

CORPORATE GOVERNANCE REPORT

Mekonomen Group consists of around 200 companies that primarily conduct business in Denmark, Norway, Poland and Sweden, as well as minor operations in Finland. The Parent Company of the Group is the Swedish public limited liability company Mekonomen AB, whose shares are listed on the Nasdaq Stockholm.

Principles for corporate governance

The Group's corporate governance concerns how the operations are governed, managed and controlled in order to create value for the company's shareholders and other stakeholders. The aim of corporate governance is to create the conditions for active and responsible company bodies, to clarify roles and segregation of responsibilities and to ensure true and fair reporting and information.

Both internal and external regulations are used as a foundation for the governance of the Group.

External regulations	Internal regulations
Swedish Companies Act	Articles of Association
Annual Accounts Act	Board's and committees' rules of procedure
Other relevant laws	Board's instruction for the President
Nasdaq Stockholm AB's Rule book for issuers	Code of Conduct and Core Values
Swedish Corporate Governance Code (the Code)	Policies, guidelines and instructions
EU Market Abuse Regulation (MAR)	

Application of the Swedish Corporate Governance Code

The Group applied the Swedish Corporate Governance Code ("the Code") with the following deviation in 2021:

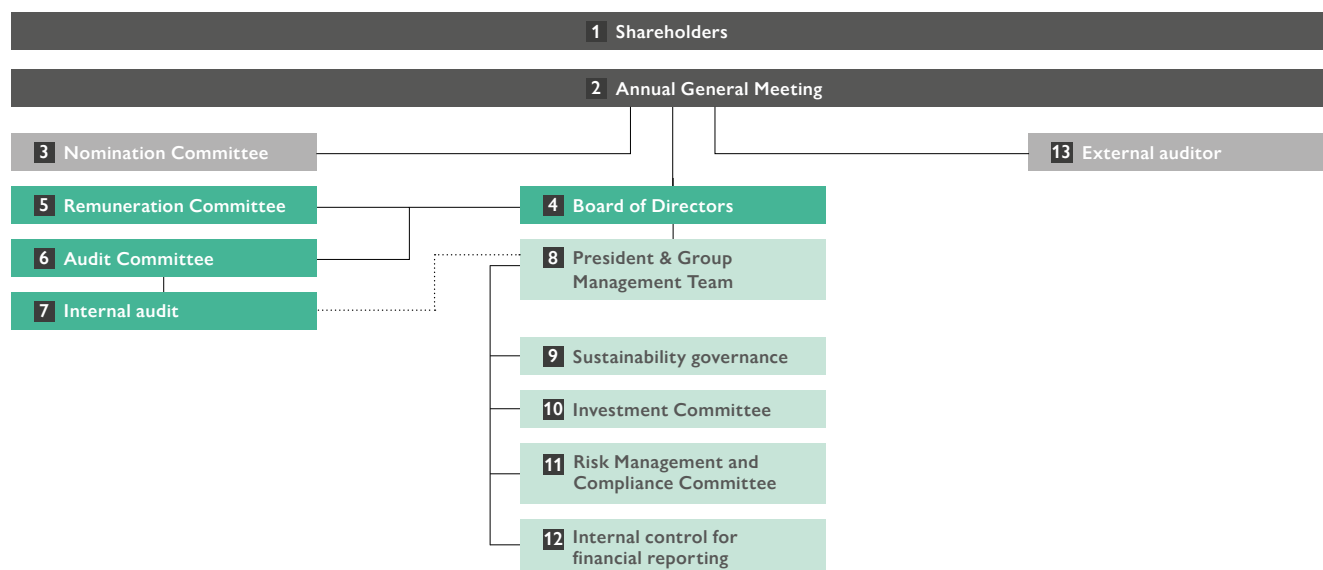
Deviation from the Code (rule 2:4):

According to the Code, a Board member shall not be the Nomination Committee's chairman.

Explanation:

Chairman of the Board Robert M. Hanser is also the chairman of the Nomination Committee as it is a natural choice considering the ownership structure of Mekonomen.

Overall Corporate Governance Model



1 Shareholders

The Mekonomen share has been listed on the Nasdaq Stockholm, Mid Cap segment since 29 May 2000. On 31 December 2021, share capital amounted to SEK 141 M, represented by 56,416,622 shares. At year-end, Mekonomen AB had 93,250 treasury shares. Treasury shares do not entitle the holder to dividends or votes. The total market value for the company on 31 December 2021 amounted to SEK 8.9 billion, based on the closing price of SEK 157.10. All shares (excluding treasury shares) provide the same voting rights and equal rights to the company's profit and capital. The company's Articles of Association do not include any restrictions on how many votes each shareholder can cast at a General Meeting.

The number of shareholders on 31 December 2021 was 11,676 (11,728). On the same date, the ten largest shareholders controlled 65.6 per cent (60.0) of the capital and voting rights and foreign owners accounted for 46.6 per cent (41.4) of the capital and voting rights.

Shareholders which directly or indirectly represent at least one-tenth of the voting rights for all shares in Mekonomen are LKQ Corporation and subsidiaries, whose shareholding on 31 December 2021 amounted to 26.6 per cent (26.6). For further information on Mekonomen's shares and shareholders, see page 30.

2 General Meeting

The General Meeting of shareholders is the company's highest governing body, at which every shareholder is entitled to participate. The General Meeting is to be held within six months of the close of the financial year. The General Meeting approves the income statement and balance sheet, the appropriation of the company's earnings, decides on discharge from liability, elects the Board of Directors and auditors, and approves fees, addresses other statutory matters as well as making decisions pertaining to proposals from the Board and shareholders. The company announces the date and location of the General Meeting as soon as the Board has made its decision, but not later than in connection with the third-quarter report. Information pertaining to the location and time is available on the company's website. Shareholders that are registered in Euroclear's shareholders register on the record date and have registered participation in adequate time are entitled to participate in the Annual General Meeting and vote according to their shareholdings. All information concerning the company's meetings, such as registration, entitlement for items to be entered in the convening notice and the minutes is available on the company's website, www.mekonomen.com.

It is the company's aim that the General Meeting be a consummate body for shareholders, in accordance with the intentions of the Swedish Companies Act, which is why the objective is usually that the Board in its entirety, the representative of the Nomination Committee, the President and CEO, and other members of the Group Management Team shall always be present at the Meeting. With regard to participation in the 2022 Annual General Meeting, in addition to the opportunity to participate physically, shareholders will be able to choose to participate by postal voting.

Annual General Meeting 2021

The Annual General Meeting was held in Stockholm on 7 May 2021. The complete minutes of the Annual General Meeting are available on the company's website at mekonomen.com. Due to covid-19, the 2021 Annual General Meeting was held solely through postal voting. In brief, the Annual General Meeting resolved:

- to adopt the income statement and balance sheet, the consolidated income statement and the consolidated balance sheet,
- to pay a dividend of SEK 0 per share to shareholders,
- to discharge the members of the Board and the President from liability,
- that the number of members of the Board elected by the Annual General Meeting be seven with no deputy members,
- to pay total Board fees of SEK 3,035,000, of which SEK 650,000 relates to fees to the Chairman of the Board and SEK 420,000 relates to the Executive Vice Chairman, and also SEK 315,000 relates to fees to each of the other Board members elected by the Annual General Meeting who are not employed by the Group. Total board fees also include fees to members of the Board's committees, paid as follows: SEK 125,000 to the Chairman of the Audit Committee, SEK 55,000 to each of the other members of the Audit Committee, SEK 50,000 to the Chairman of the Remuneration Committee and SEK 25,000 to each of the other members of the Remuneration Committee,
- to re-elect the Board members Eivor Andersson, Kenny Bräck, Joseph M. Holsten, Magnus Håkansson and Helena Skåntorp,
- to elect Robert M. Hanser and Michael Løve as Board members,
- to elect Robert M. Hanser as the Chairman of the Board,
- to re-elect the auditing firm of PricewaterhouseCoopers AB as the company's auditor for the period until the 2022 Annual General Meeting,
- to adopt the Board's proposals for guidelines regarding remuneration of senior executives
- to adopt the Board's proposal to establish a long-term incentive programme (LTIP 2021) and in conjunction with this to authorize the Board to decide on acquisition of own shares and transfer of own shares,
- to adopt authorization for the Board, for the period until the next Annual General Meeting, on one or more occasions, with or without preferential rights for shareholders, to make decisions on new share issues of not more than 5,641,662 shares
- to amend the Articles of Association with the aim of making postal voting possible for the shareholders.

3 Nomination Committee

In accordance with the guidelines established at the Annual General Meeting on 7 May 2021, Mekonomen Group has established a Nomination Committee comprising four members. The largest shareholders of the company were contacted by the company's Board based on the list of registered shareholders on 31 August 2021 as provided by Euroclear Sweden AB.

The Nomination Committee for the 2022 Annual General Meeting consists of Robert M. Hanser appointed by LKQ Corporation, Thomas Wuolikainen appointed by Fjärde AP-Fonden, Kristian Åkesson appointed by Didner & Gerge Fonder AB and Caroline Sjösten appointed by Swedbank Robur Fonder AB. In accordance with the guidelines, Robert M. Hanser has been appointed the Chairman of the Nomination Committee (deviation from the Code rule 2:4). Mekonomen's Board member, Helena Skåntorp, was co-opted to the Nomination Committee. Fees are not paid to members of the Nomination Committee.

In accordance with the Swedish Corporate Governance Code, the Nomination Committee is to have at least three members, one of whom is to be appointed Chairman. The majority of these members are to be independent in relation to the company and company management and at least one of the Nomination Com-

mittee members is to be independent in relation to the company's largest shareholders in terms of the number of votes. Mekonomen Group's Nomination Committee comprises four members, all of whom are deemed to be independent in relation to the company and company management. Mekonomen Group's Nomination Committee also meets other independence requirements.

The Nomination Committee's task is to present proposals to the Annual General Meeting concerning:

- number of Board members and deputy Board members,
- the election of the Chairman of the Board and other members of the company's Board of Directors,
- Board fees and any remuneration for committee work,
- the election and remuneration of auditors, and
- any changes to the instructions for the Nomination Committee.

2022 Annual General Meeting

The Annual General Meeting will be held on 20 May 2022 at Bygget Fest och Konferens, Norrlandsgatan 11, 111 43 Stockholm, Sweden. In addition to physical participation, participation can also take place through postal voting. Read more in the convening notice for the Annual General Meeting on www.mekonomen.com

In conjunction with its task, the Nominating Committee is to perform the duties incumbent on nomination committees in accordance with the Swedish Corporate Governance Code, and at the request of the Nomination Committee, the company is to provide human resources, such as a secretary function for the Committee, to facilitate its work. If necessary, the company is also to pay reasonable costs for external consultants deemed necessary by the Nomination Committee for it to perform its duties.

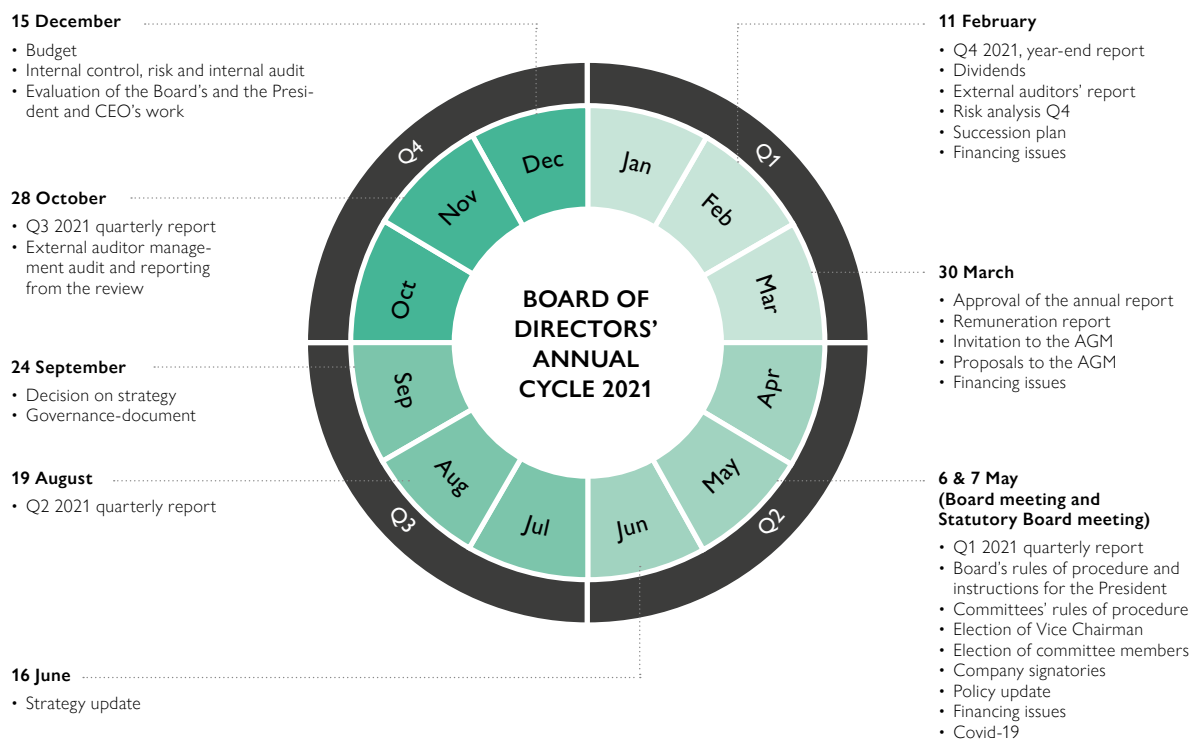
Mekonomen Group has not established any specific age limit for Board members or time limits pertaining to the length of time Board members may sit on the Board. Auditors are elected annually when the matter is submitted to the Annual General Meeting.

4 Board of Directors

Size and composition

According to the Articles of Association, the Board of Directors is to comprise three to seven members and not more than three deputy members. The company's Articles of Association have no specific provisions relating to the appointment and discharge of Board members or amendments to the Articles of Association. The Board of Directors is to be elected annually at the Annual General Meeting. The Board of Directors shall consist of a well overall mix of the competencies that are important to govern the company's strategic work in a responsible and successful manner. Examples of such competencies include knowledge of retailing, the automotive

Overview of all points on the Board's agenda in 2021*



* At each ordinary Board meeting, the Group's position and performance and the outlook for the future were discussed.

industry, corporate governance, compliance to rules and regulations, financing and financial analysis as well as remuneration issues. Previous Board experience is another important competency.

Board members

In the opinion of the Nomination Committee, the Board has a suitable composition considering the company's operations, financial position, stage of development and circumstances otherwise. An important starting point for the proposal of Board members was that the Board's composition should reflect and provide space for the different knowledge and experience that the company's strategic development and governance may demand. The company has a diversity policy for the Group that includes the company's Board and management. The company's diversity policy, which was prepared in accordance with the Code's rule 4.1, aims to achieve an even distribution of people in the company in terms of age, gender, education and professional background. The diversity policy forms the basis of the Nomination Committee's proposal to the Board at the 2022 Annual General Meeting.

Chairman

The Chairman of the Board, Robert M. Hanser, is not employed by the company and does not have any assignments with the company beyond his chairmanship. It is the opinion of the Board that Robert M. Hanser ensures that the Board conducts its assignments efficiently and also fulfils its duties in accordance with applicable laws and regulations.

The Board's working procedures

The Board is responsible for the company's organization and management and is to also make decisions pertaining to strategic issues. During 2021, the Board held nine meetings (18), of which none (2) were independent. Minutes of the meetings have been kept by the Board secretary, which is the Group's Director of Legal Affairs and Sustainability or the CFO. For matters which present a risk of a conflict of interest, independent board meetings are held in which the Board members representing LKQ Cooperation do not participate or take part of the minutes.

In matters that risk involving conflicts of interest, independent board meetings are held where the board members representing LKQ Cooperation do not participate or take part in the minutes.

Relevant meeting documentation was sent to all members prior to each meeting, which were then held in accordance with the approved agenda. On occasions, other senior executives participated in Board Meetings in a reporting capacity, as necessary. No dissenting opinions to be recorded in the minutes were expressed at any of the meetings during the year. The Board meetings during the year addressed the fixed items of each meeting agenda, such

as the year-end financial statement including dividend proposal, interim reports, budgets, strategies, business situation, financial reporting, investments and market development.

Duties of the Board of Directors

The Board of Directors is responsible for ensuring that the company has good internal control to protect the owners' investment and the company's assets. In accordance with the requirements of the Code, the Board's aim was to devote particular attention to establishing overall goals for the operations and decide on strategies by which to achieve these goals and to continuously evaluate the operating management, with the aim of ensuring the company's governance, management and control. The Board is responsible for ensuring that suitable systems are in place for the monitoring and control of the company's operations and the risks to the company associated with its operations, that control is implemented of compliance with laws, internal guidelines and other regulations and that the provision of external information is open, objective and relevant. The Board of Directors address all interim reports and the Annual Report before they are published. The Audit Committee reports to the Board regarding matters concerning internal control, including matters for decision. Minutes from the Audit Committee meetings are available to the Board members. The tasks of the Board also include establishing necessary guidelines for the company's conduct in society with the aim of securing its long-term value-creating ability.

There are written instructions that regulate the internal rules of procedure in the Board and the distribution of assignments between the Board and the President and CEO, and for the reporting process. The instructions are reviewed annually and are primarily: the rules of procedure for the Board's work, instructions for the President and authorization regulations.

The Board evaluates its work every year and it is the duty of the Chairman of the Board to ensure that evaluation is performed. In 2021, the Chairman organized a digital board evaluation with an external supplier for all Board members. The collective opinion based on the 2021 evaluation is that the Board's work functioned well during the year and that the Board fulfilled the Code's requirements regarding the Board's work.

Board Committees

The Board has established a Remuneration Committee and an Audit Committee. The Committees' work mainly comprises preparing issues and providing consultation, although the Board can delegate authority to make decisions in specific cases. The members and Chairmen of the Committees are appointed at the statutory Board meeting held directly after the election of Board members.

Board remuneration and attendance¹⁾

	Total remuneration, SEK	Attendance at Board meetings	Attendance at independent Board meetings	Attendance at Audit Committee meetings	Attendance at Remuneration Committee meetings
Robert M. Hanser (newly elected)	730,000	6/6	–	2/2	2/2
Helena Skåntorp	545,000	9/9	–	4/4	–
Eivor Andersson	365,000	9/9	–	–	4/4
Kenny Bräck	315,000	9/9	–	–	–
Joseph M. Holsten	370,000	7/9	–	4/4	–
Magnus Håkansson	370,000	9/9	–	2/4	–
Michael Løve (newly elected)	340,000	6/6	–	–	2/2

1. John S. Quinn withdrew from the Board in connection with the 2021 Annual General Meeting. John S. Quinn participated in three of three Board meeting up to the 2021 Annual General Meeting. In addition to this, he was a member of the Remuneration Committee where he participated in two of two meetings up to the 2021 Board meetings, and a member of the Audit Committee where he participated in two of two meetings up to the 2021 Annual General Meeting.

Arja Taaveniku withdrew from the Board in connection with the 2021 Annual General Meeting. Arja Taaveniku participated in three of three Board meeting up to the 2021 Annual General Meeting. She was also a member of the Remuneration Committee where she participated in two of two meetings up to the 2021 Annual General Meeting.

5 Remuneration Committee

The Remuneration Committee's tasks are documented in the rules of procedure for the Remuneration Committee, which are annually approved by the Board of Directors. The work of the Remuneration Committee is based on resolutions by the Annual General Meeting pertaining to guidelines for remuneration of senior executives.

- The committee discusses, decides on and presents recommendations on the salaries, other employment terms and incentive programmes for company management. However, the Board in its entirety determines the remuneration and other employment terms for the President and CEO.
- An important matter for the committee during the year was to address the structure of the new remuneration report.

Until the 2021 Annual General Meeting the Remuneration Committee consisted of the Board members Eivor Andersson (Chairman), John S. Quinn and Eivor Taaveniku. As of 7 May 2021 the Remuneration Committee consists of Eivor Andersson (Chairman), Robert M. Hanser and Michael Løve.

In 2021, the Remuneration Committee held four meetings. The respective member's participation is presented in the table on page 47. In addition, the company's President and CEO Pehr Oscarson was present at four meetings and the company's CFO was the committee's secretary during four meetings.

6 Audit Committee

The Audit Committee's tasks are documented in the rules of procedure for the Audit Committee, which are annually approved by the Board of Directors. The committee monitors the effectiveness

of internal control with regard to the financial reporting presented by the management with any shortcomings and improvement measures.

- The Audit Committee monitors the financial reporting and ensures its reliability. They monitor the internal and external audit process, as well as the external auditor's impartiality and independence towards the company, including the extent to which the auditor provides the company services other than auditing.
- The Audit Committee's duties include a risk review regarding the Group's risks in terms of the market and competitors, operational risks and financial risks.
- With regard to financial reporting, the Audit Committee has a special responsibility to monitor the effectiveness of the company's internal control.
- The Audit Committee annually evaluates its own work, as well as the work of the external and internal auditors. In addition, the Audit Committee recommends proposals on external auditors and the remuneration of the auditors for the upcoming year to the Nomination Committee.

Until the 2021 Annual General Meeting the Audit Committee consisted of Helena Skåntorp (Chair), John S. Quinn, Joseph M. Holsten and Magnus Håkansson. As of 7 May the Audit Committee consists of Helena Skåntorp (Chair), Robert M. Hanser, Joseph M. Holsten and Magnus Håkansson








The Audit Committee held four meetings in 2021. The respective member's participation is presented in the table on page 47. The Group's external auditors, the CFO, the Head of Risk Management, Internal Control and Internal Audit as well as the Head of Accounting participated at the meetings. The Head of Accounting was the secretary of the committee.

7 Internal audit







Internal Audit is an independent function that provides security for the Board and management. Internal Audit examines different processes and procedures, gives the Board and management a balanced picture of the current situation and proposes improvement measures. This is done by evaluating and proposing improvement in such areas as risk management, compliance with policies and efficiency in the internal control over the financial reporting. The function works throughout the Group. The results of audits carried out are reported to the Audit Committee, the President and CEO and the CFO and information is provided to management in each business area and other units where relevant.

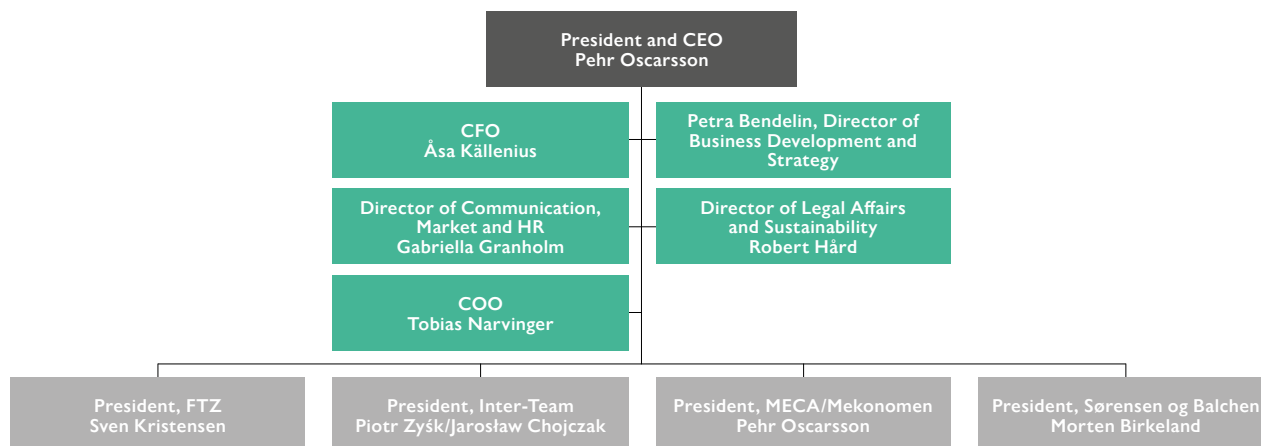
In 2020, the Board of Directors decided to choose EY as a new partner for internal audit, which continued in 2021. During the spring, they conducted an audit of the governance of strategy execution for MECA/Mekonomen in Sweden. In the autumn, an audit was conducted of the investment process. The Group's Head of Risk Internal Control and Internal Audit is responsible for internal audit, which in that function reports to the Chair of the Audit Committee.

BOARD OF DIRECTORS

						
Robert M. Hanser	Helena Skåntorp	Eivor Andersson	Kenny Bräck	Joseph M. Holsten	Magnus Håkansson	Michael Love
Chairman of the Board. Member of Mekonomen's Audit and Remuneration Committees.	Executive Vice Chairman. Chairman of Mekonomen's Audit Committee.	Board member. Chairman of Mekonomen's Remuneration Committee.	Board member.	Board member. Member of Mekonomen's Audit Committee.	Board member. Member of Mekonomen's Audit Committee.	Board member. Member of Mekonomen's Remuneration Committee.
Education						
Degree in Business Administration, Mannheim University.	Graduate in Business Administration, Stockholm University.	Marketing Economist, IHM Business School, Stockholm.	Upper secondary school education.	M.B.A., Bachelor of Arts and certified public accountant.	Graduate in Business Administration, Stockholm School of Economics, and holds a Master of Science in Management, MIT Sloan School.	Master of Science in Engineering (MSE), Technical University of Denmark, Denmark.
Elected in						
2021	2004	2018	2007	2017	2017	2020
Born						
1953	1960	1961	1966	1952	1963	1968
Position and Board assignments						
Member of the Board of LKQ Corporation and senior adviser to McKinsey.	Chairman of the Boards of Plint Holding AB and Ljung & Sjöberg AB. Member of the Boards of ByggPartner i Dalarna Holding AB and Bico AB. Chairman of the Boards and co-founder of Nielstorp AB and Skåntorp & Co AB.	Other assignments: Chairman of the Board of Svanudden AB. Member of the Boards of AB Svenska Spel and First Camp Group AB.	Test and Development Driver for McLaren Automotive. Minority owner and Board member of Motorsport Auctions Ltd.	Chairman of the Board of LKQ Corporation.	CEO of MediaMarkt Sverige AB. Chairman of the Boards of Tenant & Partner Group AB, GS1 Sweden AB and Impande Foundation Sweden.	Group CEO of the international food company Netto. Member of the Boards of the Government Climate Partnership for Trade, Smilfonden and the Trade and Logistics Growth Commission, and investor/advisor for Copenhagen Optimization.
Work experience						
Multiple assignments within the German multinational technology and electronics company Robert Bosch GmbH, including as the President of Bosch in the UK, Director of Technical Sales South Region in Germany and the President of the Automotive Aftermarket Division in Germany.	President and CEO of Lernia AB, President and CEO of SBC Sveriges BostadsrättsCentrum AB, President and CEO of Jarowskij, CFO of Arla, and Authorized Public Accountant at Öhrlings/PwC.	President and CEO of TUI Nordic, CEO Coop Marknad AB and CEO Ving Sverige AB/ Thomas Cook Sweden.	Former professional racing driver.	President and CEO of LKQ Corporation. Active for 17 years in the U.S. and international operations of Waste Management, Inc., most recently as Executive Vice President and COO. Prior to that auditor at a public accounting firm.	CEO of RNB Retail & Brands AB, CEO of Expert Sverige AB, CFO of KF Group and Consultant at McKinsey & Co. Chairman of the Board of RNB Retail and Brands AB (publ) 2010 –2011.	CEO of the home and building trade company B&Q in the UK, Chief Operating Officer for Coop Denmark and Chief Operating Officer for Copenhagen Airports.
Own shareholdings and shareholdings of related parties						
None	3,142	1,000	1,571	None	None	4,667
Independent of the company/company management						
Yes	Yes	Yes	Yes	Yes	Yes	Yes
Independent of major shareholders						
No, dependent in relation to major shareholders of the company.	Yes	Yes	Yes	No, dependent in relation to major shareholders of the company.	Yes	Yes

GROUP MANAGEMENT TEAM

					
Pehr Oscarsson	Petra Bendelin	Gabriella Granholm	Robert Hård	Åsa Källenius	Tobias Narvinger
President and CEO	Director of Business Development and Strategy	Director of Communication, Market and HR	Director of Legal Affairs and Sustainability	CFO	COO
Born					
1963	1978	1982	1966	1967	1974
Education					
Technical upper-secondary school, supplemented with short economics and management courses.	Master Psychology/ Behavioural Science, Luleå University of Technology.	Jurisprudence – civil law, Luleå University of Technology, PR and Communication, Berghs School of Communication.	Master of Laws, Lund University.	Graduate in Business Administration, Stockholm University.	Master of Science in Engineering Physics, Chalmers University of Technology. MBA – Master's Course in International Business Administration, Chalmers University of Technology.
Employed					
2001	2010	2010	2003	2017	2011–2016, 2017–
Work experience					
President MECA Scandinavia. Prior to that senior positions in MECA since 2001 and President of Swecar AB.	President of Promeister Solutions. Various positions within business development in MECA, Sigma, Tectura and as self-employed.	Director of Communications, Mekonomen Group, Information Manager, IMA Sport.	Director of Legal Affairs, HR and Environment, MECA Group. Attorney-at-law, Advokatfirman Vingé. Clerk of Helsingborg District Court.	CFO of Tele2 Sweden, CFO Inflight Service. Financial Manager Spendrups Bryggerier.	Various positions in development, sales and purchasing Scania CV AB in Södertälje.
Board appointments					
Deputy Chairman of Association of Swedish Wholesalers of Automotive Parts and Accessories (SBF). Board member of Oscarson Invest Aktiebolag.	Member of the Boards of Green Giant Capital AB and Nic Christiansen Gruppen A/S.	–	–	Member of the Boards of Green landscaping AB, Sinter-Cast AB and Cinis Fertilizer AB. Deputy member of the Boards of Källenius Invest AB, KAAX Investment AB (and subsidiaries), Scylla och Charybdis AB, and ANNMAKA AB.	–
Own shareholdings and shareholdings of related parties					
238,500	6,315	6,000	6,800	16,582	7,000
Share awards					
2,250 (LTIP2019)	800 (LTIP2019)	800 (LTIP2019)	800 (LTIP2019)	1,600 (LTIP2019)	800 (LTIP2019)
5,000 (LTIP2020)	2,500 (LTIP2020)	3,000 (LTIP2020)	3,000 (LTIP2020)	3,000 (LTIP2020)	3,000 (LTIP2020)
5,000 (LTIP 2021)	3,000 (LTIP 2021)	2,200 (LTIP 2021)	3,000 (LTIP 2021)	3,000 (LTIP 2021)	3,000 (LTIP 2021)



8 President and CEO and Group Management Team President and CEO

The President and CEO is appointed and may be discharged by the Board and his work is regularly evaluated by the Board, which occurs without the presence of the Group Management Team.

Pehr Oscarson has been the President and CEO of Mekonomen AB since 1 March 2017. Prior to that, he served as the acting President and CEO of Mekonomen AB since 6 October 2016. Pehr Oscarson has no shareholdings or partial ownership in companies that Mekonomen AB or the company's subsidiaries have significant business ties with.

Group Management Team

In 2021, the Group Management Team consisted of the Group's President and CEO, Director of Business Development and Strategy, Director of Communication, Market and HR, Director of Legal and Sustainability, CFO and COO. A more detailed presentation of the current Group Management Team is on page 49.

Remuneration to senior executives

It is considered very important to ensure that there is a clear link between remuneration and the Group's distinct values and financial goals in both the short and the long term. The guidelines for the remuneration to senior executives was adopted by the 2021 Annual General Meeting. These guidelines entail that the company is to offer market-based remuneration that allows the Group to recruit and retain the right executives, and entail that the criteria for determining remuneration is to be based on the significance of work duties and employees' competencies, experience and performance. The purpose of the guidelines is to enable such remuneration, but also to link total remuneration to Mekonomen Group's strategy and long-term interests, including sustainability.

Remuneration is to comprise:

- fixed basic salary,
- short-term variable remuneration,
- long-term share-based incentive programmes (LTIP), decided annually by the Annual General Meeting,
- pension benefits,
- other benefits and
- severance pay.

The remuneration to Group Management Team, excluding the President and CEO, is determined by the Board's Remuneration Committee. Remuneration of the President and CEO is determined by the Board in its entirety. Long-term share-based incentive programmes are decided by the Annual General Meeting, however.

The President and CEO Pehr Oscarson has a fixed cash basic salary per month and a short-term cash variable salary portion, which is based on the company's earnings and can amount to a maximum of [60]¹⁾ per cent of the basic annual salary. The President and CEO is included in LTIP 2021, which was decided at the 2021 Annual General Meeting, LTIP 2020, which was decided at the 2020 Annual General Meeting and LTIP 2019, which was decided at the 2019 Annual General Meeting. The President and CEO receives a pension benefit amounting to a maximum of 30 percentage points of the base salary. Other benefit is primarily comprised of a company car. The period of notice for the President and CEO is six months if employment is terminated by the

company, and six months if terminated by the President and CEO. In addition, severance pay of a maximum of 12 months' salary may be paid in the event of termination of employment by the company. The short-term variable remuneration for other senior executives is based on the Group's earnings and on individual qualitative parameters and can amount to a maximum of a certain percentage of the fixed annual salary. The percentage is linked to the position of each individual and is 33 percentage points for members of the Group Management Team. Other benefits refer primarily to company cars. Pension premiums are paid in an amount that is based on the ITP plan or a corresponding system for employees outside Sweden. Pensionable salary comprises basic salary.

The company applies a period of notice of no more than 12 months. In addition, severance pay of a maximum of 12 months' salary may be paid in the event of termination of employment by the company. Upon resignation, a six-month period of notice applies.

The 2021 Annual General Meeting also resolved to establish a long-term incentive programme (LTIP 2021), in accordance with the Board's proposal. LTIP 2021 comprises around 30 employees consisting of the Group Management Team of Mekonomen Group and some other key individuals in the Group. For information on the complete proposal, refer to the minutes of the 2021 Annual General Meeting on the company's website and Note 5 of the 2021 Annual Report.

The LTIP 2020 and 2019 share-based incentive programmes are already in effect.

Read more about remuneration of senior executives in Note 5 in the 2021 Annual Report and in the company's remuneration report on www.mekonomen.com.

9 Sustainability governance

Sustainability is an integral part of the Group's strategy and its operating activities. The strategy is based on our material sustainability areas where topics including the UN's global sustainable development goals and climate-related risks and opportunities have been analyzed. Read more about the strategy on page 12 and the materiality analysis on pages 19 and 99.

The Group has signed the UN Global Compact's principles in the areas of human rights, working conditions, the environment and anti-corruption. The Group's Code of Conduct is the Group's highest governing document in the area of sustainability; it has been approved by the Board and contains several policies. It also serves as the basis for the Group's other policies and rules.

The Group's requirements on suppliers regarding sustainability are clarified in a special supplier code.

The organizational governance for the strategic sustainability work, including targets and follow-up, rests with the Group Management Team, where the Director of Legal Affairs and Sustainability has the overall responsibility. The sustainability work is led and coordinated by the Group's sustainability manager, who reports to the Director of Legal Affairs and Sustainability. The responsibility for the strategic focus on specific sustainability issues in the Group rests with the manager of the respective area. Sustainability risks, including climate-related risks, are managed according to the risk management process. Read more on page 26.

The Board of Directors follows up the sustainability work in the Group Management Team's reporting.

1. The Board may temporarily deviate from these guidelines, in whole or in part, if there are special reasons for doing so in an individual case, and deviation is necessary to satisfy the company's long-term interest, including sustainability, or to ensure its financial viability.

10 Investment Committee

The Investment Committee manages and prepares matters concerning the Group's investments in accordance with the investment policy. An investment means an object that is expected to have a value over a longer period, regardless of the form of financing.

Mekonomen Group has an Investment Committee where the President and CEO decide on investments above a certain limit. Furthermore, there are local investment committees within the Group's business areas where the business area's President decides on investments below the Group's regulated limit. Major investments are approved by the Board of Directors. The monitoring of outcomes in relation to the investment calculation according to the decision basis is followed up after two years in the relevant investment committee.

11 Risk Management and Compliance Committee

The Risk Management and Compliance Committee has the overall responsibility for ensuring, through guidance and control, an overview of the Group's risks and reporting significant changes in the risk picture, including compliance with regulations. All Group Management Team members and the Group's Head of Risk (Head of Risk, Internal Control and Internal Audit) are on the committee. The President and CEO is the Chairman and bears utmost responsibility for risk management. The committee held nine meetings in 2021.

The Group have an ERM policy ((Enterprise Risk Management), which clarifies the requirements on a more formalized and thorough work throughout the entire Group. Read more in the risk management section on page [26]. The Group's risk management function is a second-line function under the Group Management Team, with reporting responsibility to the Board and the Audit Committee.

12 Internal control of financial reporting

The Board is responsible for Mekonomen Group's internal control, the overall purpose of which is to protect the owners' investment and the company's assets. The Audit Committee has special responsibility to monitor the effectiveness of risk management and internal control regarding financial reporting. The figure below shows how the Group works with internal control and shows that it is recurring work that is continuously changing and can be improved. In the Group, a second-line function is established with responsibility for developing and following up the Group's internal control work, with reporting responsibility to the Board and the Audit Committee.

Internal control for financial reporting is included as a part of the overall internal governance and control and constitutes a central part of the Group's corporate governance. According to generally accepted frameworks established for this purpose, including COSO, internal control is usually described from five different aspects described below.

Control environment

The control environment constitutes the basis for internal governance and control. An important part of the control environment is that decision paths, authorities and responsibilities, as well as competence requirements must be clearly defined and communicated between various levels in the organization and that the control

documents are available in the form of internal policies, handbooks, guidelines and manuals, are adapted to operational changes and are updated regularly.

Within Mekonomen Group, guidelines regarding the financial process are updated annually. This is done through Mekonomen Group's financial handbook, where relevant policies, processes and accounting principles are gathered. The financial handbook is made available in each business area. Updates are also discussed in connection with regular CFO meetings in which representatives from all parts of the Group participate.

Furthermore, in 2021, an overall corporate governance document was implemented that shall provide mainly newly employed managers, but also existing managers a collective overview of the requirements placed on a manager. This document clarifies organization and decision pathways, goals, values and overall strategies, formal governance tools and all Group policies other than those stated in the financial handbook.

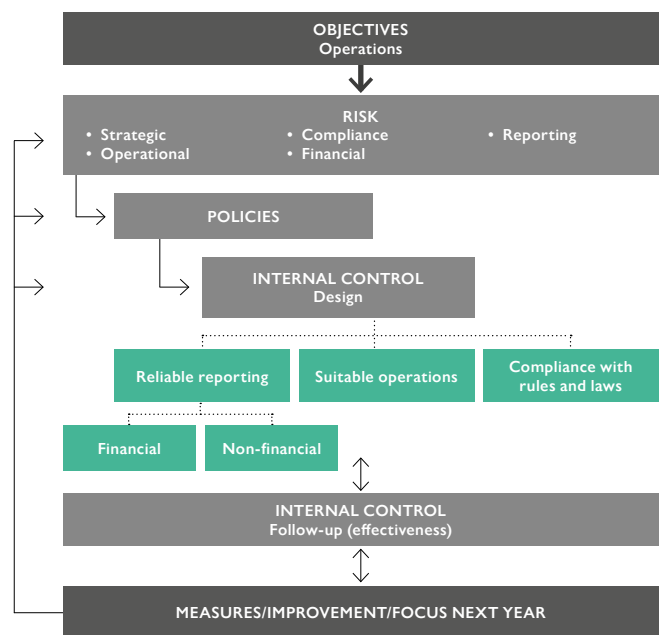
Risk assessment

Risk assessment and risk management mean that the management is aware of and has itself assessed risks and threats in the business. The Group regularly conducts a survey of the Group's risks. Among the identified risks, there is a number of items in the financial statements and administrative flows and processes where there is an elevated risk of error.

The company works continuously to reduce these risks by strengthening controls.

Control activities

Control activities are the measures and procedures that the management has structured to keep errors from arising and to discover and resolve errors. Risks of errors in the financial reporting are reduced through a high level of internal control over the financial



The illustration shows how different components (grey boxes) interact within internal governance and control.

reporting, with specific focus on significant areas defined by management and the Board. Within the Group, there are specific control activities that are intended to ensure the timely discovery or prevention of the risks of errors in the reporting.

During the year, work to strengthen the Group's internal control framework continued, where the framework for inventory management at central warehouses has been fully implemented. The framework for inventory management at local warehouses has been rolled out within the business areas to be fully implemented during 2022.

In addition, the work on a framework for IT general controls (ITGC) continued during the year, where implementation will be completed in 2022.

Information and communications

In order for individual task to be able to be done in a satisfactory manner, the staff must have access to relevant and current information. Policies and guidelines, including Code of Conduct, financial handbook, corporate governance document and communication policy, are particularly important for accurate accounting, reporting and dissemination of external information. Policies are reviewed annually or in the event of a significant change.

Policies, guidelines and other information are communicated to employees via intranet platforms and regularly at meeting forums and newsletters.

Follow-up and evaluation

The final component in the framework pertains to follow-up of the structure and effectiveness of internal governance and control. In addition to what is described above in section 12, under the heading "Internal control of financial reporting" on page 51, the Board evaluates the information submitted by the Group Management Team and auditors. In conjunction with this, the Audit Committee was responsible for the preparation of the Board's work to quality assure the Group's financial reporting. The President and CEO and most of the Group management have quarterly reviews with the Managing Director and CFO in each business area regarding the quarter's results. Group finance function also cooperates closely with the Group company finance managers and controllers of Group companies on matters pertaining to accounting and reporting. The follow-up and feedback concerning possible deviations arising in the internal controls are a key part of the internal control work, since this is an efficient manner for the company to ensure that errors are corrected and that the control is further strengthened.

During the year, all business areas implemented a tool where the effectiveness of each internal control is self-evaluated every quarter. Additional framework will gradually be brought in for evaluation.

13 External auditor

The auditors are appointed at the Annual General Meeting and are charged with reviewing the company's financial reporting and the Board's and the President and CEO's management of the company. At the 2021 Annual General Meeting, PricewaterhouseCoopers AB (PwC) was re-elected as the auditing firm until the 2022 Annual General Meeting. The Auditor-in-Charge is Authorized Public Accountant Linda Corneliusson. PwC has a broad organization

comprising specialized competency that is well-suited to Mekonomen Group's operations and has been the company's auditing firm since 2014.

Fees to auditors, SEK M

	2021	2020
PwC		
Fees for audit assignments	11	11
Audit-related services other than the audit assignment	2	1
Tax consultancy	0	0
Other services	0	0
Total PwC	13	12
Other auditing firms		
Fees for audit assignments	0	0
Audit-related services other than the audit assignment	0	0
Tax consultancy	0	–
Other services	0	–
Total other	0	0
Total fees to auditors	14	13

PwC submits an auditor's report for Mekonomen AB (publ.) and for the company's subsidiaries, excluding a few smaller subsidiaries. The auditors also perform a review of the third-quarter interim report and a review of the audit report for 2021. The audit is conducted in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. The audit of annual report documents for legal entities outside Sweden is conducted in accordance with statutory requirements and other applicable rules in each country.

More information is available on mekonomen.com

- Articles of Association
- Code of Conduct
- Information from previous General Meetings, from 2006
- Information about the Nomination Committee
- Information about principles of remuneration of senior executives
- The Board's evaluation of guidelines for remuneration of programmes for variable remuneration
- Corporate Governance Reports from 2012
- Information about the 2021 Annual General Meeting