations.

### The Board's working procedures

The Board is responsible for the company's organization and management and is to also make decisions pertaining to strategic issues. During 2020, the Board held 18 meetings (10), of which 2 were independent. The minutes of the meetings were recorded by the Board's secretary, who is the Group's Director of Legal Affairs and Sustainability or by the Group's CFO. As in previous years, for matters which present a risk of a conflict of interest, independent board meetings have been held in which the Board members representing LKQ Cooperation did not participate, and classified minutes have been recorded for these specific matters.

Relevant meeting documentation was sent to all members prior to each meeting, which were then held in accordance with the approved agenda. On occasions, other senior executives participated in Board Meetings in a reporting capacity, as necessary. No dissenting opinions to be recorded in the minutes were expressed at any of the meetings during the year. The Board meetings during the year addressed the fixed items of each meeting agenda, such as the year-end financial statement including establishment of dividends, interim reports, budgets, strategies, business situation, financial reporting, investments and market development.

### Duties of the Board of Directors

The Board is responsible for ensuring that the company has good internal control in order to protect the owners' investment and the company's assets. In accordance with the requirements of the Code, the Board's aim was to devote particular attention to establishing overall goals for the operations and decide on strategies by which to achieve these goals and to continuously evaluate the operating management, with the aim of ensuring the company's governance, management and control. The Board is responsible for ensuring that suitable systems are in place for the monitoring and control of the company's operations and the risks to the company associated with its operations, that control is implemented of compliance with laws, internal guidelines and other regulations and that the provision of external information is open, objective and relevant. The Board reviews all quarterly reports and the annual report before these are published. The Audit Committee reports to the Board on matters of internal control, including matters for decision. Minutes from the Audit Committee's meetings are available to the Board members. The tasks of the Board also include establishing necessary guidelines for the company's conduct in society with the aim of securing its long-term value-creating ability.

There are written instructions that regulate the internal rules of procedure in the Board and the distribution of assignments between the Board and the President and the CEO, and for the reporting process. The instructions are reviewed annually and are primarily: the rules of procedure for the Board's work, instructions for the President and authorization regulations.

The Board evaluates its work every year and it is the duty of the Chairman of the Board to ensure that evaluation is performed. In 2020, the Chairman organized a written questionnaire for all Board members. The collective opinion based on the 2020 evaluation is that the Board's work functioned well and that the Board fulfilled the Code's requirements regarding assignment of the Board.

### Board Committees

The Board has established a Remuneration Committee and an Audit Committee. The Committees' work mainly comprises preparing issues and providing consultation, although the Board can delegate authority to make decisions in specific cases. The members and Chairmen of the Committees are appointed at the statutory Board meeting held directly after the election of Board members.

### Board remuneration and attendance

	Total remuneration, SEK	Attendance at Board meetings	Attendance at independent Board meetings	Attendance at Audit Committee meetings	Attendance at Remuneration Committee meetings
John S. Quinn	695,000	16/16	–	4/4	5/5
Helena Skåntorp	520,000	16/16	2/2	4/4	–
Eivor Andersson	345,000	16/16	2/2	–	5/5
Kenny Bräck	300,000	13/16	2/2	–	–
Joseph M. Holsten	350,000	13/16	–	4/4	–
Magnus Håkansson	350,000	16/16	2/2	4/4	–
Arja Taaveniku	325,000	16/16	2/2	–	5/5

## 5 Remuneration Committee

The Remuneration Committee's tasks are documented in the rules of procedure for the Remuneration Committee, which are annually approved by the Board of Directors. The work of the Remuneration Committee is based on resolutions by the Annual General Meeting pertaining to guidelines for remuneration of senior executives.

- The Committee discuss, decide on and present recommendations on the salaries, other employment terms and incentive programmes for the company management. However, the Board in its entirety determines the remuneration and other employment terms for the President and CEO.
- An important issue for the committee during the year has been to address the new remuneration report.

In 2020, the Remuneration Committee consisted of board members Eivor Andersson (Chairman), John S. Quinn and Arja Taaveniku.

During 2020 the Remuneration Committee held five meetings. The respective member's participation is presented in the table on page 42. In addition, the company's President and CEO Pehr Oscarson has been present at five meetings and the company's CFO has been the committee's secretary during five meetings.

## 6 Audit Committee

The Audit Committee's tasks are documented in the rules of procedure for the Audit Committee, which are annually approved by the Board of Directors. The committee monitors the efficiency of the internal control regarding the financial reporting presented by the management with any shortcomings and improvement measures.

- The Audit Committee monitors the financial reporting and ensures its reliability. They monitor the internal and external audit process, as well as the external auditor's impartiality and independence towards the company, including the extent to which the auditor provides the company services other than auditing.
- The Audit Committee's duties include a risk review regarding the Group's risks regarding the market and competitors, operational risks and financial risks.
- With regard to financial reporting, the Audit Committee has a special responsibility to monitor the effectiveness of the company's internal control.
- The Audit Committee annually evaluates its own work, as well as the work of the external and internal auditors. In addition, the Audit Committee recommends proposals on external auditors and the remuneration of the auditors for the upcoming year to the Nomination Committee.

In 2020, the Audit Committee consisted of Helena Skåntorp (Chairman), Joseph M. Holsten, Magnus Håkansson and John S. Quinn. The Audit Committee held four meetings in 2020. The respective member's participation is presented in the table on page 42. The Group's external auditors, the CFO, the Head of Risk Management and Internal Audit as well as the Head of Accounting participated at the meetings. The Head of Accounting was the secretary of the committee.

## 7 Internal audit

Internal Audit is an independent function that provides security for the Board and management. Internal Audit examines different processes and procedures, gives the Board and management a balanced picture of the current situation and proposes improvement measures. This is done by evaluating and proposing improvement in such areas as risk management, compliance with policies and efficiency in the internal control over the financial reporting. The function works throughout the Group. The results of audits carried out are reported to the Audit Committee, the CEO and the CFO and information is provided to management in each business area and other units where relevant.







For a number of years, Mekonomen Group has hired the auditing firm Deloitte to conduct the internal audit in the Group. In 2020 the firm also carried out an audit of the implementation of the AX business system, which has been implemented in units within Mekonomen Sweden. In 2020, the Board decided to choose EY as a new partner for the internal audit. During the autumn, EY carried out an audit of the work initiated during the year to establish a new control framework and governance model for cybersecurity. The Group's Head of Risk and Internal Audit is responsible for Internal Audit, who reports to the Chairman of the Audit Committee in this function.

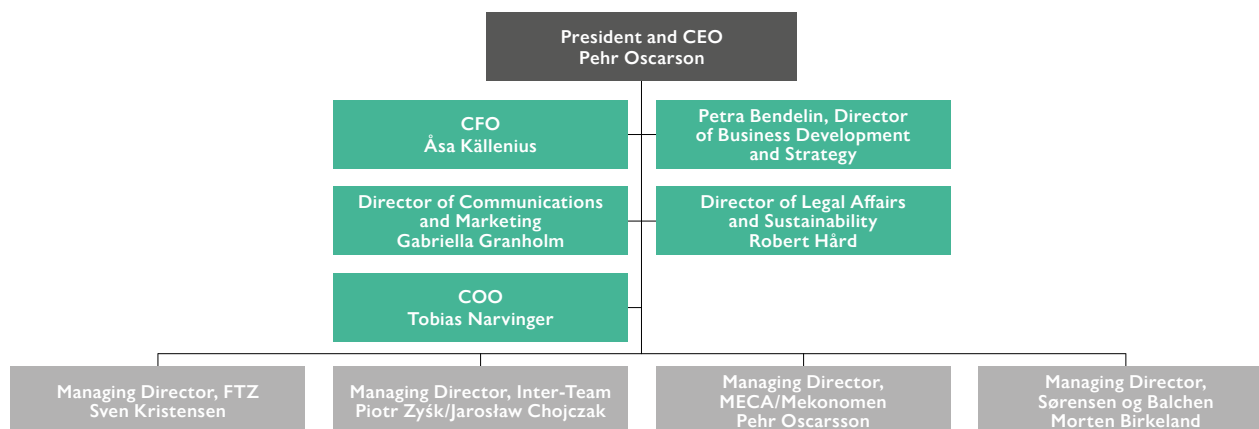
# BOARD OF DIRECTORS

						
<b>John S. Quinn<sup>1)</sup></b>	<b>Helena Skåntorp</b>	<b>Eivor Andersson</b>	<b>Kenny Bräck</b>	<b>Joseph M. Holsten</b>	<b>Magnus Håkansson</b>	<b>Arja Taaveniku</b>
Chairman of the Board. Member of Mekonomen's Remuneration Committee.	Executive Vice Chairman. Chairman of Mekonomen's Audit Committee.	Board member. Chairman of Mekonomen's Remuneration Committee.	Board member.	Board member. Member of Mekonomen's Audit Committee.	Board member. Member of Mekonomen's Audit Committee.	Board member. Member of Mekonomen's Remuneration Committee.
<b>Education</b>						
MBA, Bachelor of Business Administration, Chartered Professional Accountant.	Graduate in Business Administration, Stockholm University.	Marketing Economist, IHM Business School, Stockholm.	Upper secondary school education.	MBA, BA and Authorized Public Accountant.	Graduate in Business Administration, Stockholm School of Economics, and holds a Master of Science in Management, MIT Sloan School.	Executive MBA, Stockholm School of Economics.
<b>Elected in</b>						
2017	2004	2018	2007	2017	2017	2019
<b>Born</b>						
1958	1960	1961	1966	1952	1963	1968
<b>Position and Board assignments</b>						
Executive Strategic Advisor, LKQ Corporation, Board member of the Supervisory Board, ATR International.	Chairman of the Board in Plint Holding AB and Ljung & Sjöberg AB. Member of the Board of ByggPartner i Dalarna Holding AB and Cellink AB. Chairman of the board and co-founder of Nielstorp AB and Skåntorp & Co AB.	Chairman of the Board of SkiStar Aktiebolag (publ) and Svanudden AB. Member of the Boards of AB Svenska Spel.	Test and Development Driver for McLaren Automotive. Minority owner and Board member of Motorsport Actions Ltd.	Chairman of the Board of LKQ Corporation. Member of the Board of Covanta Holding Corporation.	CEO of MediaMarkt Sverige AB. Chairman of the Board of Tenant & Partner Group AB, GS1 Sweden AB and Impande Foundation Sweden.	Chairman of the Board of Svenska Handelsfastigheter AB. Member of the Board of Handelsbanken and Nobia AB.
<b>Work experience</b>						
CEO of LKQ Europe, EVP and CFO of LKQ Corporation. Senior Vice President, CFO and Treasurer of Casella Waste Systems, Inc., Senior Vice President of Finance at Allied Waste Industries, Inc. and several financial and operating roles at Waste Management, Inc.	President and CEO of Lernia AB. President and CEO of SBC Sveriges BostadsrättsCentrum AB, President and CEO of Jarowski, CFO of Arla, and Authorized Public Accountant at Öhrlings/PwC.	CEO of TUI Nordic (2014–2017), President of Coop Marknad AB (2011) and President of Ving Sverige AB/ Thomas Cook Sweden (2003–2010), as well as many years of experience from Board work in Swedish companies.	Former professional racing driver.	President and CEO of LKQ Corporation. Active for 17 years in the U.S. and international operations of Waste Management, Inc., most recently as Executive Vice President and COO. Prior to that auditor at a public accounting firm.	CEO of RNB Retail & Brands AB, CEO of Expert Sverige AB, CFO of KF Group and Consultant at McKinsey & Co. Chairman of the Board of RNB Retail and Brands AB (publ) 2010–2011.	Chief Offer and Supply Chain Officer and member of Group Management Team of Kingfisher Plc (UK), President of Ikano Group in Luxembourg and senior positions in IKEA Group internationally.
<b>Own shareholdings and shareholdings of related parties</b>						
None	3,142	None	1,571	None	None	None
<b>Independent of the company/company management</b>						
Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Independent of major shareholders</b>						
No, dependent in relation to major shareholders of the company.	Yes	Yes	Yes	No, dependent in relation to major shareholders of the company.	Yes	Yes

1. Mekonomen's Nomination Committee intends to propose Robert M. Hanser as the new Chairman of the Board of Mekonomen AB to the 2021 Annual General Meeting, which was announced on December 3, 2020. John S. Quinn, the current Chairman of the Board, has informed the Nomination Committee that he will decline re-election at the next Annual General Meeting.

# GROUP MANAGEMENT TEAM

					
<b>Pehr Oscarson</b>	<b>Petra Bendelin<sup>1)</sup></b>	<b>Gabriella Granholm<sup>2)</sup></b>	<b>Robert Hård</b>	<b>Åsa Källenius</b>	<b>Tobias Narvinger<sup>3)</sup></b>
President and CEO	Director of Business Development and Strategy	Director of Communications, Marketing and HR	Director of Legal Affairs and Sustainability	CFO	COO
<b>Born</b>					
1963	1978	1982	1966	1967	1974
<b>Education</b>					
Technical upper-secondary school, supplemented with short economics and management courses.	(Master Psychology/ Behavioural Science, Luleå University of Technology)	Jurisprudence – civil law, Luleå University of Technology, PR and Communication, Berghs School of Communication.	Master of Laws, Lund University.	Graduate in Business Administration, Stockholm University.	Master of Science in Engineering Physics, Chalmers University of Technology. MBA – Master's Course in International Business Administration, Chalmers University of Technology.
<b>Employed</b>					
2001	2010	2010	2003	2017	2011–2016, 2017–
<b>Work experience</b>					
President of MECA Scandinavia. Before that held senior positions in MECA since 2001 and President of Swecar AB.	President of Promeister Solutions. Various positions within business development in MECA, Sigma, Tectura and as self-employed.	Director of Communications, Mekonomen Group, Information Manager, IMA Sport.	Director of Legal Affairs, HR and Environment, MECA Group. Attorney-at-law, Advokatfirman Vingé. Clerk of Helsingborg District Court.	CFO of Tele2 Sweden, CFO Inflight Service. Financial Manager Spendrups Bryggerier.	Various positions in development, sales and purchasing Scania CV AB in Södertälje.
<b>Board appointments</b>					
Deputy Chairman of Association of Swedish Wholesalers of Automotive Parts and Accessories (SBF). Board member of Oscarson Invest Aktiebolag.	Board member of Swedspot, Ezeride AB, Lasingoo Sverige AB, Telge Tillväxt AB and Forthright AB.	–	–	Board member of Green landscaping AB, SinterCast AB, Deputy board member in allenius Invest AB, KAAX Investment AB (and subsidiaries), Scylla and Charybdis AB, and ANNMAKA AB.	–
<b>Own shareholdings and shareholdings of related parties</b>					
230,000	3,300	3,800	3,800	16,582	5,000
<b>Share awards</b>					
2,250 (LTIP2019) 5,000 (LTIP2020)	800 (LTIP2019) 2,500 (LTIP2020)	800 (LTIP2019) 3,000 (LTIP2020)	800 (LTIP2019) 3,000 (LTIP2020)	1,600 (LTIP2019) 3,000 (LTIP2020)	800 (LTIP2019) 3,000 (LTIP2020)



1. From February 7 2020, Petra Bendelin, Director of Business Development and Strategy, is a member of the Group Management Team.
2. Since November 2020, Gabriella Granholm has an expanded role with responsibility also for HR.
3. Tobias Narvinger has since November 2020 a new role as COO (Director of Purchasing).

## 8 President and CEO and Group Management Team

### President and CEO

The President is appointed and may be discharged by the Board and the work is regularly evaluated by the Board, which occurs without the presence of the Group Management Team.

Pehr Oscarson has been the President and CEO of Mekonomen AB since March 1, 2017. Prior to that, he served as the acting President and CEO of Mekonomen AB since October 6, 2016. Pehr Oscarson has no shareholdings or partial ownership in companies that Mekonomen AB or the company's subsidiaries have significant business ties with.

### Group Management Team

In 2020, the Group Management Team consisted of the President and CEO, the CFO, the Director for Communication and Marketing, the Director of Legal Affairs and Sustainability and the Director of Purchasing. In November 2020, the title Purchasing Director was changed to COO and HR was added as responsibility for Director of Communication and Marketing). From February 7, 2020, Petra Bendelin, Director of Business Development and Strategy, is a member of the Group Management Team for Mekonomen AB. A more detailed presentation of the current Group Management Team is found on page 45.

### Remuneration of senior executives

It is considered very important to ensure that there is a clear link between remuneration and the Group's distinct values and financial goals in both the short and the long term. The guidelines for remuneration of senior executives was approved by the 2020 Annual General Meeting. It entail that the company is to offer market-based remuneration that allows the Group to recruit and retain the right executives, and entail that the criteria for determining remuneration is to be based on the significance of work duties and employees' competencies, experience and performance. The purpose of the guidelines is to enable such remuneration, but also to link the total remuneration to Mekonomen Group's strategy and long-term interests, including sustainability.

Remuneration is to comprise:

- fixed basic salary,
- short-term variable remuneration,
- long-term share-based incentive programme (LTIP), decided yearly by the Annual General Meeting,
- pension benefits,
- other benefits and
- severance pay.

The guidelines encompass the Group Management Team, including the President. Remuneration is determined by the Board's Remuneration Committee. Remuneration of the President and CEO is determined by the Board in its entirety. Long-term share-based incentive programmes are decided by the Annual General Meeting, however.

President and CEO Pehr Oscarson has a fixed cash basic salary per month and a short-term cash variable salary portion, which is based on the company's earnings and that can amount to a maximum of 60<sup>1)</sup> per cent of the basic annual salary. The President and CEO are included in LTIP 2020, which was approved at the 2020 Annual General Meeting, and LTIP 2019, which was approved at the 2019 Annual General Meeting. The President and CEO receives

1) 72 per cent for 2020 (120 per cent of 60 per cent, in line with the compensation guidelines).

a pension benefit amounting to a maximum of 30 percentage points of the base salary. Other benefits primarily consist of a company car. The period of notice for the President and CEO is 12 months if employment is terminated by the company, and six months if terminated by the President and CEO. In addition, severance pay of a maximum of 12 months' salary may be paid in the event of termination of employment by the company. The short-term variable remuneration for other senior executives is based on the Group's earnings and on individual qualitative parameters and can amount to a maximum of a certain percentage of the fixed annual salary. The percentage is linked to the position of each individual and is 33 percentage points for members of the Group Management Team. Other benefits refer primarily to company cars. Pension premiums are paid in an amount that is based on the ITP plan or a corresponding system for employees outside Sweden. Pensionable salary comprises basic salary.

The company applies a period of notice of no more than 12 months. In addition, severance pay of a maximum of 12 months salary may be paid in the event of termination of employment by the company. Upon resignation, a six-month period of notice applies.

The 2020 Annual General Meeting also resolved to establish a long-term incentive programme (LTIP 2020), in accordance with the Board's proposal. LTIP 2020 comprises a maximum of 30 employees consisting of the Group Management Team of Mekonomen Group and some other key individuals in the Group. For information on the complete proposal, refer to the minutes of the 2020 Annual General Meeting on the company's website and Note 5 of the 2020 Annual Report.

The LTIP 2019 share-based incentive program is already in effect.

Read more about remuneration of senior executives in Note 5 of the 2020 Annual Report and in the company's remuneration report on [www.mekonomen.com](http://www.mekonomen.com).

## 9 Sustainability governance

Sustainability is an integral part of the Group's strategy and its operating activities. The strategy is based on our material sustainability areas where topics including the UN's global sustainable development goals and climate-related risks and opportunities have been analysed. Read more about the strategy on page 14 and the materiality analysis on page 19 and 93.

The Group has signed the UN Global Compact's principles in the areas of human rights, working conditions, the environment and anti-corruption. The Group's Code of Conduct is the Group's highest governing document in the area of sustainability; it has been approved by the Board and contains several policies. It also serves as the basis for the Group's other policies and rules.

The Group's requirements on suppliers regarding sustainability are clarified in a special supplier code.

The organizational governance for the strategic sustainability work, including targets and follow-up, rests with the Group Management Team, where the Director of Legal Affairs and Sustainability has the overall responsibility. The sustainability work is led and coordinated by the Group's sustainability manager, who reports to the Director of Legal Affairs and Sustainability. The responsibility for the strategic focus on specific sustainability issues in the Group rests with the manager of the respective area. Sustainability risks, including climate-related risks, are managed according to the risk management process. Read more on page 26.

The Board of Directors follows up the sustainability work in the Group Management Team's reporting.



## 10 Investment Committee

The Investment Committee manages and prepares matters concerning the Group's investments in accordance with the investment policy. An investment means an object that is expected to have a value over a longer period, regardless of the form of financing.

Mekonomen Group has an Investment Committee where the President and CEO decide on investments above a certain limit. Furthermore, there are local committees within the Group's business areas where the business area's CEO decides on investments below the Group's regulated limit. Major investments are approved by the Board of Directors. The monitoring of outcomes in relation to the investment calculation according to the decision basis is followed up after two years in the decision forum.

## 11 Risk Management and Compliance Committee

The Risk Management and Compliance Committee has the overall responsibility for ensuring, through guidance and control, an overview of the Group's risks and reporting significant changes in the risk picture, including compliance with regulations. The committee includes all Group Management Team members as well as the Group's Head of Risk and Internal Audit. The President and CEO is chairman and responsible for cohesive risk management. The committee normally has 6 scheduled meetings a year, but in 2020, 14 meetings were held due to more extensive activities in the risk area, related to covid-19 and a data breach in the MECA/ Mekonomen business area.

During the year, a new ERM policy was approved by the Board, which clarifies the requirements for more formalized and thorough work throughout the Group. Read more in the risk management section on page 26. The Group's risk management function is a second-line function under the Group Management Team, with reporting responsibility to the Board and the Audit Committee.

## 12 Internal control of financial reporting

The Board is responsible for Mekonomen Group's internal control, the overall purpose of which is to protect the owners' investment and the company's assets. The Audit Committee has special responsibility to monitor the effectiveness of risk management and internal control regarding financial reporting. The figure below shows how the Group works with internal control and shows that it is recurring work that is continuously changing and can be improved. During 2019, a second-line function was established with responsibility for developing and following up the Group's internal control work, with reporting responsibility to the Board and the Audit Committee.

Internal control for financial reporting is included as a part of the overall internal governance and control and constitutes a central part of the Group's corporate governance. According to generally accepted frameworks established for this purpose, including COSO, internal control is usually described from five different aspects described below.

### Control environment

The control environment constitutes the basis for internal governance and control. An important part of the control environment is that decision paths, authorities and responsibilities, as well as competence requirements must be clearly defined and communicated between various levels in the organization and that the control

documents are available in the form of internal policies, handbooks, guidelines and manuals, are adapted to operational changes and are updated regularly.

To help strengthen the internal control, the Group has prepared a financial handbook that provides an overall view of existing policies, rules and regulations and procedures within the financial area. The handbook is updated annually.

In addition, for implementation 2021, there is an overall corporate governance document that will provide new employed Managers, but also existing, with a comprehensive overview of the requirements placed on a manager. This document clarifies organization and decision pathways, goals, values and overall strategies, formal governance tools and all Group policies other than those stated in the financial handbook.

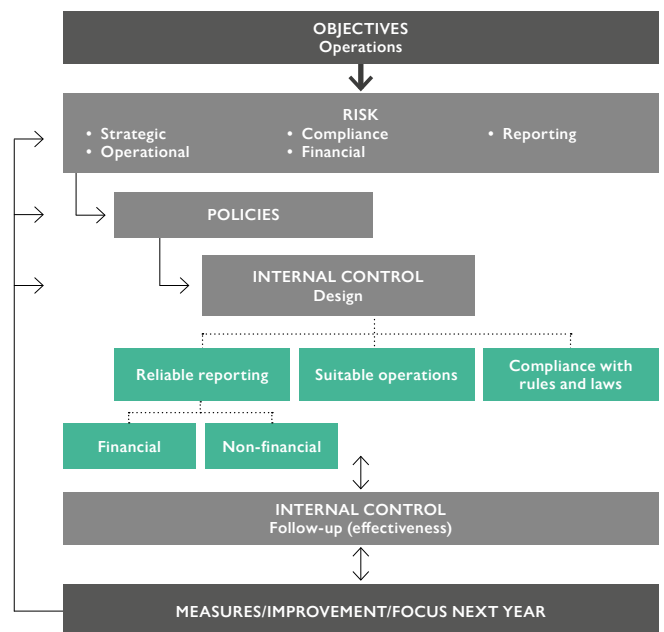
### Risk assessment

Risk assessment and risk management mean that the management is aware of and has itself assessed risks and threats in the business. The Group conducts frequent mapping of the Group's risks. Among identified risks are a number of items in the financial statements and administrative flows and processes where there is an elevated risk of error.

The company works continuously to reduce these risks by strengthening controls.

### Control activities

Control activities are the measures and procedures that the management has structured to keep errors from arising and to discover and resolve errors. Risks of errors in the financial reporting are reduced through a high level of internal control over the financial reporting, with specific focus on significant areas defined by management and the Board. Within the Group, there are specific control activities that are intended to ensure the timely discovery or prevention of the risks of errors in the reporting.



The illustration shows how different components (grey boxes) interact within internal governance and control.

During the year, the work of strengthening the Group's internal control framework continued, where the framework for stock management at central warehouses was further formalized and implemented. In addition, the inventory management framework at local warehouses has been developed to be fully implemented in 2021.

Furthermore, the work on a framework for general IT controls (ITGC) began during the year, where implementation will start during 2021.

#### Information and communications

In order for individual task to be able to be done in a satisfactory manner, the staff in an organization must have access to relevant and current information. Policies and guidelines are particularly important for accurate accounting, reporting and dissemination of information. Guidelines on the financial process are updated as necessary at Mekonomen Group. Such updates mainly take place in each Group function for the various operations by making the guidelines available on the intranet, but also at regular CFO meetings in which representatives from the Group finance function also participate. A review of policies is carried out annually or in the event of significant changes. External investor communication is regulated by the Group's communications policy.

#### Follow-up and evaluation

The final component in the framework pertains to follow-up of the structure and effectiveness of internal governance and control. The Board evaluates the information submitted by the Group Management Team and auditors. In conjunction with this, the Audit Committee is responsible for the preparation of the Board's work to quality assure the Group's financial reporting. The President, CEO and CFO hold monthly reviews of financial position with each Head of Operations. Group finance function also cooperates closely with the Group company finance managers and controllers of Group companies on matters pertaining to accounting and reporting. The follow-up and feedback concerning possible deviations arising in the internal controls are a key part of the internal control work, since this is an efficient manner for the company to ensure that errors are corrected and that the control is further strengthened.

During the year, each business area reported a self-rating of the internal control framework for central inventory management. In cases where shortcomings have been identified, the business areas have presented an action plan. The CFO, Head of Accounting and the Head of Internal Audit for the Group and the CFO for the respective business area, were included in the work.

Furthermore, work has been carried out to more thoroughly document and validate financial assessments in order to meet the external auditors' requirements based on the new audit standard ISA 540R.

A more formalized process is under development for reporting completed self-assessments of internal controls and evaluating the effectiveness of these controls.

### 13 External auditor

The auditors are appointed at the Annual General Meeting and are charged with reviewing the company's financial reporting and the Board's and the President and CEO's management of the company. At the 2020 Annual General Meeting, PricewaterhouseCoopers AB (PwC) was re-elected as the auditing firm until the 2021 Annual General Meeting. The Auditor-in-Charge is Authorized Public Accountant Linda Corneliusson. PwC has an organization comprising broad and specialized competency that is well-suited to Mekonomen Group's operations and has been the company's auditing firm since 2014.

#### Fees to auditors, SEK M

	2020	2019
<b>PwC</b>		
Fees for audit assignments	11	10
Audit-related services other than the audit assignment	1	1
Tax consultancy	0	0
Other services	0	0
<b>Total PwC</b>	<b>12</b>	<b>11</b>
<b>Other auditing firms</b>		
Fees for audit assignments	0	0
Audit-related services other than the audit assignment	0	0
Tax consultancy	–	0
Other services	–	0
<b>Total other</b>	<b>0</b>	<b>0</b>
<b>Total fees to auditors</b>	<b>13</b>	<b>12</b>

PwC submits an auditor's report for Mekonomen AB (publ.) and for the company's subsidiaries, excluding a few smaller subsidiaries. The auditors also perform a review of the third-quarter interim report. The audit is conducted in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. The audit of annual report documents for legal entities outside Sweden is conducted in accordance with statutory requirements and other applicable rules in each country.

#### More information is available on mekonomen.com

- Articles of Association
- Code of Conduct
- Information from previous General Meetings, from 2006
- Information about the Nomination Committee
- Information about principles of remuneration of senior executives
- The Board's evaluation of guidelines for remuneration of programmes for variable remuneration
- Corporate Governance Reports from 2011
- Information about the 2021 Annual General Meeting