

CORPORATE GOVERNANCE REPORT 2019

CORPORATE GOVERNANCE PRINCIPLES

Corporate governance within the HANZA Group is based on the Swedish Companies Act, Nasdaq Stockholm's regulations for issuers, the Swedish Corporate Governance Code, guidelines for good stock market practice, other applicable regulations and recommendations for companies whose shares are admitted to trading on a regulated market, the Articles of Association as well as internal governance documents. The internal governance documents mainly comprise the Board of Directors' rules of procedure, instructions for the CEO and instructions for financial reporting. In addition, HANZA has adopted a number of policy documents and manuals that set out rules and recommendations, which in turn contain principles and provide guidance with regard to the company's operations and for its employees. Companies that are listed on a regulated market are required to apply the Swedish Corporate Governance Code (the "Code") developed by the Swedish Corporate Governance Board. More information about the Code can be found at the webpage bolagsstyrning.se.

HANZA has applied the Code in full since the listing on the Nasdaq Stockholm on March 25, 2019. With the exception of the deviations described below, there have been no deviations from the Code since the listing on the Nasdaq Stockholm. Prior to the listing, the company's stock was listed on the First North Premier. Since the First North is not a regulated market, HANZA was not obligated to apply the Code prior to the listing on the Nasdaq Stockholm. Prior to the listing, HANZA also chose to apply the Code to the extent that so doing was deemed appropriate and expedient.

DEVIATIONS FROM THE CODE

Rule 2.4, second paragraph of the Code states that if more than one board member serves on the Nomination Committee, at most one of them may be dependent in relation to the company's major shareholders. Board members Francesco Franzé and Gerald Engström serve on the Nomination Committee, and are both regarded as dependent in relation to the company's major shareholders. This therefore constitutes a deviation from the said rule in the Code.

Francesco Franzé is a member of the Nomination Committee in his capacity as Chairman of the Board in accordance with the principles governing the composition of the Nomination Committee adopted at the AGM in May 2019. Gerald Engström, acting through Färna Invest AB, is the company's largest shareholder, and has announced that he wishes to represent his own holding on the Nomination Committee.

The principles governing how the Nomination Committee is to be formed are resolved on by the AGM, and the company has no formal opportunity to determine which representatives are appointed by the largest shareholders in accordance with these principles. However, the composition of the Nomination Committee has been discussed with the main owners.

Gerald Engström is the company's largest shareholder. He possesses extensive industrial experience and has in-depth

knowledge of the company's operations. The composition of the Nomination Committee is not thought to affect the ability of the Nomination Committee to carry out the tasks incumbent on it, or to safeguard the interests of all shareholders. In light of the above, it has been deemed warranted to derogate from the Code in this regard.

COMPLIANCE WITH STOCK MARKET REGULATIONS AND GUIDELINES FOR GOOD STOCK MARKET PRACTICE

HANZA has not been the subject of a decision by the Nasdaq Stockholm Disciplinary Committee or a statement by the Swedish Securities Council.

AGM

The shareholders' influence within the company is exercised at the AGM, which is the company's highest decision-making body. According to HANZA's Articles of Association, shareholders who wish to attend the AGM must appear either on the printout or in another representation of the full shareholder register, having regard to the conditions, five working days before the meeting, and must notify the company no later than the date stated in the meeting notice. The latter date must not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve, nor must it fall earlier than on the fifth working day prior to the meeting. There are no restrictions with regard to how many votes each shareholder may cast at the meeting.

The AGM is held annually within six months of the end of the financial year. According to the Code, the Chairman of the Board of Directors is required to attend the AGM, as are the Board of Directors and the CEO. The Meeting Chair shall be nominated by the Nomination Committee and be elected by the meeting. The tasks of the AGM include electing the company's Board of Directors and auditors, establishing the Parent Company's and the group's balance sheets and income statements, resolving on appropriations of the Company's profit or loss in accordance with the established balance sheet, and making resolutions regarding the discharge from liability of Board members and the CEO. The AGM also determines the fees to be paid to the members of the Board of Directors and the company's auditors. Extraordinary General Meetings may be convened by the Board of Directors when the Board of Directors deems that there is reason to hold a meeting prior to the next AGM. The Board of Directors is also required to convene an Extraordinary General Meeting when an auditor or shareholder holding more than 10 per cent of the shares in the Company submits a written request that a Meeting be held to deal with a specific matter.

Notice of the AGM shall be issued by taking out an advertisement in Post- och Inrikes Tidningar and by posting a notice on the company's website. At the time of notice, information to the effect that notice has been given shall be posted in Svenska Dagbladet. The notice shall also be published in the form of a press release in accordance with Nasdaq's regulations. Notice of an AGM or

Extraordinary General Meeting in which an amendment to the Articles of Association is to be deliberated shall be issued no earlier than six and no later than four weeks in advance of the AGM. Notice of any other Extraordinary General Meeting shall be issued no earlier than six weeks before and no later than three weeks before the General Meeting. The Articles of Association do not contain provisions on special prerequisites for amending the Articles of Association.

The company will publish resolutions made at the AGM in accordance with Nasdaq's regulations. The meeting minutes shall be available on the company's website no later than two weeks after the meeting.

2020 AGM

The 2020 AGM will be held on Monday, April 27, 2020, at 4 p.m. in Danderyd.

AUTHORIZATIONS

At the AGM on May 7, 2019, in accordance with the Board of Directors' proposal, it was resolved to authorize the Board of Directors, on one or more occasions during the period up to the 2020 AGM, to resolve to increase the company's share capital by a maximum of SEK 300,000 (corresponding to 3,000,000 shares) through the issue of shares, warrants and/or convertible bonds. The authorization allows the Board of Directors to resolve to issue shares, warrants and/or convertible bonds derogating from the shareholders' preferential rights and/or with a provision regarding vesting, set-off or other terms in accordance with the Swedish Companies Act. The authorization was equivalent to approximately 9.3 per cent of the share capital at the time of issue.

The Board of Directors exercised the entire authorization in the acquisition of the RITTER Group on July 25, 2019.

NOMINATION COMMITTEE

According to the Code, listed companies must have a Nomination Committee whose mandate shall include preparing and establishing proposals for the election of Board members, the Chairman of the Board, the meeting chair and auditors. The Nomination Committee is also required to propose fees to Board members and auditors. The Nomination Committee shall consist of at least three members.

At the AGM on May 7, 2019, it was resolved to adopt an instruction and rules of procedure for the company's Nomination Committee according to which the Nomination Committee is required to consist of four members, including the Chairman of the Board of Directors. The Nomination Committee is appointed by the Chairman of the Board of Directors at the behest of the meeting; it contacts the three largest shareholders by voting rights according to Euroclear's printout of the shareholder register as of the last banking day of August, and invites them to appoint one representative each, who, together with the Chairman of the Board of Directors, constitute the Nomination Committee until a new Nomination Committee has been appointed in accordance with the mandate from the next AGM. In the event that any of the three largest shareholders do not wish to appoint a member of the Nomination Committee, the fourth largest shareholder shall be asked, and so on, until the Nomination Committee comprises four members (including the Chairman of the Board). The term of office for the nominated Nomination Committee shall run until such time as a new Nomination Committee is appointed. If a member should leave the Nomination Committee before its work is complete and if the Nomination Committee considers that there is a need to replace this member, the Nomination Committee shall appoint a new member according to the principles set

out above, yet based on Euroclear's printout of the shareholder register, as soon as possible after the member has left the Nomination Committee. No fees shall be paid to the members for their work on the Nomination Committee. The Nomination Committee shall submit proposals for resolutions on the following issues for the 2020 AGM:

- Election of the meeting chair
- Determination of the number of Board members
- Determination of fees and other remuneration paid to the Board of Directors and its committees, with a breakdown as between the Chairman and other members
- Determination of fees to auditors
- Election of Board members and the Chairman of the Board of Directors and Vice Chairman of the Board of Directors
- Election of auditors, and
- Proposed principles for the composition and work of the Nomination Committee in advance of the 2020 AGM.

HANZA's Nomination Committee in advance of the 2019 AGM consisted of the following persons.

	Appointed by	Independent of the company and its management	Independent of the company's largest shareholder in terms of votes
Per Holmberg, Chairman of the Nomination Committee	Ritter Beteiligungs GmbH	Yes	Yes
Gerald Engström	Own holding	Yes	No
Massimo Franzé	Own holding	Yes	Yes
Francesco Franzé, Chairman of the Board of Directors	Own holding	Yes	No

BOARD OF DIRECTORS

The Board of Directors bears the ultimate responsibility for HANZA's organization and for managing the company's operations. The CEO manages the day-to-day operations based on guidelines and instructions issued by the Board of Directors. The CEO regularly informs the Board of Directors of events that are of importance to the group. These include, among other things, the performance of the business as well as the group's earnings, financial position and liquidity. The Board of Directors has decided to establish an Audit Committee and a Remuneration Committee. See below for a more detailed description.

Composition and independence of the Board of Directors

According to HANZA's Articles of Association, the Board of Directors is required to consist of a minimum of four and a maximum of ten members without deputies. Members are normally elected annually at the AGM to serve for the period until the end of the next AGM, but additional Board members can be elected during the year by convening an Extraordinary General Meeting. The Articles of Association do not contain any provisions relating to the appointment and dismissal of Board members.

At the 2019 AGM, Francesco Franzé, Gerald Engström, Håkan Halén, Helene Richmond and Sofia Axelsson were elected to serve as ordinary Board members of the company. Francesco Franzé was elected Chairman of the Board of Directors and Gerald Engström was elected Vice Chairman. Please see page 88 for a more detailed presentation of the Board of Directors.



According to the Code, the Board of Directors' size and composition must be such that the Board of Directors' ability to manage the company's affairs with integrity and efficiency is assured. A majority of the members of the board of Directors must be independent in relation to the company and its management team. At least two of the members who are independent in relation to the company and its management team must also be independent in relation to the company's major shareholders. In addition, at most one Board member may serve on the company's management or in the management of the company's subsidiaries. The company assesses that the composition of the Board of Directors meets the requirements of the Code. Below is an account of the company's assessment of the independence of the Board members in relation to the company and its management as well as major shareholders.

Member	Independent of the company and its management	Independent of the company's largest shareholder in terms of votes
Francesco Franzé	Yes	No
Gerald Engström	Yes	No
Håkan Halén	Yes	Yes
Helene Richmond	Yes	Yes
Sofia Axelsson	Yes	Yes

Diversity policy

The Nomination Committee applies rule 4.1 of the Code as a diversity policy in its preparation of proposals for the Board of Directors. The Nomination Committee has taken into account the need for a well-functioning board composition with regard to diversity and breadth, for instance in terms of gender, nationality, age and industry experience. The Board of Directors currently consists of three men and two women.

The Board of Directors' working methods

The Board of Directors adheres to written rules of procedure that are reviewed annually and established at the inaugural Board of Directors meeting held in conjunction with the AGM. In accordance with the Board of Directors' rules of procedure, the Board of Directors is responsible for the Company's organization and the management of its affairs, and is required to continuously assess the company's and the group's financial situation, and to continuously keep abreast of earnings performance, larger account holdings, financing conditions, liquidity and specific risks in the company. According to the rules of procedure, the Board of Directors is also responsible for establishing and following up on the company's strategy as well as its short-term and long-term business objectives.

The Board of Directors is also responsible for ensuring that the company's financial reporting and other disclosures to the stock market are characterized by openness and that they are accurate, relevant and reliable. The Board of Directors is also responsible for ensuring that the company has formalized procedures and processes in place to ensure good internal control and compliance. The Board of Directors is required to perform its duties in accordance with applicable legislation and other regulations applicable to the company.

The Board of Directors is responsible for appointing and, if necessary, dismissing the CEO. The Board of Directors is required to ensure that the CEO fulfills his duties in accordance with the Board of Directors' instructions, and to annually assess the CEO's work performance based on the short-term and long-term goals set by the Board of Directors.

In addition to the inaugural meeting, the Board of Directors

is normally required to meet four to eight times a year; the meetings are scheduled based on the annual planning of the work to be done by the Board of Directors. In accordance with what has been laid down in the Board of Directors' rules of procedure, the Board of Directors evaluates its own work on an ongoing basis by holding open discussions within the Board of Directors and by conducting an annual Board of Directors evaluation. The outcome of the annual evaluation is submitted to the Nomination Committee.

The Audit Committee

The Board of Directors has set up an Audit Committee whose task is to prepare and consider matters relating to financial reporting, internal control and risk management and, if necessary, to participate in the contacts with the company's auditor in connection with the audit of the annual report and the auditors' ongoing review of the company during the financial year. The Audit Committee is also required to assist the Nomination Committee in connection with the auditor's election. The Audit Committee is a deliberating body and has no independent decision-making authority except insofar as the Board of Directors has explicitly authorized the Audit Committee to make decisions on a specific matter. The Audit Committee comprises Håkan Halén (chairman), Francesco Franzé and Sofia Axelsson (members). The main tasks of the Audit Committee are:

- to monitor and quality-assure the company's financial reporting;
- to continuously meet with the company's auditor for information and considerations relating to the focus, scope and content of the audit assignment and of the annual report and consolidated accounts, and to hold discussions regarding coordination between external and internal audit and the perception of the company's risks;
- to review and monitor the auditor's impartiality and independence, and to establish guidelines for the authorized procurement of other services rendered by the company's auditor;
- to evaluate the audit performance and to inform the Nomination Committee of the results;
- to assist the Nomination Committee in procuring the audit, preparing the election and remuneration of the auditor, and to make a recommendation to the Nomination Committee on these matters;
- to monitor the effectiveness, with regard to financial reporting, of the company's internal control, internal audit and risk management;
- dealing with any disagreements between the management team and the auditor;
- deliberations concerning the application of current accounting principles and the introduction of future accounting principles, as well as other requirements concerning accounting as stipulated by law, generally accepted accounting principles, current listing contracts or other applicable regulations.

Remuneration Committee

The Board of Directors has established a Remuneration Committee whose task is to prepare and consider issues relating to remuneration and other terms of employment for the management team, evaluation of variable remuneration programs for the management team and follow-up and evaluation of the application of the guidelines governing remuneration to senior executives as resolved on by the AGM. The Remuneration Committee is a deliberating body and has no independent decision-making authority except insofar as the Board of Directors has explicitly authorized the Remuneration Committee to make decisions on a specific matter. The Remuneration Committee consists of Francesco Franzé (Chairman) and Gerald Engström

(Member). The Remuneration Committee's tasks shall primarily be to prepare and monitor issues relating to:

- a) decisions on matters regarding remuneration principles, remunerations and other terms of employment for the management team;
- b) monitoring and evaluation of ongoing programs for variable remuneration for the management team and those ended during the year;
- c) monitoring and evaluation of the application of the guidelines for remuneration to senior executives resolved on by the AGM and proposing guidelines for remuneration to senior executives in advance of the AGM; and
- d) remuneration structures and remuneration levels that apply within the company.

Attendance at Board and Committee meetings

Board member	Board of Directors	Audit Committee	Remuneration Committee
Mikael Smedeby ¹	10 of 10	4 of 5	–
Francesco Franzé	18 of 18	5 of 5	3 of 3
Gerald Engström	18 of 18	–	1 of 1
Håkan Halén	18 of 18	10 of 10	2 of 2
Helene Richmond	18 of 18	–	2 of 2
Sofia Axelsson	18 of 18	10 of 10	–

1) Resigned from the Board of Directors at the AGM on May 7, 2019.

MAJOR SHAREHOLDERS

As of February 29, 2020, and with known changes thereafter, the following shareholders had, whether directly or indirectly, a shareholding in HANZA representing at least one tenth of the voting rights for all shares in the company:

Shareholder	Percentage of votes in HANZA, %
Färna Invest AB	19.08
Francesco Franzé	10.08

For further information about HANZA's shares and ownership structure, please refer to the section entitled "The share and ownership structure" on pages 26–27 of the annual report.

AUDITORS

The auditors are appointed by the AGM. The auditors review the company's annual report, consolidated accounts and accounts, as well as the administration of the Board of Directors and the CEO. The results of the review are reported to the shareholders in the form of the audit report, which is presented at the AGM. EY was elected to serve as the company's auditor, with Charlotte Holmstrand appointed as Chief Auditor, at the 2019 AGM. The external audit is conducted in accordance with ISA (International Standards on Auditing).

INTERNAL CONTROL

The overall purpose of internal control is to ensure, with reasonable assurance, that the company's operational strategies and targets are followed up on, and that the owners' investment is protected. In addition, internal control is meant to ensure, with reasonable assurance, that external reporting is reliable and that it is prepared in accordance with generally accepted accounting principles, that applicable laws and regulations are being complied with, and that the specific requirements applicable to listed companies are being complied with. The Board of Directors is the body that

bears overall responsibility for internal control. The Swedish Companies Act and the Swedish Annual Accounts Act contain provisions according to which information on the most important elements of HANZA's system for internal control and risk management must be disclosed in HANZA's corporate governance report.

The Board of Directors' responsibility for internal control is also governed by the Code. Among other things, the Board of Directors is required to ensure that HANZA has good internal control and formalized procedures that ensure that the principles for financial reporting and internal control are being complied with, and that there are appropriate systems in place for monitoring and control of the company's operations and the risks associated with the company and its operations.

In order to maintain good internal control, the Board of Directors has prepared a number of governance documents, such as rules of procedure for the Board of Directors, CEO instructions, financial reporting instructions, a financial policy and an information policy. In addition, the Board of Directors has established an Audit Committee whose main tasks include the monitoring and quality assurance of the company's financial reporting, continuously meeting with the company's external auditor, monitoring the effectiveness of the company's internal control as regards financial reporting, and reviewing and monitoring the auditor's impartiality and independence. Within the Board of Directors, the Audit Committee also bears primary responsibility for monitoring and managing risks that may adversely affect the Company's operations.

Internal control and risk management are monitored and evaluated on an ongoing basis by means of internal and external checks as well as evaluations of the company's governance documents. The task of the Audit Committee is to monitor the effectiveness of the company's internal control and risk management. Risk assessment is performed, for example, in the form of self-evaluations by key finance personnel. Identified risks and key processes are followed up on through measures and check-up activities conducted with designated managers as well as testing to determine if checks work. In its internal control efforts, the company uses well-established control processes including assessments of the company's overall control environment, self-evaluations, establishing control activities, training in and information on internal control, as well as evaluations of the control measures' effectiveness. Feedback is provided continuously to group management, the Audit Committee and the Board of Directors.

The company has not set up a separate internal audit function. The Board of Directors conducts an annual assessment of the need for such a function and has determined that the efforts related to internal control that are ongoing internally, as undertaken particularly by the management team under the supervision of the Audit Committee, constitute an adequate review function, having regard to the company's operations and size.

RISK ASSESSMENTS

HANZA engages in continuous, active risk analysis, risk assessment and risk management in order to ensure that the risks to which the company is exposed are managed appropriately within the established frameworks. Its risk assessment takes into account, for instance, customer dependence, production, interruptions and logistics, key personnel, the business cycle, materials, complaint risk, inventory obsolescence, competition, IT, liability, suppliers, credit exposure, financial risk factors and tax risks. Identified risks are followed up on by means of established check-up activities with designated managers.