

# CORPORATE GOVERNANCE REPORT

Corporate Governance refers to how rights and obligations are allocated between the company's bodies 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 public limited company based in Gothenburg. Shares have been listed on Nasdaq OMX First North since 11 December 2014. In a limited company like Zinzino, governance, management and control are distributed among the shareholders, the board of directors, the CEO and the company management in accordance with applicable laws, rules and instructions.

Zinzino AB provides here its corporate governance report relating to 2019.



<ul style="list-style-type: none"> <li>● Votes</li> <li>● Election</li> <li>● Information Favourable</li> <li>● Information</li> <li>● Proposals to the board of directors, auditor and nominating committee</li> <li>● Compensation structure</li> </ul>	<p><b>External control instruments</b> Important external control instruments that form the framework for the company's corporate governance are:</p> <ul style="list-style-type: none"> <li>• Swedish Companies Act</li> <li>• Swedish Annual Accounts Act</li> <li>• Nasdaq Stockholm regulations</li> <li>• Swedish Code of Corporate Governance</li> </ul> <p><b>Internal control instruments</b> Important internal control documents are:</p> <ul style="list-style-type: none"> <li>• Articles of Association</li> <li>• Rules of procedure for the board of directors</li> <li>• Instructions for the CEO, audit committee, remuneration committee and financial reporting</li> <li>• Policies</li> </ul>
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## BASIS FOR GOVERNANCE

The basis for the governance is the articles of association, the Companies Act, Nasdaq OMX First North's Rules for Issuers, the Swedish Code of Corporate Governance, and other applicable laws and regulations. The Company has no statutory obligation to apply the Swedish Code of Corporate Governance as the Company is not currently large enough for the code to be invoked, but the Company intends to apply for admission to First North Premier in 2020. For this reason, Zinzino intends to apply the Code fully in conjunction with the 2020 annual general meeting. The Company has for several years established both a nominating committee and remuneration committee. Since the listing, the company has not had any violations either against Nasdaq OMX First North's issuers regulations or against good practice in the stock market.

## SHARES AND 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 Class A shares (1 vote) and 27,466,633 Class B shares. At the end of the year the company had 2,555 (1,844) owners, excluding some foreign account customers. The largest owners (see page 37 for definition) were Örjan Saele with company and family with 47.88% of the votes and 29.23% of the capital and Peter Sörensen with company with 25.17% of the votes and 10.71% of the capital. Information for the shareholders is available on Zinzino's website: zinzino.com.

## ARTICLES OF ASSOCIATION

The company's articles of association describe, among other things, the company's operations, the number of board members and auditors, how the annual general meeting is convened, handling of matters during the annual general meeting and where the general meeting is to be held. The articles of association contain no limitations relating to how many votes each shareholder may cast at an annual general meeting. The currently applicable articles of association, which were adopted at the annual general meeting on 9 May 2011, can be found on the company's website: zinzino.com.

## ANNUAL GENERAL MEETING

It is at the annual general meeting, and at any annual general meeting, where all shareholders can exercise their right to vote and decide on issues which affect the company and its business. The annual general meeting, 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, allocation 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. The meeting also decides how the nominating committee shall be appointed. 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 executives. In addition to these things, decisions will be made on other proposals from the board of directors and the shareholders. Notice of the meeting of shareholders shall be made through advertising in the Post- och Inrikes Tidningar [government newspaper and gazette of Sweden] and by keeping the notice available on the company's website ([www.zinzino.com](http://www.zinzino.com)). That notice has been made shall at the same time be announced in Dagens Industri. 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 GENERAL MEETING 2019

The 2019 annual general meeting took place on Wednesday, 22 May. At the annual general meeting, shareholders attended in person or through proxy and represented 52% of the votes and 38% 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 distribute SEK 0.70 per share for the 2018 financial year through an ordinary dividend of SEK 0.50 per share and an additional dividend of SEK 0.20 per share at the same dividend date.
- To grant the board of directors and the CEO discharge 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 190,000 for the chairman and SEK 108,000 for each of the other board members appointed by the annual meeting.
- The meeting resolved to re-elect Hans Jacobsson as chairman of the board. The meeting resolved to re-elect board members Staffan Hillberg and Pierre Mårtensson as well to newly elect Ingela Nordenhav.
- The meeting resolved to appoint Fredrik Göransson, PwC AB as the company's auditor.
- The meeting resolved to appoint Örjan Saele, Peter Sörensen and Hans Jacobsson (convener) to the nominating committee until the next annual general meeting.
- The meeting resolved to issue 800,000 subscription options in accordance with the board's resolution proposal.
- The meeting resolved, 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 general meeting, 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 GENERAL MEETING 2020

Zinzino AB (publ)'s annual general meeting will be held on 15 May 2020 at 2:30 p.m. in the company's offices at Hulda Mellgrens gata 5 in Gothenburg. For further information on the 2020 annual general meeting, please 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 the provisions of the Swedish Code of Corporate Governance. The nominating committee shall be appointed by the ordinary annual general meeting and must appoint a chairman for the nominating process from among its members. The nominating committee for the annual general meeting for 2020 consists of the nominating committee's chairman Örjan Saele with a total (including those closely related) of 47.9% of the votes and Peter Sörensen with those closely related 25.2% 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 0.46% 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 PROCESS

- By 15 October, the Chairman of the Board shall summon the two largest shareholders of the company. If any of these waive their right to appoint a member to the nominating committee, the next shareholder/owner group shall be provided the opportunity in order of proportion to appoint a member to the nominating committee.
- The composition of the nominating committee shall be published no later than six months before the annual general meeting.
- The chairman of the board of directors convenes the first meeting of the nominating committee. However, the chairman of the board of directors shall not be appointed chairman of the nominating committee.
- If it becomes known that any of the shareholders who appointed a member of the nominating committee as a result of changes in the shareholder's ownership or as a result of changes in other shareholders' holdings no longer belongs to the largest shareholders, the member appointed by the shareholder, if the nominating committee so decides, will resign and be replaced by a new member appointed by the shareholder who at the time is the largest registered shareholder who has not already appointed a member of the nominating committee. If the registered ownership conditions are otherwise substantially changed prior to the completion of the

nominating committee's assignment, if the nominating committee so decides, a change in the composition of the nominating committee must be made in accordance with the principles stated above.

- The nominating committee's term of office extends until a new nominating committee is appointed.
- The chairman of the board of directors annually presents an evaluation of the board of director's work during the year to the nominating committee, which forms the basis for the nominating committee's work together with the requirements in the Swedish Code of Corporate Governance and the company-specific requirements at Zinzino. The nominating committee's proposals are published in the notice of the annual general meeting, on the company's website and during the annual general meeting.

#### **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 two meetings as well as a number of email and phone contacts. No fees were paid for the work of the nominating committee. The nominating committee's complete proposals and reasons for the annual general meeting for 2020 will be presented on the company's website [www.zinzino.com](http://www.zinzino.com) well in advance of the annual meeting 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, the proposals to the nominating committee must have been presented at latest one month before the annual general meeting.

#### **THE BOARD OF DIRECTORS**

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 ordinary meetings of the board of directors, and the duties incumbent upon the chairman of the board of directors. The current rules of procedure and the CEO's instructions were adopted at the statutory board meeting on 22 May 2019. 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 general meeting on 22 May 2019, it was established that the board of directors is to have four members elected at the meeting, without deputies. At the annual general meeting on 22 May 2019, until the time for the next annual general meeting which will take place on 15 May 2020, the members of the board of directors Hans Jacobsson, Staffan Hillberg, and Pierre Mårtensson were re-elected. Ingela Nordenhav was elected as a new board member as Gabriele Helmer declined re-election. Hans Jacobsson was re-elected as the new chairman.

More information on the board of directors is presented on page 39. 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**

At Zinzino, the number of board of directors members elected at the annual meeting who are independent of the company is 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%. One member of the board of directors is a woman, but in accordance with the Code, the nominating committee intends to strive for a more even gender distribution on the board.

#### **THE BOARD OF DIRECTORS' WORK AND RESPONSIBILITY**

The board of directors determines the company's goals, strategies, budget and business plan. The board of directors is responsible for the company's organisation and management and shall ensure the quality of financial reporting and internal control. In addition, the board of directors shall consider and approve financial reports and establish important policies and regulatory systems. The board of directors shall also take major decisions outside the current administration such as investments and changes. The board of directors shall monitor operations based on goals and guidelines. The work is governed by the Swedish Companies Act, the Articles of Association, the Code and the board of directors' rules of procedure.

The board of directors shall hold a statutory meeting annually after the annual general meeting. At the statutory board meeting, among other things, the company's signatories must be established and the board of directors' rules of procedure reviewed and adopted. The board of directors' meetings normally deal with the company's financial situation and issues of greater importance to the Company. The CEO reports on business plans and strategic issues on a continuous basis. According to the board of directors' rules of procedure, the board has a quorum when at least three members are present.

#### **BOARD OF DIRECTORS MEETINGS**

In 2019, the board of directors held 9 minuted meetings. The attendance frequency of the board members is shown in the table below. Each meeting followed an agenda and decision material was sent to the board of directors prior to each board meeting. The CEO, CFO and certain other executives in the company attended board meetings to present matters.

Evaluation of the work of the board of directors was conducted in February–March 2020 and presented in writing to the board of directors and the nominating committee during March and then orally to the board of directors on 1 April 2020. The board of directors' evaluation of the CEO Dag Bergheim Pettersen was also carried out in March 2020.

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

Hans Jacobsson chairman 9/9  
Staffan Hillberg member 7/9  
Pierre Mårtensson member 9/9  
Gabriele Helmer member 2/4  
Ingela Nordenhav member 5/5

## REMUNERATION TO BOARD MEMBERS

Remuneration and other benefits to the board and the chairman of the board are decided by the company's shareholders at the meeting of shareholders. At the annual general meeting on 22 May 2019, it was resolved to pay SEK 190,000 to Hans Jacobsson who was elected chairman of the board and SEK 108,000 to other board members Staffan Hillberg, Pierre Mårtensson and Ingela Nordenhav. It was further decided that no compensation should be paid for committee work. During fiscal year 2019, total remuneration to the board of directors amounted to SEK 504,000 million and was distributed in accordance with the table on page 79, note 7.

## 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 financial statements and their assessment of the company's internal procedures and controls to the board of directors.

## THE BOARD COMMITTEE

### THE REMUNERATION COMMITTEE

In accordance with the Code, the members of the remuneration committee must be independent in relation to the company and its management. The remuneration committee of the board of directors shall continuously evaluate the remuneration to the management based on prevailing market conditions. The current remuneration committee consists of the chairman of the board Hans Jacobsson and Staffan Hillberg, both of whom are considered independent in relation to the company and its management. The members of the remuneration committee are appointed annually by the board of directors. The remuneration committee's main tasks are to (a) prepare and propose decisions regarding remuneration and other terms of employment for the company's executives, (b) monitor and evaluate remuneration structures, remuneration levels and programmes for various remuneration programmes for executives and (c) monitor and evaluate the outcome of variable remuneration and the company's compliance with the remuneration guidelines adopted by the meeting of shareholders. After the 2019 annual general meeting, the remuneration committee has had two meetings up to the reporting date.

### THE REMUNERATION COMMITTEE MEETINGS

Hans Jacobsson 2/2  
Staffan Hillberg 2/2

### THE AUDIT COMMITTEE

Zinzino is derogating from the Code by not setting up an audit committee. Matters regarding the audit are discharged by the board of directors in accordance with the Companies Act, Chapter 8, § 49a, second paragraph. The board of directors has so far made the assessment that Zinzino is not served by a special audit committee, taking into account the size of Zinzino where the issues are best handled by the entire board of directors. However, considering the company's rapid global expansion and growth, the board of directors intends to set up a separate audit committee on the board of directors at the next statutory board meeting.

## AUDITING

Zinzino's elected auditors are PricewaterhouseCoopers AB (PwC) with Fredrik Göransson as the principal auditor. 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 financial statements is carried out in January–February. The audit of the year's annual report is carried out in March and April.

As part of the audit, an evaluation of internal procedures and control systems is carried out on an ongoing basis 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 for advice on accounting and tax matters.

## CEO AND BUSINESS MANAGEMENT

The board of directors appoints the CEO. The CEO leads the company, manages the ongoing administration and is responsible for ensuring that the board of directors receives the information required for its commitments. The CEO is not a member of the board of directors. The CEO presents reports to the board of directors and participates in meetings, except when the CEO himself is being evaluated, when the board of directors meets the auditor without the company management or if the board of directors so decides. The division of responsibilities between the board of directors and the CEO is described in a written CEO instruction that is subject to annual revision. The CEO appoints members of the management team. The management team is to conduct business operations and monitor developments. At the beginning of 2019, the management team consisted of Dag Bergheim Pettersen (CEO), Fredrik Nielsen (CFO), Henrik Hammargren (HBC), Jakob Spijker (COO), Daniel Wennerstrand (CTO), Helena Byström (Chief Logistics Manager) Henrik Schultz (Product Manager) and Katriin Laanep (Head of Support).

In 2019, Helena Byström, Chief Logistics Manager, left the company. At the same time, Gabriele Helmer resigned from the board of directors at the annual general meeting to take up the position as CMO at Zinzino.

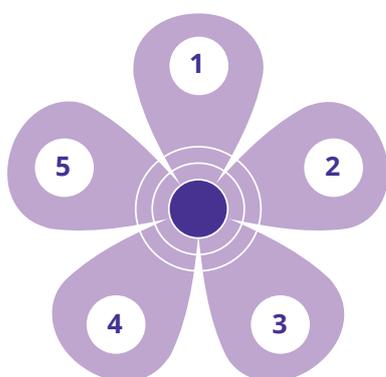
## COMPENSATION

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 shall prepare guidelines relating to salaries and other employment conditions for the chief executive officer and other executives and submit proposals to the board of directors 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 executives in accordance with the board of directors' guidelines. Other executives refer to seven persons who together with the CEO constitute the group management. Zinzino AB shall offer competitively robust terms for the purpose of making it possible to attract and retain competent executives. 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 distribution between fixed and variable remuneration shall be proportionate to the responsibilities and powers of the executive. For the chief executive officer and other executives the variable compensation amounts to at most 50% (CEO) and 8.3% (other group management) of fixed salary.

Pension terms shall be defined contribution pension solutions. Notice of termination on the part of the company shall 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.

### **INTERNAL CONTROL, RISK MANAGEMENT AND INVESTOR RELATIONS**

According to the Companies Act and the Code, the board of directors is required to ensure that Zinzino has satisfactory internal controls to keep informed of Zinzino's internal control system and to assess how well the system works. Zinzino's work with internal control can be divided into the control environment, risk assessment, control activities, information as well as communication and follow-up. 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 effectively managing the risks of the business. 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 an ordinary meeting or by telephone and before publication formally approves the proposed report which the management has produced.



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| <ol style="list-style-type: none"> <li>1. Control environment</li> <li>2. Risk assessment</li> <li>3. Control activities</li> <li>4. Information and communication</li> <li>5. Follow-up</li> </ol> |
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### **CONTROL ENVIRONMENT**

To support reliable reporting, Zinzino takes as its starting point the company's organisational structure, policies and instructions adopted by the board of directors and company management.

### **CONTROL ACTIVITIES**

The group's business processes include financial controls to avoid mistakes. To enter into agreements, pay invoices and similar, employees must follow defined decision paths and authorisation rights.

### **RISK ASSESSMENT**

The board of directors has the ultimate responsibility for the risk assessment and annually assesses risks and seeks to achieve a high level of awareness of risks among employees. Identified risk areas are primarily financial reporting, operational risks and legal risks.

### **INFORMATION AND COMMUNICATION**

Zinzino has been listed since 2010 (at the time on the Aktietorget stock market) and has long experience in financial external communication. Zinzino has an organisation and procedures to ensure that the financial reporting is accurate. The work is guided by internal control documents that define who should do what to ensure that the right information reaches interested parties correctly. Zinzino has an information policy to ensure good quality of external and internal information and that it meets the stock market's requirements for disclosure. The purpose is to convey information externally and internally in a trustworthy manner so that Zinzino's knowledge and confidence is maintained and developed. The control document contains procedures for press releases, financial reports, meetings, issues, website, registration of insiders, management of logbook and so on. All reports and press releases are published simultaneously with the publication on Zinzino's website.

### **FOLLOW-UP**

The board of directors monitors the internal control to ensure that deficiencies are rectified and that good proposals are realised, e.g. by evaluating the management team's information.

### **INTERNAL AUDIT**

Zinzino did not have a separate internal audit function during the financial year. Parts of the board of directors and the CFO have devoted special attention to these issues. The board of directors annually evaluates the need to set up an internal audit function.