



CORPORATE  
GOVERNANCE  
REPORT

2018

**STRAX**

# CORPORATE GOVERNANCE REPORT

Strax AB (publ) (“STRAX” or “the Company”) is a Swedish limited liability company with its registered office in Stockholm, Sweden. The STRAX-share is listed on Nasdaq Stockholm (small cap segment) since May 2016.

## Corporate governance at STRAX

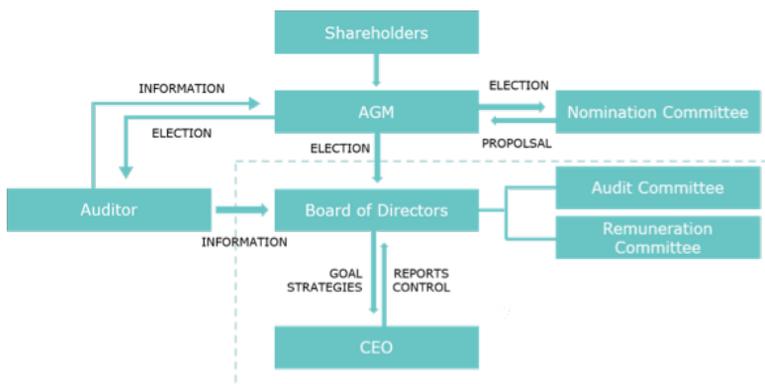
STRAX aims at implementing strict norms and efficient governance processes to ensure that all operations create long-term value for shareholders and other stakeholders. Corporate governance at STRAX is based on external and internal governance instruments and practices. The external instruments that make up the framework of STRAX’s corporate governance activities include, but are not limited to, the Swedish Companies Act, the Swedish Corporate Governance Code (“the Code”) and Nasdaq Stockholm Rule Book for Issuers.

The internal instruments include, but are not limited to, the Company’s Articles of Associ-

ation, the Rules of Procedure for the Board of Directors, the Instruction for the CEO and the STRAX Code of Conduct. The Board has also adopted numerous policies, guidelines and instructions that contain binding rules for all of the Company’s operations. All policies are revised yearly. In addition, STRAX works actively with its core values as strategic governance instruments for all employees.

Information about STRAX corporate governance is published and updated on a regular basis on the Company’s website ([www.strax.com](http://www.strax.com)).

## Model of Corporate Governance at STRAX



### Nomination Committee

At the 2018 AGM it was decided that STRAX shall have a Nomination Committee for the AGM 2019 consisting of one representative from each of the three shareholders or groups of shareholders controlling the largest number of votes, plus the Chairman of the Board.

The composition of the Nomination Committee is based on Euroclear Sweden AB's register of recorded shareholders from the last business day in August 2018 and other reliable shareholder information provided to the Company.

The Nomination Committee consists of Bertil Villard in his capacity as Chairman of The Board, Gudmundur Palmason, Ingvi T. Tomasson and Per Åhlgren representing GoMobile Nu AB.

According to the Code, the majority of the members of the Nomination Committee are to be independent of the Company and its Management. Neither the CEO nor other members of the Management are to be members of the Nomination Committee. Members of the Board of Directors may be members of the Nomination Committee but may not constitute a majority thereof. If more than one Board member is included in the Nomination Committee only one of them may be dependent in relation to the Company's major shareholders, according to the Code. STRAX deviates from these provisions in the Code. Gudmundur Palmason and Ingvi T. Tomasson with 26.0 per cent and 25.9 per cent of the votes in the Company respectively, believe that it is only natural that they exercise their interests as owners in the manner described above, both in the Company's Nomination Committee and on the Board of Directors.

#### *The Nomination Committee's duties*

The sole task of the Nomination Committee is to propose decisions to the shareholders' meeting regarding electoral and remuneration issues and, where applicable, procedural issues for the next nomination committee.

The Nomination Committee has prepared and presented proposals for submission to the 2019 AGM regarding the following: Board of Directors and Chairman of the Board, Board remuneration apportioned among the Chair-

man and other Board members, auditor and audit fees.

The Nominating Committee's diversity policy is consistent with the rules of the Code.

This means that the Board shall be composed of members who possess a well-balanced mix of expertise that is vital for directing STRAX's strategic work in a responsible and successful manner. The Board members are collectively to exhibit diversity and breadth of qualifications, experience and background. The Company is to strive for gender balance on the Board.

The Chairman of the Board of Directors conducts a yearly evaluation of the work within the Board. The outcome of this survey is shared with the Nomination Committee to give insight in areas that can be strengthened.

The Nomination Committee for the AGM 2019 has been focusing on strengthening "know how" in e-commerce, retail and HR, as well as the diversity amongst the members of the Board.

### Annual General Meeting

STRAX AGM is held in Stockholm during the first half of the year. The date and venue of the meeting are announced publicly no later than to coincide with the release of the Company's third-quarter report. At this time, shareholders are also informed about their right to have issues addressed at the AGM and the deadline for submitting requests to this effect to the Company so that such business may be included in the notice to the AGM.

The AGM notice is published no earlier than six weeks and no later than four weeks before the date of the AGM. The notice includes information on how to register in order to participate and vote in the AGM, as well as an itemized agenda listing the matters that are to be addressed at the AGM, the proposed disposition of earnings and the key content of other proposals being addressed at the meeting.

Shareholders or their appointed proxies are entitled to vote for the full number of shares that they own or represent.

### Annual General Meeting 2018

The 2018 AGM was held on May 24, 2018 at the offices of the law firm Vinge in Stockholm. The meeting was attended by twelve shareholders, representing 72.51 per cent of the number of outstanding shares and votes. The most important resolutions of the meeting are described below:

- ▶ The income statement and the consolidated income statement for 2017, as well as the balance sheet and consolidated balance sheet as per 31 December 2017 were approved.
- ▶ The members of the Board of Directors and the CEO were discharged from liability in respect of their management of the Company's business during the financial year 2017.
- ▶ It was resolved, in accordance with the Nomination Committee's proposal, that:
  - Each member of the Board of Directors who is considered to be independent in relation to major shareholders, is entitled to receive SEK 150,000
  - the Chairman of the Board of Directors is entitled to receive SEK 225,000, as remuneration
- ▶ Bertil Villard, Anders Lönnqvist, Gudmundur Palmason and Ingvi Tomasson were re-elected as members of the Board of Directors
- ▶ Pia Anderberg was elected as a member of the Board of Directors
- ▶ Bertil Villard was re-elected as Chairman of the Board of Directors
- ▶ It was resolved, in accordance with the Board of Directors' proposal, to adopt guidelines for remuneration of the Management and other employees (see pages 100-101)
- ▶ It was resolved to adopt a new warrant program and issue warrants in accordance with the Board of Directors' proposal.
- ▶ It was resolved in accordance with the Board of Directors' proposal, to authorize the Board of Directors to resolve on the acquisition and sale of the Company's own shares

- ▶ It was resolved in accordance with the Nomination Committee's proposal, to adopt principles for the appointment of the Nomination Committee

### Extra General Meeting 2018

An Extra General Meeting was held on 28 December 2018 to resolve on redemption of shares in STRAX. Further information about the redemption program is presented on page 26.

### Annual General Meeting 2019

STRAX 2019 AGM will take place on May 22, 2019 at the offices of the law firm Vinge in Stockholm. Shareholders have had the opportunity to submit their proposals on issues they wish to be addressed at the meeting to the Chairman of the Board as well as proposal as regards nominations to the Nomination Committee. Information about the AGM is available on STRAX website ([www.strax.com](http://www.strax.com)).

### Board of Directors and Committees

The Board members are elected by the shareholders to serve a mandate period beginning at the AGM and ending at the close of the AGM the following year. There are no rules concerning the length of time a person may remain on the Board of Directors. Nominations are processed by the Nomination Committee.

The current Board consists of five members elected by the AGM 2018. The Chairman plans and leads the work of the Board of Directors. Board members Gudmundur Palmason and Ingvi T. Tomasson are also executives in the Management. This is a deviation from the Code which states that no more than one Board member elected by the AGM may be part of the Company's Management or the Management of the Company's subsidiaries. The Board believe it is in the best interest of the Company that the collective experience and skills of Mr Palmason and Mr Tomasson are utilized both on the Board and in the Management.

The Board convened for seven meetings during 2018. Between meetings of the Board continuous contact has been maintained between the Company, the Chairman of the Board and other Board members. Board members were also continuously provided

with written information of importance regarding the Company.

Since the 2018 AGM, the Board of Directors has consisted of Bertil Villard, Gudmundur Palmason, Ingvi T. Tomasson, Anders Lönnqvist and Pia Anderberg. Michel Bracké declined re-election. Bertil Villard was appointed Chairman by the AGM. More information about Board members including age, education and other assignments is provided on pages 42-43.

#### *Audit Committee*

The Board as a whole fulfills the duties of the Audit Committee. During the auditor's review of the Company's accounts with the Audit Committee, the CEO and any other member

of Management attending the meeting leaves the room to give the Board the opportunity for private deliberation with the auditor. In addition, all Board members have the possibility to contact the auditor directly.

#### *Remuneration Committee*

The Board as a whole fulfills the duties of the Remuneration Committee. The Remuneration Committee prepares and proposes remuneration and other compensation concerning the CEO and other employees who report directly to the CEO.

#### **CEO**

The CEO, Gudmundur Palmason, is responsible for STRAX day-to-day operations. The CEO's responsibilities cover ongoing busi-

### **Independence of Board members, presence, etc.**

<b>Name</b>	<b>Position</b>	<b>Elected</b>	<b>Independent in relation to the company and management</b>	<b>Independent in relation to larger shareholders</b>	<b>Share-holding<sup>(1)</sup></b>	<b>Present</b>	<b>Percent</b>
Bertil Villard	Chairman	2003	Yes	Yes	406 670	(7/7)	100%
Gudmundur Palmason	Board Member/ CEO	2016	No	No	31 398 031	(7/7)	100%
Ingvi T. Tomasson	Board Member	2016	No	No	31 198 079	(7/7)	100%
Michel Bracké <sup>(2)</sup>	Board Member	2016	Yes	Yes	10 000	(3/3)	100%
Pia Anderberg <sup>(2)</sup>	Board Member	2018	Yes	Yes	-	(4/4)	100%
Anders Lönnqvist	Board Member	2000	Yes	Yes	1 294 663	(7/7)	100%

(1) Where relevant, including shares held by family members and holdings through companies as at December 31, 2018..

(2) Pia Anderberg was elected at the AGM May 24, 2018, at the same time Michel Bracké retired from the board.

### **Work of the Board of Directors**

February 26, 2018	Year-end Report 2017, Budget 2018
March 20, 2018	Notice to the Annual General Meeting, 2017 Audit, strategic, tactical and operational review
May 24, 2018	Q1 2018 Interim report, strategic, tactical and operational review
May 24, 2018	AGM: Statutory board meeting
August 22, 2018	Q2 2018 Interim report, strategic, tactical and operational review/Gear4
November 28, 2018	Q3 2018 Interim report, divestment Gear4
December 5, 2018	Q3 Audit review, Mandatory redemption program, budget 2019, strategic review

ness activities including; personnel, finance and accounting issues, regular contact with the Company's stakeholders (such as public authorities and the financial markets) and ensuring that the Board receives the information it needs to make well-founded decisions. The CEO reports to the Board.

### Auditors

The Company's auditors are appointed by the AGM annually. At STRAX 2018 AGM, the registered firm of accountants PricewaterhouseCoopers AB was appointed, with authorized public accountant Nicklas Renström as head auditor. The task of the auditors is, on behalf of the shareholders, to audit the Company's annual accounts, accounting records and the administration by the Board and CEO. The auditors also present an audit report to the AGM.

### Remuneration to the Board and Management

Remuneration to the Board for the coming year is decided each year by the AGM. The 2018 AGM approved the proposed guidelines for remuneration and other compensation for Management. In order to achieve long-term solid growth in shareholder value, STRAX Remuneration Policy aims to offer total remuneration in line with the market to enable the right Management and other personnel to be recruited and retained.

### Variable and share-based remuneration to key employees

In addition to the fixed monthly salary STRAX offers variable-remuneration based on goals met tailored to the role of the individual. At the AGM in STRAX in 2017 it was further decided to implement a share-based incentive program in the form of three-year warrants. Following the decision at the AGM this program was rolled out and assigned in 2017 and ultimately subscribed by a group of 48 key employees in January of 2018. The warrants were not offered to the Board of Directors, however Gudmundur Palmason participated due to his capacity as CEO.

### Internal control with regard to financial reporting

This report on internal controls is prepared in compliance with the The Swedish Annual

Accounts Act. and the Swedish Corporate Governance Code and is thereby limited to internal controls in respect of financial reporting, internally with regard to the Board of Directors and externally in the form of interim reports, annual accounts and annual reports.

Pursuant to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for the internal control. Internal control and risk management comprise a part of the Board's and Management's governance and follow-up of business operations. Internal control is intended to ensure the appropriate and efficient management of operations, the reliability of financial reporting and compliance with laws, ordinances and internal regulations.

Internal control and risk management are an integral part of all processes at STRAX. The system of internal control and risk management with regard to financial reporting is designed to manage risks in the processes related to financial reporting and to achieve high reliability in external reporting.

### Control environment

An effective control environment forms the foundation for the effectiveness of a company's internal control system. It is built on an organization with clear decision-making channels, powers of authorization and responsibilities that are defined by clear guidelines.

STRAX has policies, guidelines and detailed process descriptions for the various phases of each business flow, from transaction management to bookkeeping and the preparation of external reports, stipulating who is responsible for specific tasks. These governing documents are updated as needed to ensure they always reflect current legislation and regulations and changes in processes.

The STRAX Board has delegated the responsibility for maintaining an effective internal control environment to the CEO. The CFO has the overall responsibility for accounting and reporting within the Company and is responsible for ensuring that it is conducted in accordance with applicable standards, norms and legislation.

In order to ensure that the finance department holds current expertise, it is continuously trained i.e. on accounting and tax legislation. Educational needs are identified, among other things, through regular development talks. When needed, external expertise is used to highlight issues, i.e. within accounting, tax and internal control. In matters of a legal nature, the Company uses an external lawyer.

As part of the responsibility structure, the Board of Directors evaluates the performance and results of the operations through a report package that is suited to the purpose and contains outcomes, forecasts, business plans, risk monitoring and analyses of important key ratios.

### Risk assessment

STRAX's risk assessment is a dynamic process for identifying and evaluating risks that may affect the Company's ability to fulfill its goals. Risk assessment is done in the form of self-evaluation and also includes establishing action plans to mitigate identified risks. The Group Management is responsible for maintaining the routines and processes that are required to handle significant risks in the day-to-day operations. The risk assessment regarding the financial reporting is updated continuously under the leadership of the CFO.

An assessment of the risk of errors in the financial reporting is performed annually for every line in the income statement and the balance sheet. Any items that are significant taken together and are subject to an increased risk of errors ("critical items") are identified. Any processes and controls related to critical items are subject to special review in order to minimize risk.

As a result of the annual review, the Board decides which risks are considered significant and must be considered to ensure good internal control over the financial reporting.

### Control activities

To ensure that the company's business is conducted efficiently and that financial reporting gives a true and fair picture at any one time, STRAX operations incorporate a number of control activities.

The control activities include regular monitoring of risk exposure, authorization and approval routines, verifications, bank and account reconciliations, monthly follow-up of results and balance sheet items at Group level, as well as regular monitoring of STRAX IT-environment, security and functionality.

### Information and communication

Information and communication is necessary for STRAX to be able to conduct good internal governance and control and achieve its goals. Policies and guidelines are therefore particularly important for accurate accounting, reporting and information disclosure. STRAX's overall internal control instruments in terms of policies, guidelines and manuals are kept up-to-date and are available on the company's intranet.

### Monitoring activities

Both the Board and Management regularly follow-up on the compliance and effectiveness of the Company's internal control to ensure the quality of its processes. The CFO reports to the CEO who submits financial reports for the Group to the Board on a quarterly basis. STRAX financial situation and strategy regarding the Company's financial position are discussed at every Board meeting. Each interim report is analyzed by the Board regarding the accuracy and presentation of the financial information. The Board also monitors that there are control activities for prioritized risk areas and communicates important issues to the Management and auditors.

### Internal audit

The Board has made the assessment that STRAX, in addition to existing processes and functions for internal control, does not need a formalized internal audit. Follow-up is carried out by the Board of Directors and Management and the control level is currently assessed to meet the Company's needs. An annual assessment is made in order to evaluate whether an internal audit function is considered necessary to maintain good control within STRAX.

## AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

### **To the general meeting of the shareholders in Strax AB (publ), corporate identity number 556539-7709**

#### **Engagement and responsibility**

It is the board of directors who is responsible for the corporate governance statement for the year 2018 on pages 36–45 and that it has been prepared in accordance with the Annual Accounts Act.

#### **The scope of the audit**

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

#### **Opinions**

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 18 April, 2019  
PricewaterhouseCoopers AB

#### **Niklas Renström**

*Authorized Public Accountant*



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