

# CORPORATE GOVERNANCE REPORT

A Corporate Governance Report deals with how rights and obligations are allocated between the company's organs in accordance with applicable law, rules and processes. Corporate governance deals with the systems for decision making and the structure through which the shareholders directly or indirectly govern the company.

Zinzino AB is a Swedish publicly-held limited liability company listed on Nasdaq OMX First North in Stockholm. Zinzino AB provides here its corporate governance report relating to 2018.

## THE CODE OF CONDUCT

The company has no legislatively imposed obligation to apply the Swedish Code of Corporate Governance since the company is not of the size for which the code must be followed. Despite this, the company has established a compensation committee, an auditing committee and a nominating committee.

## EXTERNAL REGULATORY STRUCTURE

Swedish Companies Act  
Swedish and International Reporting Act  
Nasdaq OMX First North's rules for Issuers  
The Swedish Securities Council's Statements

## INTERNAL REGULATORY STRUCTURE

Articles of Association  
The board of directors' Rules of Procedure  
CEO instruction  
Attestation rules

## ALLOCATION OF RESPONSIBILITIES

The shareholders exercise their influence over Zinzino AB at the annual meeting of shareholders and at other meetings of shareholders. The meeting of shareholders is the company's highest decision-making body. The responsibility for the company's organisation and management rest on the board of directors and the chief executive officer in accordance with the Swedish Companies Act, other laws and regulations, First North's regulatory structure for issuers, the articles of association and the board of directors internal governance instrument.

## SHAREHOLDERS

Zinzino AB was listed on Nasdaq OMX First North on 11 December 2014. This meant a listing change from Aktietorget where Zinzino AB had been listed for trading since 2010. The total number of shares is 32,580,025 of which 5,113,392 are A shares (1 vote) and 27,466,633 B shares (0.1 vote). At the end of the year the company had 1,858 (1,844) owners, excluding some foreign account customers. The largest owners were Örjan Saele with company and family with 47.88% of the votes and 29.23% of the capital and Peter Sörensen with company 25.17% of the votes and 10.71% of the capital. Information for the shareholders is available on Zinzino's website: [www.zinzino.se](http://www.zinzino.se).

## ARTICLES OF ASSOCIATION

The company's articles of association describe, among other things, the company's business, the number of members of the board of directors and auditors, how notices must be given for the annual meeting of shareholders, treatment of issues during the annual meeting of shareholders, and where the meeting is to be held. The articles of association contain no limitations relating to how many votes each shareholder may cast at an annual meeting of shareholders. The currently applicable articles of association, which were adopted at the Annual Meeting of Shareholders on 9 May 2011, can be found on the company's website: [www.zinzino.se](http://www.zinzino.se).

## THE ANNUAL MEETING OF SHAREHOLDERS

It is at the annual meeting of shareholders, and at any extra meetings of shareholders, where all shareholders can exercise their right to vote and decide on issues which affect the company and its business. The annual meeting of shareholders, which is held within six months after the end of the financial year, makes decisions on confirming of the profit/loss statement and balance sheet, disposition of the year's profit or loss and decisions on dividends, freedom from liability for the board of directors and the chief executive officer. Moreover, the board of directors is elected and the board members' remuneration is established. In addition, auditors are chosen and the annual meeting of shareholders decides upon their remuneration. Other legally required matters are also dealt with as well as decisions being made on guidelines for compensation to members of the management. In addition to these things, decisions will be made on other proposals from the board of directors and the shareholders. All of the shareholders who are registered in the share register as of the meeting's date and who have timely registered their participation in conformity with the provisions thereon in the articles of association have the right to participate in the meeting and to vote for their shareholdings. Shareholders may be represented by one or more proxies.

## ANNUAL MEETING OF SHAREHOLDERS 2018

The annual meeting of shareholders for 2018 was held on Wednesday 15 May. At the meeting, the shareholders present in person or by proxy represented 72% of the votes and 36% of the capital. Hans Jacobsson was appointed chair of the meeting. Some of the decisions that the meeting made are the following:

- To confirm the profit/loss statements and balance sheets of the parent company and the group.
- To pay out a dividend for the 2017 financial year of SEK 0.45 per share and to transfer into a new account the remainder of the retained earnings.
- To grant the board of directors and the CEO freedom from liability
- That board of directors remuneration for the period until the next annual meeting of shareholders is to be paid in conformity with the proposals put forward for decision, in the amount of SEK 181,000 for the chairman and SEK 103,000 for each of the other board members appointed by the annual meeting.
- The meeting decided to re-elect Hans Jacobsson as chairman of the board. The meeting also decided to re-elect the board members Gabriele Helmer, Staffan Hillberg and Pierre Mårtensson.
- The meeting decided to appoint Öhrlings Pricewaterhouse-Coopers AB as the auditing firm with Fredrik Göransson as auditor in charge.
- The meeting decided to appoint Örjan Saele, Peter Sörensen and Hans Jacobsson (convener) to the nominating committee in advance of the next annual meeting of shareholders.
- The meeting decided, in conformity with the proposals put forward by the board of directors, to authorise the board of directors in the period until the next annual meeting of shareholders, on one or more than one occasion, to make decisions on preference issuance of B shares, convertible and/or subscription options. The board will be able to decide on preference issuance with or without provisions on set-off or otherwise with conditions.
- The meeting decided, in conformity with the proposals put forward by the board of directors, that in the period until the next annual meeting of shareholders, on one or more than one occasion, to make decisions on new issuance at market terms of B shares, convertible and/or subscription options with departure from the shareholders' right of preference, with or without provisions on in kind and/or set-off or otherwise with conditions. The board of directors may not, however, make decisions which mean that in total more than 3,000,000 B shares will be issued.

## ANNUAL MEETING OF SHAREHOLDERS 2019

The annual meeting of shareholders of Zinzino AB (publ) will be held on 22 May at 13.30 p.m. in the company's offices at Hulda Mellgrens Gata 5 in Gothenburg. For further information on the annual meeting of shareholders for 2019 refer to the company's homepage [www.zinzino.com](http://www.zinzino.com)

## NOMINATING COMMITTEE

The nominating committee of Zinzino has the task of presenting proposals for the number of members of the board of directors, election of members of the board of directors including the chairman, compensation to the members of the board of directors, making proposals for the process of appointing a new nominating committee and in general following what applies from the Swedish Code of Corporate Governance. The nominating committee must be appointed by the regular annual meeting of shareholders and must itself appoint from among its members a chairman for the nominating process. The nominating committee for the annual meeting of shareholders for 2019 consists of the nominating committee's chairman Örjan Saele with a total (including those closely related) of 47.86% of the votes and Peter Sörensen with (including those closely related) 25.17% of the votes, as well as Hans Jacobsson, chairman of the board of directors of Zinzino AB and convener of the nominating committee, with his own (including those closely related) ownership of 0.57% of the votes. The nominating committee represents an ownership interest which at the end of the year was 73.60% of the votes in the company.

The nominating committee's tasks include:

- Evaluating the composition and work of the board of directors.
- Making nominations to the annual meeting regarding election of members of the board of directors and of the chairman of the board of directors.
- Nominating the external auditors.
- Putting forward proposals relating to remuneration for the board of directors and auditor.

The nominating committee has had 3 meetings as well as a number of mail and telephone contacts. The nominating committee's complete proposals and reasons for the annual meeting of shareholders for 2019 will be presented on the company's homepage [www.zinzino.com](http://www.zinzino.com) well in advance of the annual meeting of shareholders taking place. Shareholders who want to present proposals to the nominating committee can do so via e-mail to:

[aktier@zinzino.com](mailto:aktier@zinzino.com) or by mail to the company's headquarters.

So that the nominating committee will be able to take into account incoming views in its proposals to the annual meeting of shareholders, the proposals to the nominating committee must have been presented at latest one month before the annual meeting of shareholders.

## THE BOARD OF DIRECTORS AND ITS WORK

The board of directors is responsible for Zinzino AB's organisation and management. The board of directors must provide effective support for and control of the management's work. The board of directors has adopted rules of procedure which contain rules and guidelines for its work. The rules of procedure govern, among other things, the number of regular meetings of the board of directors, which matters must be dealt with at regular meetings of the board of directors, and the duties incumbent upon the chairman of the board of directors. The board of directors must, in accordance with the articles of association, consist of at least three and at most ten members and at most ten deputies. At the annual meeting of shareholders on 15 May 2018 it was established that the board of directors is to have four members elected at the meeting, without deputies. At the annual meeting of shareholders on 15 May 2018, until the time for the next annual meeting of shareholders which will take place on 22 May 2019, the members of the board of directors Hans Jacobsson, Staffan Hillberg, Pierre Mårtensson and Gabriele Helmer were re-elected. Hans Jacobsson

was re-elected as the new chairman. More information on the board of directors is presented on page 45. The group's chief executive officer, Dag Bergheim Pettersen, participates in all meetings of the board of directors to present reports. The same is true of the group's CFO, Fredrik Nielsen. Other employees of the group participate at times in the meetings of the board of directors to present reports on specific questions.

## THE INDEPENDENCE OF THE BOARD OF DIRECTORS IN RELATION TO THE COMPANY AND THE COMPANY'S MANAGEMENT

The Swedish Code of Corporate Governance says that the majority of the members of the board of directors elected at the company's annual meeting must be independent in relation to the company and the company's management. In order to determine a member's independence, an overall assessment must be made of all the circumstances which may give rise to a question as to the member's independence in relation to the company or the company's management, in which the following circumstances must be taken into account in making the assessment:

- whether the member is chief executive officer or during the most recent five years has been chief executive officer of the company or of a closely related company,
- whether the member is employed or during the most recent three years has been employed in the company or in a closely related company,
- whether the member receives or will receive not insignificant compensation for advice or services in addition to the board of directors assignment from the company or a closely related company or from any person in the company's management,
- whether the member has or during the most recent year has had extensive business connections or other extensive financial dealings with the company or a closely related company in the capacity of customer, supplier or collaboration partner, either himself or herself or by belonging to the company's management or the board of directors or by being a large owner in another company which has such a business relationship with the company,
- whether the member is or during the most recent three years has been an owner of, or as an employee has participated in the audit of the company with, the company's or a closely related company's current auditors or the previous auditors.
- Both the chief executive officer and a so-called working chairman of the board of directors can thus not be included in the board of directors if the latter is also part of the company's management. A member of the board of directors can, however, be employed and receive a salary from the company without being considered part of the company's management. An example of such a member of the board of directors could be a honorary chairman or a member of the board of directors who functions as an "ambassador" for the company or has some other similar assignment,
- whether the member belongs to the company management in another company if a member of the board of directors in that company belongs to the company management in the company, or if the member has a close blood or family relationship with a person in the company management or any other person who is mentioned in the foregoing paragraphs, if that person's direct or indirect dealings with the company are of such an extent and significance that they justify the member of the board of directors not being regarded as independent.

Closely related company means a company in which the company directly or indirectly holds at least 10 percent of the shares or participations or votes or a financial interest which provides a right to at least ten percent of the returns. If the company owns more than 50 percent of the shares or participations or votes in another company the company is considered indirectly to hold the latter

company's holdings in other companies. At least two of the members of the board of directors who are independent in relation to the company and the company's management must also be independent in relation to the company's largest shareholder. In order to determine a member's independence, the scope of the board of directors member's direct and indirect relationship with the largest owner must be taken into account in making the assessment. A member of the board of directors who is employed or a member of the board of directors in a company which is an even larger owner shall not be regarded as independent. Large shareholder means an owner who directly or indirectly controls ten percent or more of the shares or votes in the company. If a company owns more than 50 percent of the shares or participations or votes in another company the first-named company is considered to indirectly control the latter company's ownership in other companies. At Zinzino, the number of board of directors members elected at the annual meeting who are independent of the company have 100% of the members. The number of board of directors members elected at the annual meeting of shareholders who are independent of the company's largest owner is also 100%. The nominating committee has the task of proposing further members of the board of directors, so that the company will comply with the Swedish Corporate Governance Code for listed companies.

### BOARD OF DIRECTORS MEETINGS

During 2018 the board of directors held 8 meetings recorded in minutes and during the year devoted special attention to strategic, financial questions as well as to questions relating to acquisitions, internal controls and large investment matters.

#### Members attendance at the board of directors meetings

Hans Jacobsson	Chairman	8/8
Staffan Hillberg	Member	7/8
Pierre Mårtensson	Member	8/8
Gabriele Helmer	Member	7/8

### INFORMATION FOR THE BOARD OF DIRECTORS

The board of directors' work follows the rules of procedure and the board of directors receives information from the management in the form of business activity reports in accordance with the CEO's instruction. The company's auditors report their observations from their review of the closing of the books and their assessment of the company's internal routines and controls to the board of directors.

### INTERNAL CONTROL AND RISK MANAGEMENT

The board of directors will use the rules of procedure and instructions for its own and the chief executive officer's work for the purpose of dealing with the risks of the business in an effective way. The responsibility for maintaining an effective control environment and internal control relating to financial reporting is delegated to the chief executive officer. For external communication there are guidelines which ensure that correct information is distributed to the market. In conjunction with the issuance of reports, the board of directors always meets at a regular meeting or by telephone and before publication formally approves the proposed report which the management has produced.

### THE AUDIT COMMITTEE

The task of the Audit Committee is to specifically keep watch over and follow up questions relating to the company's internal controls, accounting principles, risk management, financial reporting and audit. In addition, the Audit Committee must prepare questions relating to choice of auditor, compensation of the auditors as well ensure a qualified independent review of the company. The Audit Committee consists of the board of directors member Gabriele Helmer and the board of directors chairman Hans Jacobsson. The group's auditors and the group's CFO make reports to the audit committee.

### THE COMPENSATION COMMITTEE

The Compensation Committee has as its principal task to be responsible for salaries, pension compensation, bonus programmes and other benefits for the chief executive officer and other members of the management. The committee must also deal with and provide advice concerning long-term incentive programmes. The current Compensation Committee consists of the chairman of the board of directors Hans Jacobsson and Staffan Hillberg.

### EXECUTIVE MANAGEMENT

The group's management team is led by the chief executive officer (CEO) and consists of ten management people. Information on the group's executive management can be found on page 46-47 of this annual report.

### THE CHIEF EXECUTIVE OFFICER

The chief executive officer (CEO) is responsible for the ongoing management of the company and the group being conducted in accordance with the board of directors' guidelines and directions. The chief executive officer leads the group's work and makes decisions in consultation with others in the management.

### COMPENSATION

The remuneration of the board of directors is decided by the annual meeting of shareholders. A compensation committee appointed from within the board of directors must prepare guidelines relating to salaries and other employment conditions for the chief executive officer and other persons in the management and place before the board of directors proposals for decisions on such questions. The board of directors makes decisions on salary and other compensation for the chief executive officer. The chief executive officer will make decisions on salaries and other compensation to other people in the management in accordance with the board of directors' guidelines. Other people in the management means six people who together with the chief executive officer constitute the group's management. Zinzino AB must offer market terms and competitively robust conditions for the purpose of making it possible to attract and retain competent persons in the management.

The compensation is made up of a fixed base salary, variable compensation calculated on goals established in advance, other benefits, pension and financial instruments in the form of subscription options. The division between fixed and variable compensation must stand in proportion to the responsibilities and authority of the person in the management. For the chief executive officer and other people in the management the variable compensation can amount to at most 50% (CEO) and 8.3% (other group management) of fixed salary.

Pension provisions must be defined contribution pension solutions. Termination notice periods from the Company's side must not exceed 6 months. During the notice of termination period of a maximum of 6 months full salary and employment benefits will be paid.

Decisions on share-related and share-price-related incentive programmes are made at the meeting of shareholders. In individual cases and if special reasons exist the board of directors may depart from the guidelines mentioned above.

### AUDITING

Zinzino's appointed auditors are Öhrlings PricewaterhouseCoopers AB (PwC) with Fredrik Göransson as auditor in charge. Fredrik Göransson is an authorised public accountant and has been Zinzino's auditor since the annual meeting of shareholders in 2018. Fredrik has audit assignments in areas such as Bulten AB (publ), VBG Group AB (publ), HMS Networks AB (publ), Bufab AB (publ) and PowerCell Sweden AB (publ). The audit of the year's closing of the books is carried out in January-February. The audit of the year's annual report is carried out in March and April. Within the framework of the audit, an evaluation of internal procedures and control systems is carried out during the year. The conclusions of the audit are reported to the group's CEO, CFO and board. In addition to the audit assignment, Zinzino has used PwC AB to advise on accounting matters and tax issues.

### INTERNAL AUDIT

The group has not had a separate internal audit function during the business year. Parts of the board of directors and the CFO have devoted special attention to these questions.

### INVESTOR RELATIONS

The company's CEO is responsible for the contacts with the shareholders. Zinzino AB informs the shareholders via the annual report, the year-end report, the interim reports and press releases and the company's website. In addition, the company has participated in several public investor meetings under the direction of, among others, Aktiespararna.