

# Corporate governance at Rottneros

Rottneros is a Swedish public limited company based in Sunne, Sweden and is listed in the Mid Cap segment on NASDAQ Stockholm (“the Stock Exchange”). Rottneros’ corporate governance is based on the Swedish Companies Act, the Annual Accounts Act, the Rules of the Stock Exchange and the Swedish Code of Corporate Governance (“the Code”). This Corporate Governance Report refers to both Rottneros AB, which is the parent company, and the Group.

## PRINCIPLES FOR CORPORATE GOVERNANCE

Rottneros applies the rules prescribed by law or other enactment, and also the Code. Rottneros applied the Code without deviations in 2021.

## STRUCTURE FOR CORPORATE GOVERNANCE

The shareholders at the AGM/general meeting make the appointments by election and lay down the guidelines which will form the basis for the corporate governance of Rottneros. The organisation chart on the next page summarises how corporate governance is organised at Rottneros.

## CONTROL INSTRUMENTS

The external control instruments that form the frameworks for corporate governance within Rottneros include the Swedish Companies Act, the Annual Accounts Act, the rules of the Stock Exchange, the Code and other relevant laws. Foreign subsidiaries apply the laws and ordinances in force in the country in question, but also ensure that the Group’s guidelines for governance and control are observed.

The Board of Directors is ultimately responsible for the organisation and administration of the company’s affairs. The authorities and bodies appointed by the authorities exercise supervision through receiving reports from the company and through regular checks conducted by the authorities.

The internal control instruments include the Articles of Association as adopted by the AGM and similarly the Rules of Procedure for the Board and the Terms of Reference for the CEO, the Board’s committees and the financial reporting. In addition, there are, for example, financial and quantitative targets, budgets, reports, policies, valuations and codes of conduct.

The policies resolved by the Board include the Code of Conduct, the Financial policy, the Communication policy, the Sustainability policy, the Environmental and Energy policy, the Anti-corruption policy, the Competition policy, the Insider policy and the Boards diversity policy. The CEO decides on the Customer Credit policy, Crisis management instruction, IT Security policy and Work Environment policy and the Supplier Code of Conduct which are communicated to the Board. There are also other important steering documents decided by the CEO or the person appointed by the CEO.

## ANNUAL GENERAL MEETING

Rottneros’ shareholders exercise their right to make decisions on the company’s affairs at the AGM or, where applicable, an extraordinary general meeting. The AGM is Rottneros’ highest decision-making body. The AGM makes decisions on the Articles of Association, appoints the Board of Directors and the Chairman of the Board, elects the auditors, adopts the income statement and balance sheet, makes decisions on the appropriation of profits and discharge from liability, and also makes decisions on nomination procedures, guidelines for the remuneration of senior executives, etc.

Rottneros’ Articles of Association do not have any specific provisions on the appointment and dismissal of Board members or on amendments to the Articles of Association.

Each shareholder has the right to participate in the AGM, either in person or through an authorised proxy. Each shareholder has the right to raise issues to be addressed at the AGM. Notices of meetings and other information prior to AGMs/general meetings are available on Rottneros’ home page. Minutes, the CEO’s presentation and other material is also available here.

## SHAREHOLDERS

Rottneros’ shares have been listed on Nasdaq Stockholm since 1987. According to the share register kept by Euroclear Sweden, Rottneros had 11 946 shareholders on 31 December 2021. The share capital amounted to 153 393 890 SEK, divided among 153 393 890 shares, each carrying equal voting rights and equal rights to the company’s profit and capital. The Articles of Association contain no restrictions on the number of votes each shareholder can cast at a general meeting.

Arctic Paper S.A. had a participating interest amounting to 51,0 percent of the total number of shares and votes on 31 December 2021. Otherwise, none of the shareholders had a direct or indirect shareholding representing at least one tenth of votes attached to all shares in Rottneros.

Rottneros’ holding of treasury shares amounts to 821 965 shares, corresponding to around 0,54 percent of the total number of shares. See pages 106–107 for additional information about the share, shareholders, etc. Information is also available on the company’s website.

## Structure for corporate governance



### 2021 ANNUAL GENERAL MEETING

Rottneros' Annual General Meeting 2021 took place on 28 April, 2021. In view of the extraordinary situation that prevails of covid-19, the Annual General Meeting was carried through by advance voting (postal voting) on the basis of Sections 20 and 22 of the Act (2020: 198) on temporary exemptions to facilitate the conduct of general meetings in companies and other associations. The meeting was attended by a proxy or by advance vote 25 of the Company's shares owners representing 53,5 percent of the company's votes and capital (excluding Rottneros' repurchased shares). Present at the meeting were Chairman of the Board Per Lundeen and CEO Lennart Eberleh.

Among other things the AGM passed the following resolutions:

- The AGM resolved to discharge the Board of Directors and Chief Executive Officer from liability for the 2020 financial year.
- The Annual General Meeting resolved in accordance with the Board's proposal and the auditors' approval that the funds available to the Annual General Meeting be transferred to a new account and that no dividend be paid.
- The board shall consist of five ordinary members.
- Marie S. Arwidson, Ulf Carlson, Per Lundeen, Roger Mattsson and Conny Mossberg were re-elected as members.
- Per Lundeen was re-elected to serve as Chairman of the Board.
- A fee of 550 000 SEK should be paid to the Chairman of the Board and 275 000 SEK to each of the other directors. Additionally, a fee of 20 000 SEK should be paid to each of the members of the Audit Committee and 10 000 SEK to each of the members of the Remuneration Committee. Each employee representative will be paid a fee of 27 500 SEK. Fees to the auditors are paid in accordance with an invoice approved by the CEO.
- The registered auditing company KPMG AB was re-elected as the company's auditor until and including the 2022 AGM, with Sven Cristea as the principal auditor.
- In accordance with the Board's proposal, the AGM resolved to establish guidelines for remuneration to the CEO and other senior executives.

### NOMINATING COMMITTEE

Rottneros' AGM decides on the principles for the appointment of the Nomination Committee. The Nominating Committee shall comprise the Chairman of the Board and two additional members. The Chairman of the Board may not be Chairman of the Committee. One of these two members, in addition to the Chairman of the Board, must be appointed by the company's largest shareholder and the other shall be appointed by one of the company's other four largest shareholders. Neither of these two members may be a Board member at the same time. The Nominating Committee appoints a Chairman from within its ranks. It is the responsibility of the Chairman of the Board to ensure that members are appointed as stated above. The principles also include a procedure for remuneration of a member who leaves the Nomination Committee prematurely or when a member represents shareholders who no longer belong to the five shareholders with the largest number of votes.

The names of members of the Nominating Committee shall be presented at least six months prior to the 2021 AGM. The composition of the Nomination Committee from time to time shall be published on Rottneros website. A press release with information on the composition of the Nomination Committee and how shareholders can submit proposals to the Nomination Committee was published on 8 October 2021 and has been held available on Rottneros' website. Julia Onstad, appointed by Arctic Paper S.A., was appointed chairman of the Nomination Committee, and Stefan Sundh, appointed by PROAD AB, and Per Lundeen, Chairman of the Board of Rottneros AB, were appointed as other members. Together, the Nomination Committee represents approximately 58,2 percent of the voting rights for all shares in Rottneros.

The Nomination Committee shall submit proposals for resolutions to the 2022 AGM regarding the election of the Chairman of the Annual General Meeting, number board members and deputies, election of chairman and other members of the board, board fees and remuneration for committee work, election and remuneration of auditors, and, where applicable, amendments to the instructions for the Nomination Committee.

The Board has established a special diversity policy for the composition of the board. The policy is available on Rottneros' website.

## AUDITORS

Rottneros' auditors are elected at the AGM. At the 2021 AGM, KPMG AB was re-elected as the company's auditor up until the end of the 2022s AGM, with authorised public accountant Sven Cristea as auditor in charge. During 2021 auditor in charge was changed to Mattias Eriksson. Rottneros' Articles of Association do not set down any term for the auditor. This means that auditors for Rottneros are elected annually at the AGM in accordance with the Swedish Companies Act.

## AUDIT WORK

The auditors examine the parent company's and the Group's annual accounts and accounting records and the administration of the company by the Board of Directors and the CEO.

The company's auditor attends at least one Board meeting each year. The auditors attended all meetings of the Audit Committee and the 2021 AGM. The auditor attends the AGM to present the auditor's report. Fees for the auditor for 2021 are presented in Note 5 of the Annual Report.

## BOARD OF DIRECTORS

### Composition and fees of the Board

According to the Articles of Association, the Board of Directors of Rottneros shall comprise a minimum of three and a maximum of ten members elected by the AGM. In addition, the employees elect two representatives with two deputies. The Board of Rottneros comprises five members without deputies elected at the AGM, as well as two members and two deputies appointed by the employees. The CEO is not a member of the Board but is called in to all Board meetings, except when the agenda includes an evaluation of the work of the Board and the CEO. Other officials of the company are also called in when necessary to present matters. The table on page 73 shows the composition of the Board in 2021 as well as remuneration paid to Board members for 2021 and 2020, respectively. Additional information about the Board members is presented on page 104.

### Evaluation of the Board's work

The Board of Directors annually conducts a systematic evaluation where members are given an opportunity to present their views on work arrangements, Board material, their own and other members' contributions to the Board's work. The purpose is to improve the work of the Board and also to furnish the Nominating Committee with relevant decision guidance documentation prior to the AGM.

### Independence

According to the Code, a majority of the members elected at the AGM must be independent in relation to the company and executive management; also, at least two of these members must be independent in relation to the company's major shareholders.

Rottneros' Board of Directors is considered to have met the requirements of the Code regarding independence, since two of the Board members elected at the AGM are considered independent of both the company and executive management and of the company's major shareholders. All directors elected by the AGM have been independent of the Company and its management in 2021.

### Board work and responsibilities

The Board of Directors oversees the work of the CEO and is

responsible for ensuring that the organisation, management and guidelines for managing the company's funds are appropriate. The Board is also responsible for ensuring that the company is organised in such a way that its internal control is appropriate, that appropriate systems are monitoring the business and its risks, and that the company is in compliance with laws, rules and internal guidelines. The Board is also responsible for developing and monitoring the company's strategies through plans and objectives, decisions on acquisitions and divestments of activities, major investments, appointments of and remuneration for the management team as well as regular monitoring during the year. The Board approves the budget and annual accounts.

### Rules of Procedure for the Board

The work of the Board of Directors follows specific Rules of Procedure prescribing the distribution of responsibilities between the Board and the CEO, between the Board's various committees and within the Board, as well as instructions for financial reporting. The Board's Rules of Procedure contain special Terms of Reference for the CEO.

A statutory Board meeting is held immediately after the AGM or immediately after extraordinary general meetings where a new Board has been elected. Rottneros held a statutory Board meeting on 28 April 2021 where among other things members of the Board committees were appointed and the above-mentioned Rules of Procedure were adopted.

In addition to the statutory meeting, the Board convenes eight scheduled meetings each year and additional meetings when the Chairman sees fit or within 14 days following a request for a meeting from a member of the Board or the CEO. In 2021, 13 board meetings were held.

The Board's work follows a pre-established plan with certain fixed decision points during the financial year:

- The year-end report, the Board's recommendations with respect to dividends and any necessary additions to the budget and business plan are dealt with in January/February. The Board also evaluates its work arrangements and procedures for making decisions and considers improvements to these.
- The public annual report is dealt with in March. The company's auditors report any observations made when conducting their audit. Remuneration issues are also dealt with.
- Quarterly results are addressed in April, July and October.
- Investment plans for the coming financial year and a review of the Group's strategies are dealt with in June.
- Preparations for the annual accounts and approval of the business plan for the coming year are dealt with in December.

The Board also receives a monthly report on the company's performance and liquidity trends. Other business is dealt with as determined by the nature of each individual matter.

### FINANCIAL POLICY ISSUES

The Board of Directors has the ultimate responsibility for the Group's financial activities. The Board is responsible for approving the Group's Financial Policy, which is to be updated annually. The Board makes decisions on compre-

## Composition of the Board and attendance 2021

Amounts in TSEK		Amounts in TSEK	Total fees 2021/2022 <sup>3</sup>	Total fees 2020/21 <sup>3</sup>	Attendance 2021 <sup>1</sup>	
					Board meetings, %	Committee meetings, %
Per Lundeen <sup>2</sup>	Chairman	X	580	580	100	100
Marie S. Arwidson			295	295	100	100
Ulf Carlson			305	305	100	100
Roger Mattsson <sup>2</sup>		X	295	295	100	100
Conny Mossberg <sup>2</sup>		X	285	285	100	100
Mika Palmu	Employee representative		28	28	46	–
Jerry Solhberg	Employee representative		28	28	100	–
Jörgen Wasberg	Employee representative/deputy		28	28	100	–
Gun-Marie Nilsson <sup>4</sup>	Employee representative/deputy		–	28	80	–
Jimmy Thunander <sup>5</sup>	Employee representative/deputy		28	–	100	–

1) For the employee representatives, attendance applies for the time they have been elected to the Board

2) Dependent in relation to the company's largest owner, Arctic Paper S.A.

3) Including remuneration for committee work.

4) Deputy to 22 April 2021.

5) Deputy from 22 April 2021.

hensive mandates and limits for restricting financial risk-taking by the Group in accordance with the Financial Policy, and also makes decisions about long-term financing. The Board approves hedging levels based on proposals from the executive management.

The Board has delegated the operational responsibility in line with the allocation of responsibility indicated by the Financial Policy laid down.

### THE BOARD'S CONTROL OF FINANCIAL REPORTING

The Board of Directors monitors the quality of financial reporting by providing instructions for its execution and through the Terms of Reference for the CEO. One of the tasks of the CEO is to work with the CFO to review and ensure the quality of all external financial reporting, including year-end reports, interim reports, annual reports, press releases with economic content and presentation materials for meetings with the media, shareholders and financial institutions.

The Board's Audit Committee ensures that financial reporting is accurate and maintains a high quality, and also that it is given final approval by the Board and that it is communicated. The Board receives monthly financial reports, and the financial position of the company and the Group is addressed at each Board meeting.

The Board also reviews interim reports and the Annual Report. In order to ensure that the Board receives the information it needs, the company's auditors report to the Board every year on observations made during the audit and express an opinion on the company's internal control, in addition to reporting to the Audit Committee. The company's auditors report to the Board at least once a year on whether the company has succeeded in ensuring that bookkeeping, administration and financial control are effective, after which the Board

discusses this with the auditors without the presence of the CEO or other members of management.

### THE BOARD'S COMMITTEES

The Board of Directors has full knowledge of and responsibility for all matters on which it must make decisions. However, work was conducted by two of the committees appointed by the Board during the year: the Audit Committee and the Remuneration Committee.

#### Audit Committee

This Committee comprises at least three representatives of the Board of Directors. Its tasks include:

- Preparatory work for decisions to be made by the Board to assure the quality of the company's financial reporting.
- Monitor and give recommendations and proposals to ensure the accuracy of the reporting concerning e.g. the efficiency of the company's internal controls and risk management.
- Assisting the Nominating Committee when procuring audit services and arranging for the election and payment of the auditors.
- Reviewing the scope and focus of audit assignments.
- Addressing audit issues and evaluating audit work.
- Establishing guidelines for the purchasing of permitted services other than auditing from the company's auditors, and if appropriate approving such services according to guidelines.
- Following up and assessing the application of current accounting principles and adopting new accounting principles, and other accounting requirements as stipulated in legislation, generally accepted accounting principles, applicable Stock Exchange rules, etc.

The company's auditor in charge and representatives of the accounting firm are present at most of the meetings. Senior executives also participate at meetings when appropriate. Since the 2021 AGM the Committee has consisted of Board members Marie S. Arwidson, Ulf Carlson, Per Lundeen and Roger Mattsson. Marie S. Arwidson is Chairwoman of the Committee.

The Audit Committee held four meetings in 2021 and the Board receives regular reports from the meetings. The auditors have been present at all meetings of the Audit Committee.

### REMUNERATION COMMITTEE

This Committee shall comprise at least two representatives of the Board of Directors. The main tasks of the Committee are to prepare the Board's decisions on issues concerning principles for remuneration, remuneration and other terms of employment for the executive management; monitor and evaluate programmes for variable remuneration for the executive management, both ongoing and those that have ended during the year; and monitor and evaluate the application of the guidelines for remuneration for senior executives that the AGM is legally obliged to establish, as well as current remuneration structures and levels at the company.

The CEO's remuneration package and the principles for remunerating the executive management are determined by the Board. Remuneration for other senior executives is determined by the Remuneration Committee within frameworks established by the Board and AGM.

Since the 2021 AGM the Committee has consisted of Ulf Carlson, Per Lundeen and Conny Mossberg. Per Lundeen is Chairman of the Committee.

The committee has had two meetings in 2021 and the board has been informed of the remuneration committee's work.

### CEO/PRESIDENT

The CEO's responsibility as stipulated by the rules of the Swedish Companies Act and other legislation is to manage the company's day-to-day business according to the Board's guidelines and instructions and to take the measures necessary to ensure that the company's bookkeeping is managed in a satisfactory manner. The CEO also ensures that the Board receives the information it needs on an ongoing basis to monitor the company's and the Group's financial situation, position and development in a satisfactory way and to otherwise fulfil its reporting obligations with respect to the company's finances.

The company's CEO manages the business within the frameworks established by the Board in the special Terms of Reference for the CEO. These Terms of Reference include the CEO's responsibility for day-to-day business and matters that always require Board decisions or that must be reported to the Board, as well as the CEO's responsibility for presenting financial reports to the Board.

The CEO works with the Chairman to produce the materials required for information and decisions prior to Board meetings, presents matters and justifies proposed decisions.

The Board evaluates the work of the CEO on an ongoing basis.

### GROUP MANAGEMENT

The CEO leads the Group management's work and makes decisions in consultation with others in the management. In 2021, this consisted of the CEO and eight other people. Information about the President and Group Management can

be found on page 105 in the annual report for 2021. The Group Management has regular operational reviews under the President's management.

### FURTHER INFORMATION AVAILABLE AT ROTTNEROS.COM

- Articles of Association
- Information from past AGMs (notices, minutes, resolutions, CEO statements)
- Information about the Nominating Committee
- Corporate governance reports from 2008 to 2021 (included in the Annual Report for the respective year)

### ROTTNEROS' SYSTEM FOR INTERNAL CONTROL AND RISK MANAGEMENT IN CONJUNCTION WITH THE FINANCIAL REPORTING

The Board of Directors is responsible for internal control in accordance with the Swedish Companies Act and the Code. According to the Swedish Annual Accounts Act, the Corporate Governance Report shall include information about the most important elements of the company's system for internal control and risk management in conjunction with financial reporting. Rottneros' internal control structure is predominantly based on the COSO model, according to which reviews and assessments are made in the following areas: control environment, information and communication, risk assessment, control activities and follow-up.

#### Control environment

The Board of Directors has drawn up a number of steering documents for the company's internal control and governance, including Rules of Procedure for the Board and Terms of Reference for the CEO and the Board's committees, reporting instructions and a Financial Policy, with the aim of ensuring a clear definition of roles and responsibilities. Financial information is reported through a Group-wide reporting system.

The CEO and Group management, who report to the Board in accordance with established procedures, are responsible for maintaining an effective control environment and the day-to-day internal control and risk management work. Managers at various levels within the company have the same responsibility within their respective areas of responsibility and in turn report to Group management.

#### Information and communication

The information contained in Rottneros' important steering documents, in the form of policies, guidelines and manuals, is primarily communicated through a Group-wide intranet.

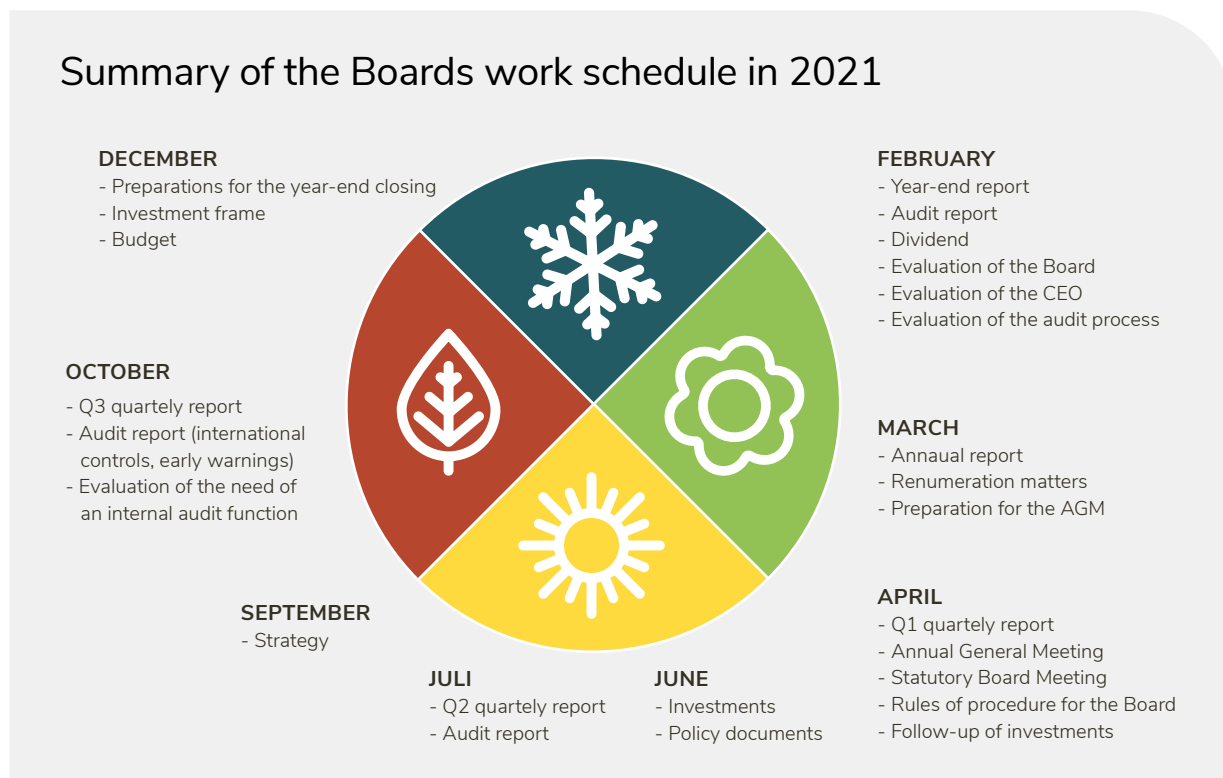
#### Risk assessment

Rottneros continuously updates its risk analysis with respect to assessing the risks that may result in errors in the financial reporting. This is done mainly through contacts between Group management and the subsidiaries' management teams. At risk reviews, Rottneros identifies areas where there is an increased risk of errors occurring.

#### Control activities

Monthly financial reports are prepared for all of the companies within the Group together with consolidated financial reports. These form the basis of the monthly meetings at each subsidiary, where the CEO and CFO have a review with the respective com-

## Summary of the Boards work schedule in 2021



pany's management team. A specific analysis is conducted of production, order status, cost follow-up, investments and cash flow. The CFO also has regular contacts with the subsidiaries. These meetings are regularly supplemented with Finance meetings at which the CFO, financial manager of each subsidiary, the Group Controller and other controllers meet. At these meetings, particular emphasis is placed on following up any problems and ensuring the accuracy of financial reporting. Forecasts are updated every four months for all Group companies.

Through the Audit Committee, the Board of Directors monitors the reliability of the financial reporting, evaluates recommendations for improvement and discusses issues relating to the identified risks. The Audit Committee presents regular oral reports to the Board and makes recommendations on matters that require a decision from the Board. The control environment has been created through shared values, corporate culture, rules and policies, communication and follow-up, as well as the way in which the business is organised. The main tasks of Group staff are to implement, further develop and maintain the Group's control procedures and also to introduce internal control routines aimed at business-critical issues.

Rottneros' auditors examine both the financial information for the half year and the annual accounts. Every year the auditors also examine a sample of controls and processes and report any areas for improvement to both Group management and also the management team for each subsidiary. The auditor in charge also attends most meetings of the Audit Committee.

Rottneros' Group-wide finance function is represented locally at each company and reports via a Group-wide reporting system. The finance function has regular meetings and a close cooperation in matters concerning the annual accounts and reporting.

### INTERNAL AUDIT FUNCTION

Rottneros has not had any reason to establish an internal audit function to date. The Board of Directors is of the opinion that the business does not need such a function. Instructions are available and an ongoing evaluation is conducted to ensure that officers at the organisation have the competence and support resources required to perform their work concerning the production of financial reports.

### WHISTLE BLOWER SERVICE

Rottneros wants to maintain an open business climate and a high level of business ethics. The whistleblower service is an "early warning system" and important for safeguarding good corporate governance, eliminating risks and maintaining customers' and the public's trust in the Group.

The whistleblower service can be used anonymously to provide information about something you believe may seriously affect the organization or a person's life or health. Reporting can also be about not following values and ethical principles at the company.

To ensure anonymity, the service is handled by an external party, via which feedback to the notifier also takes place. The channel is encrypted and password protected and all messages are treated confidentially.

Received cases go to two people appointed by the CEO, CFO and HR Director ("Case Managers"). Matters are handled without delay and reported to the CEO or the Chairman of the Board in cases where matters concern the CEO. The number of cases received is reported to the Audit Committee on a quarterly basis. If the need arises and the integrity of all parties can be ensured, a more detailed reporting can also be made.