

Corporate Governance

AQ Group is a Swedish public company listed on Nasdaq Stockholm’s main market since 2017.

Corporate governance in AQ Group AB (publ), herein the Company, means to ensure that the Company is managed on behalf of its shareholders as efficiently as possible, through a combination of written rules and practices. AQ Group follows the "Swedish Corporate Governance Code" that applies to Swedish companies whose shares are traded on a regulated market (Nasdaq Stockholm’s main market), with the exception of the composition of the Nomination Committee, see section Nomination Committee.

The shareholders

AQ Group had at year-end 8,345 (6,290) shareholders. Information on share performance, ownership, dividends and more can be found under The share, share capital and ownership.

Legislation and articles of association

AQ Group primarily applies the Swedish Companies Act and the rules that apply due to the share being listed. AQ’s articles of association contain no restrictions on how many votes a shareholder may cast at the Annual General Meeting (AGM) regarding the appointment of Board members and amending the Articles of Association.

General Meeting

Notice of a general meeting is issued no earlier than six and no later than four weeks before the meeting. The notice contains information about registration and the right to participate in and vote at the meeting, as well as numbered agenda with the matters to be considered. Registration for the meeting is made in writing to the Company’s address, or via e-mail. Proposals for the meeting should be addressed to the Board, with the address of its registered office, and submitted in good time before the notice is issued. The notice and agenda are also published on the website. Shareholders or representatives may vote for the full number of owned or represented shares.

Annual General Meeting

The AGM shall be held within six months of the fiscal year’s

end. At the AGM, among other things resolutions are made regarding the approval of the balance sheet and income statement, discharge from liability for the Board and CEO and the appropriation of retained earnings.

AQ Group’s AGM 2023 on April 20, 2023 was attended by 34 shareholders and representatives, representing 71.85% of the total number of shares and votes in the Company. At the AGM, the CEO, parts of the Group Management Team and members of the Board were present. During the meeting, shareholders were given the opportunity to ask questions which were also answered during the meeting. In addition to the above mentioned resolutions, the AGM decided on remuneration to the Board of SEK 1,755 t in total, including remuneration to the members of committees. The Meeting resolved to approve the Board’s proposal for remuneration to senior executives. The AGM of 2023 authorized the Board to, on one or more occasions until the next AGM, with or without deviation from the shareholders’ preferential rights, decide to increase the company’s share capital through the new issue of shares that corresponds at most to 10% of the total number of issued shares. This authorization shall include the right to decide upon an issue with cash payment, payment with non-cash consideration or with right of set-off.

AQ Group has not had an extraordinary general meeting for the fiscal year in 2023.

APPOINTMENT OF OFFICERS

Nomination Committee

The Nomination Committee represents the shareholders and shall consist of one member appointed by each of the four largest shareholders.

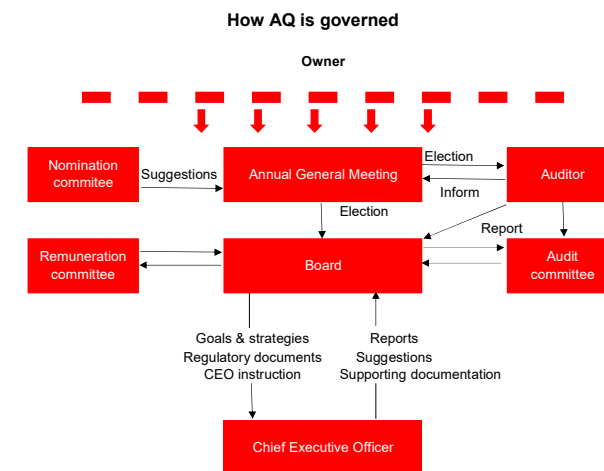
If any of the four largest shareholders waive their right to appoint a member to the Nomination Committee, the next shareholder in size shall be given the opportunity to appoint a member. In the event of a significant change in the ownership structure after the Nomination Committee’s constitution, the composition of the Nomination Committee must also be changed accordingly.

The Nomination Committee’s task is to, before the AGM,

submit proposals with respect to the number of board members which are to be elected by the AGM, the Board’s fees, the Board’s composition, the Chairman, the Chairman of the AGM and the selection of auditors and auditor fees. The Nomination Committee’s term of office extends until a new committee is appointed. No fees shall be paid to the Nomination Committee members.

The Nomination Committee consists of four members, of which two are not connected to the Company’s Board of Directors. Furthermore, at least one must be independent of the Company. The composition of the Nomination Committee differs from the Swedish Corporate Governance Code as two board members are dependent in relation to the Company’s major shareholders. Considering the Company’s ownership structure where these two shareholders, who also are the Company’s founders, together own approximately 39% of the shares in the Company, AQ Group’s largest shareholders believe that the Nomination Committee is best represented by these two shareholders together with other members appointed by major shareholders.

The Nomination Committee consists of Chairman Björn Henriksson, (Nordea Fonder) and members Claes



Mellgren (own mandate), Per Olof Andersson (own mandate) and Hans Christian Bratterud (ODIN Fonder) until the AGM for 2024.

Board

The Nomination Committee shall submit proposals for the election of Chairman and other Board members and the fees awarded to the Chairman and the other members. As a basis for its proposals, the Nomination Committee shall:

- assess the degree to which the current Board meets future requirements with regard to the Company's development and take part in the evaluation of the Board's activities during the year
- establish profile for new members, and
- systematically search for new members and consider in particular the need for versatility and breadth of the Board and strive for a good gender balance

Upon publication of the Nomination Committee's proposals, information shall include age, other significant assignments, own shareholdings and those of close relations, independent executives/shareholders in managing roles, number of years on the Board (upon re-election), and other items considered essential for assessing competence and independence.

At the AGM, the Nomination Committee shall submit a report on how the work was done, and present and motivate proposals. If no renewal is proposed, a special justification shall be provided.

The Board shall have, with regard to the company's business, development stage and other conditions, an appropriate composition, characterized by versatility and breadth regarding the competence, experience and background of the members elected by the AGM. An even gender distribution should be strived for.

At the AGM, Per Olof Andersson, Ulf Gundemark, Gunilla Spongh, Lars Wrebo and Kristina Willgård were elected board members. Claes Mellgren was elected Chairman of the Board.

Tasks for the Board

The Board shall on behalf of its owners:

- set overall goals and strategies
- continuously evaluate the company's management

- take responsibility so that routines and systems are adapted for the Company's operations
- take responsibility for transparency in external information
- ensure that laws and regulations are complied with and
- that the Company has good ethical conduct

The Board's overall task is to manage the Company's affairs in such a way that the interests of the shareholders for good and long-term capital returns are realized in the best possible way.

Board composition

The Board shall, according to the articles of association, consist of at least three and no more than eight members. The members are selected annually for the period until the next AGM. The majority of the members shall be independent of the Company and its management. The Board shall have the size and composition which is required in terms of competence and experience for the Company's business and development, as well as the independence required so that the Board can independently and effectively manage the Company's affairs.

Board's work

In 2023, six scheduled meetings were held, one statutory meeting and two per capsulam meetings. Before Board meetings, Board members were provided with written information on the issues to be discussed at the meeting. The Board has, in 2023, devoted particular attention to activities related to working capital, investments, acquisition candidates and cyber security. All board members attended all board meetings held during their mandat period in 2023.

During the year, the Board evaluated its work and all members participated in the evaluation and presented opinions. The Chairman of the Board is responsible for the evaluation and the results of the evaluation have been reported to the Nomination Committee.

Remuneration Committee

The Remuneration Committee is composed of Claes Mellgren (Chairman) and Per Olof Andersson.

The Remuneration Committee prepares the Board's proposal for guidelines for remuneration and other terms of

employment for senior executives. The proposal is considered by the Board and submitted to the AGM for resolution. The Remuneration Committee also has the task of dealing with and preparing remuneration issues for the company management, which the Board then decides.

The Remuneration Committee prepares proposals for the CEO's terms of employment. The CEO consults with the Remuneration Committee on the terms of employment of other members of company management. The Remuneration Committee shall also monitor and evaluate current remuneration structures and remuneration levels in the Company and ensure that the Company's auditor submits a written opinion to the Board no later than three weeks before the AGM on whether the guidelines for remuneration to senior executives that have been in force since the previous AGM have been followed. In 2023, the Remuneration Committee held two minuted meetings.

Audit Committee

The Audit Committee is composed of Gunilla Spongh (Chairman), Kristina Willgård and Ulf Gundemark.

The Audit Committee has a monitoring role of the Company's financial reporting. The Audit Committee monitors the effectiveness of the Company's internal controls and risk management with respect to financial reporting. The Audit Committee's duties include keeping regular contact with the Company's auditors to ensure that the Company's internal and external accounting satisfies requirements made on market-listed companies and to discuss the scope and focus of auditing work, evaluate the completed audit activities and notify the Company's Board of Directors regarding the results of the audit and the results of the evaluation. The Audit Committee also assists the Nomination Committee in establishing proposals for auditors and fees for audit work. The Audit Committee, in 2023, held five meetings where minutes were taken.

The Board's Rules of Procedure

In addition to laws and regulations, the Board's work is governed by the annual set work plan. The work plan contains guidelines for the work of the Board, instructions for the CEO and financial reporting.

The rules of procedure include:

- that the Board shall meet at least five times per year and, upon urgent matters, meetings may take place via te-

lephone or video conferencing.

- that certain matters shall be dealt with at each Board meeting and that specific decisions should be made at the inaugural meeting.
- that the Board members receive documentation regarding matters to be discussed at the meetings in good time before the meetings.
- that the Board, each month, receives a report regarding the Company's operations and development.
- that the auditors shall be invited to, upon at least one Board meeting, report on the audit work without any representative from Company management participating.

The rules of procedure further describe how the minutes shall be prepared and distributed to members and how the Board will be informed upon, i.e. press releases. The rules of procedure also include guidelines for the decisions the Board may delegate to the CEO and senior management.

ACCOUNTING, AUDITING, INTERNAL CONTROL

General

External auditors are appointed by the AGM. The auditors' task is to, on behalf of shareholders, review the Company's Annual Report and accounting and the management of the Board of Director's and the CEO.

The entire Board is involved in the internal control of the financial statements and is jointly responsible for other internal controls. The Company regularly informs how the Board's issued guidelines have been implemented in the business and how the internal control is designed. The auditors provide ongoing feedback and suggestions for improvements to the Company regarding the same.

The board annually evaluates the need for an internal audit function and has found no reason to establish one.

Internal control

The Board is responsible for the work with corporate governance and internal controls. The overall aim is to protect the company's assets and shareholders' investments. The Board is responsible for ensuring that financial statements are prepared in accordance with applicable law. Quality assurance of AQ's financial reporting is done by the Board dealing with accounting issues and the financial reports which the Company submits.

AQ Group's Board has therefore striven to provide effec-

tive and regular financial reporting. The Board's reporting instructions to the CEO regarding financial reporting include among others internal control. In each subsidiary, there is an internal division of roles and responsibilities aimed at realizing good internal controls of financial reporting. AQ's accounting departments of each subsidiary informs regularly management of the economic development of their respective companies. The Board is committed to realizing that all financial managers have strong integrity, embrace good ethics and have high expertise within respective areas of responsibility. AQ continuously works with the development of appropriate systems for administrative management. AQ has also developed an operations manual that describes the organization, responsibilities, powers, policies, financial controls and more.

Risk assessment and control activities

On a monthly basis, AQ establishes the appropriate reports with analysis and comments, which are reported for both group and individual subsidiaries. This gives the Board an excellent tool to monitor and control the ongoing development in AQ. Financial reports from management is a recurring item taken up at all Board meetings.

AQ's risk management is governed by a policy established by the management team, with the CFO responsible for compliance and reporting within the Group.

Information and communication

AQ's financial reporting complies with the laws and regulations applicable in Sweden and the local rules in each country where it operates. Besides external rules and recommendations, there are internal instructions and directions.

AQ Group's information to shareholders and other stakeholders is given through the Annual Report and Interim Reports provided on the Company's website (www.aqgroup.com). There are press releases and presentation materials relating to recent years. Information released by the Company follows the Board's established information and insider policy.

Follow-up

In addition to internal monitoring and reporting, AQ's external auditors report during the year to the CEO and Board. This gathered information mentioned in this report gives the Board a good idea and a reliable basis regarding finan-

Read more about AQ's corporate governance on our website under investor / corporate governance.

There you will find;

- Articles of association
- Information from previous AGMs, summonses and minutes
- Audit opinions
- Guidelines for remuneration to senior executives
- The Board's proposal for allocation of profits
- The Board's evaluation of remunerations
- The Nomination Committee's motivated opinion about the Board

cial reporting in the Annual Report.

Company management

The Board has delegated operational responsibility for the Company and the Group to the CEO. An instruction concerning the division of duties between the Board and the CEO are decided annually by the Board. AQ's senior management consists of the management team which, during 2023 consisted of James Ahrgren - CEO, Christina Hegg - Finance, Erik Mattsson - Purchasing and M&A, Paulina Duszel - Marketing, Fredrik Spännare - IT, Jenny Eivhammar - HR, Nerijus Olšauskas - Wiring Systems, Emil Nikolov - Electric Cabinets and System Products, Niklas Ericsson - Inductive Components, Ragnar Koppel - Sheet Metal Processing and Injection Molding & Precision Stamping.

Remuneration for Managing Directors (MDs) of subsidiaries is decided by the Group CEO according to the principles established by the Remuneration Committee in the parent company.

REMUNERATION TO THE BOARD

During 2023, SEK 225 t (200) in Board remuneration was paid to Board members Per Olof Andersson, Gunilla Spongh, Ulf Gundemark, Lars Wrebo and Kristina Willgård. The Chairman was paid SEK 450 t (450) in board remuneration. In 2023, the Chairman of the board was Claes Mellgren and for the previous year, Patrik Nolåker.

Chairman of the Audit Committee, Gunilla Spongh, has received SEK 100 t (100) and other members of the Audit Committee, Ulf Gundemark and Kristina Willgård have

each received SEK 40 t (40). No remuneration has been paid for the Chairman of the Remuneration Committee, Claes Mellgren, and nor to the member Per Olof Andersson. In addition to the above, no special remuneration or benefits were received by the Board. No benefits are payable to Board members after serving on the Board.

REMUNERATION TO THE CEO AND SENIOR EXECUTIVES

Paid salary and other remuneration to CEO for 2023 amounted to SEK 4,529 t (2,655). The CEO is entitled to a monthly pension provision equal to 30% of base salary. Pension costs in 2023 for the CEO amounted to SEK 672 t (600). Guidelines for remuneration to senior executives was decided by the AGM 2022. The decision means that AQ Group shall maintain remuneration levels and other employment conditions needed to ensure the company's access to executives with the competence and capacities to achieve set goals. The starting point for salary and other remuneration to senior executives of AQ Group AB is that they shall be at market level. The CEO's notice period is six months to the

Group, and the Group's notice period is 12 months to the CEO. Salaries and other remuneration to other senior executives excluding the CEO in 2023 amounted to SEK 21,358 t (15,070). Pension costs in 2023 amounted to SEK 1,715 t excluding the CEO (2,251). Senior executives normally have six months' notice, regardless of whether the employee or the Company terminates the agreement. No compensation is paid after termination of employment.

LONG-TERM INCENTIVES

The 2022 AGM resolved to introduce a long-term warrant-based incentive program for senior executives and other key personnel within AQ Group. Described in Note 9.

AUDITORS

The company's auditor is continuously informed about the Company's operations and include regular meetings with company management, Board material and minutes of meetings. The auditor provides ongoing feedback and recommendations to the Board and management based on observations made during the audit.

Since the 2023 AGM, the auditing company Ernst & Young AB is auditor, with authorized Public Accountant Jennifer Rock-Baley as Chief Auditor. Jennifer was born in 1973 and is a member of FAR. Ernst & Young's address: Ernst & Young AB, Hamngatan 26, 111 47 Stockholm, Sweden.

COMPENSATION TO AUDITORS

According to decisions at the Annual General Meeting, AQ's auditors receive compensation in accordance with the auditing assignment.

Västerås March 25, 2024

AQ Group AB (publ)
Board of Directors

AQ's sustainability report for 2023 is described on pages 21-28 of this Annual Report.

Auditor's report on the corporate governance statement

To the general meeting of the shareholders of AQ Group AB (publ), corporate identity number 556281-8830

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2023 on pages 32–37 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 standard RevR 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 March 25, 2024
Ernst & Young AB

Jennifer Rock-Baley
Authorized Public Accountant