

# CORPORATE GOVERNANCE REPORT

Mekonomen Group comprises approximately 190 companies that conduct business operations primarily in Denmark, Finland, Norway, Poland and Sweden. The Parent Company of the Group is the Swedish public limited liability company Mekonomen AB, whose shares are listed on the Nasdaq Stockholm.

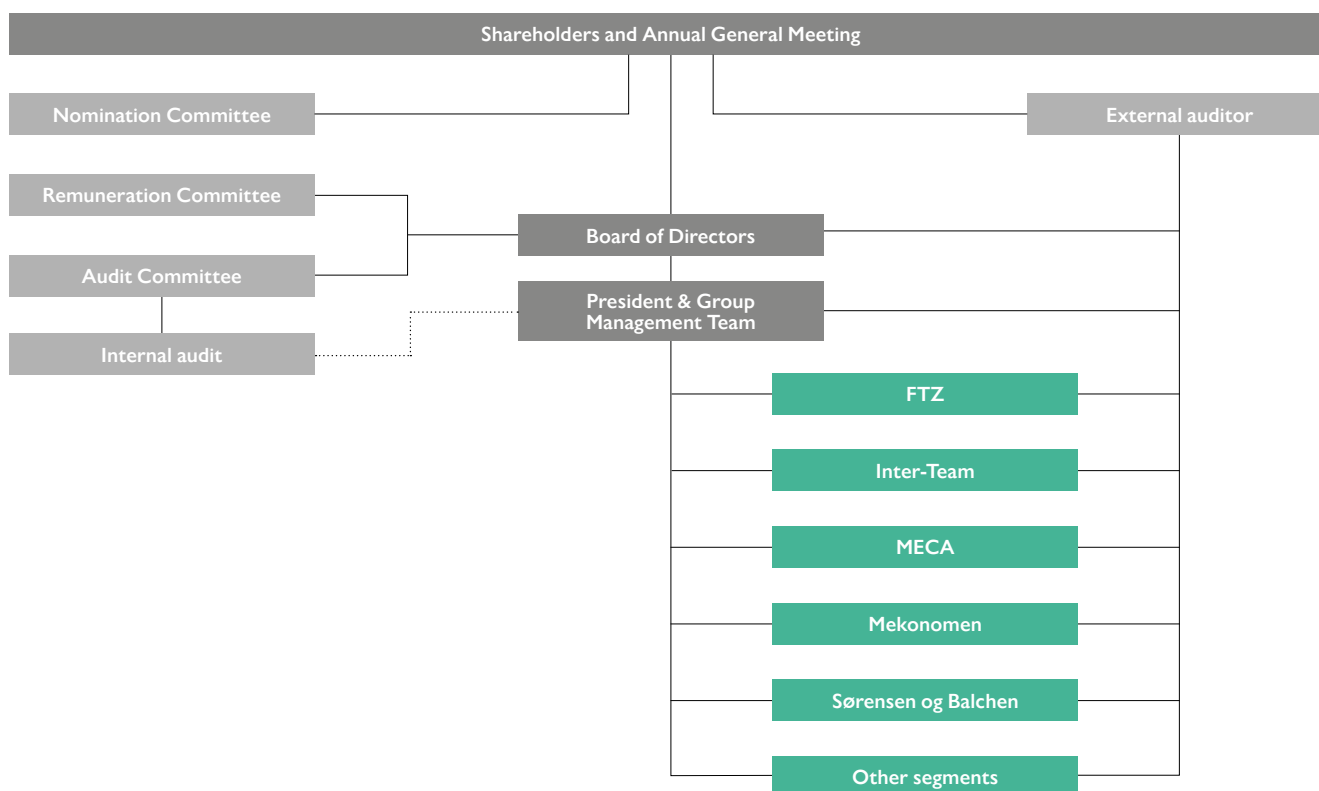
## Principles for corporate governance

Mekonomen 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 Mekonomen 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	Policies, guidelines and instructions
Swedish Corporate Governance Code (the Code)	Policies, guidelines and instructions
EU Market Abuse Regulation (MAR)	Code of Conduct and Core Values

## Overall Corporate Governance Model



## Application of the Swedish Corporate Governance Code

Mekonomen Group applied the Swedish Corporate Governance Code ("the Code") with the following deviation in 2018:

### 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 John S. Quinn is also the chairman of the Nomination Committee as it is a natural choice considering the ownership structure of Mekonomen.

## Sustainability governance in Mekonomen Group

The sustainability work within Mekonomen Group is an integrated part of the operations as a part of the ongoing business activities. The basis of the work is comprised of the company's core values and code of conduct together with a running stakeholder dialogue and materiality analysis.

The responsibility for the strategic sustainability work, as well as targets and follow-up rests with the Group Management including Director of Legal Affairs & Sustainability. To further strengthen the Group's strategic sustainability work a Head of Sustainability was employed in 2018. The Board of Directors follows up the work in the Group Management Team's reporting. The operational work runs by the head or president of the respective segment together with manager of environment and quality within each Group company.

Mekonomen Group has signed the UN Global Compact's principles in the areas of human rights, working conditions, the environment and anti-corruption. This means that the Group commits to the UN Global Compact's ten principles. A clause regarding fulfilment of the UN Global Compact is included in all new and renewed supplier agreements. The principles are also a part of the Group's Code of Conduct.

Mekonomen Group's Sustainability Report is available on page 93 in the 2018 Annual Report and more on the sustainability work is available at mekonomen.com.

## Shareholders

The Mekonomen share has been listed on the Nasdaq Stockholm, Mid Cap segment since 29 May 2000. Share capital amounted to SEK 141,041,555 on 31 December 2018, represented by 56,416,622 shares. At year-end, Mekonomen AB had 63,250 treasury shares. Treasury shares do not entitle to dividends and are not entitled to vote. The total market value for the company on 31 December 2018 amounted to SEK 5.2 billion, based on the closing price of SEK 91.50. 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 known shareholders on 31 December 2018 was 12,310 (10,707). On the same date, the ten largest shareholders controlled 60.8 per cent (63.2) of the capital and voting rights and the participation of known foreign owners accounted for 37.8 per cent (44.7) 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 2018 amounted to 26.6 per cent (26.5). For further information on Mekonomen's share and shareholders, see pages 32–33.

## General Meeting

The General Meeting is Mekonomen Group's highest governing body, at which every shareholder is entitled to participate. The Annual Gen-

eral Meeting is to be held within six months of the close of the financial year. The Annual 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 Annual 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 agenda in the notification, minutes, etc., is available on the company's website. With regard to participation in the Annual General Meeting, the Board has deemed it is currently not financially justifiable to allow shareholders to participate in the Annual General Meeting through any means other than physical presence. 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 that the Board in its entirety, the representative of the Nomination Committee, the President, auditors and other members of the Group Management Team must always be present at the Meeting.

## Annual General Meeting 2018

The Annual General Meeting was held in Stockholm on 9 May 2018. The complete minutes of the Annual General Meeting are available on the Mekonomen website at mekonomen.com. 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 7.00 per share to shareholders
- to discharge the members of the Board and the presidents 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 2,345,000, of which SEK 590,000 relates to fees to the Chairman of the Board and SEK 330,000 relates to the Executive Vice Chairman, and also SEK 285,000 relates to fees to each of the other Board members elected by the Annual General Meeting who are not employed by the Group. Furthermore, fees for Committee work are to be paid as follows: SEK 70,000 to the Chairman of the Audit Committee, SEK 40,000 to each of the other members of the Audit Committee, SEK 40,000 to the Chairman of the Remuneration Committee and SEK 25,000 to each of the other members of the Remuneration Committee.
- to re-elect John S. Quinn as the Chairman of the Board
- to re-elect Board members John S. Quinn, Kenny Bräck, Joseph M. Holsten, Malin Persson, Helena Skåntorp and Magnus Håkansson and to elect Eivor Andersson as a new Board member
- to re-elect the auditing firm of PricewaterhouseCoopers AB as the company's auditor for the period until the close of the 2019 Annual General Meeting
- to adopt a proposal on instructions for the Nomination Committee's composition and work
- 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 2018) and in conjunction with this to authorise the Board to decide on acquisition of own shares and transfer of own shares
- to adopt the Board's proposals concerning employees' acquisition of shares in subsidiaries

- to adopt authorisation 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 3,590,149 shares

### **Information from the Extraordinary General Meeting on 26 September 2018**

The Extraordinary General Meeting was held on 26 September 2018 and the Meeting resolved in brief:

- to approve the Board's decision on 24 August 2018 on a rights issue of shares comprising around SEK 1,650 M
- to approve the Board's proposal on a change to Section 3 of the Articles of Association, whereby the limits for share capital and the number of shares are changed to a minimum of SEK 100,000,000 and a maximum of SEK 400,000,000 kronor and a minimum of 40,000,000 share and a maximum of 160,000,000 shares.

### **Nomination Committee**

In accordance with the guidelines established at the Annual General Meeting on 9 May 2018, Mekonomen Group has established a Nomination Committee. The company is to have 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 2018 as provided by Euroclear Sweden AB.

The Nomination Committee for the 2019 Annual General Meeting is comprised of John Quinn, LKQ Corporation, Caroline Sjösten, Swedbank Robur Fonder, Arne Lööv, Fjärde AP-fonden and Kristian Åkesson, Didner & Gerge Småbolagsfond. In accordance with the guidelines, John Quinn has been appointed the Chairman of the Nomination Committee. 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 Committee 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:

- election of Chairman of the Meeting,
- 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

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.

#### **Annual General Meeting 2019**

The Annual General Meeting will be held at 4:00 p.m. on 2 May 2019 at Vasateatern, Vasagatan 19, SE-111 22 Stockholm, Sweden.

### **Specific information about the Board's work**

#### **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 Mekonomen's strategic work in a responsible and successful manner. Examples of such competencies include knowledge of retailing, the automotive industry, corporate governance, compliance to rules and regulations, financing and financial analysis as well as remuneration issues. Earlier Board experience is another important competency.

The Annual General Meeting on 9 May 2018 resolved that the Board was to comprise seven ordinary members with no deputy members. In accordance with the Nomination Committee's proposal, the Annual General Meeting resolved to re-elect John S. Quinn (also re-elected as the Chairman), Helena Skåntorp (Executive Vice Chairman), Kenny Bräck, Joseph M. Holsten, Malin Persson and Magnus Håkansson to the Board and to elect Eivor Andersson as a new Board member.

All ordinary members are independent in relation to the company and its management in accordance with the definition in the Swedish Corporate Governance Code. Five of the Board members are independent also in relation to major shareholders. The President is not a member of the Board and neither is any other member of the Group Management Team. A more detailed presentation of the Board members and their participation in Board meetings is provided on page 48.

#### **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 2019 Annual General Meeting.

#### **Chairman**

The Chairman of the Board, John S. Quinn, 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 John S. Quinn 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 organisation and management and also to make decisions pertaining to strategic issues. Due to the significant acquisition and its financing, the Board of Directors held 32 (14) meetings, of which one was a statutory meeting, during 2018. The minutes of the meetings were recorded by the Board's secretary, who is the Group's CFO.

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 establishment of dividends, interim reports, budgets, strategies, business situation, financial reporting and investments. In addition to this, at selected Board meetings, issues concerning market development, risk analysis, rules of procedure, policies, the acquisition of FTZ and Inter-Team and the financing of the acquisitions were addressed.

### Assignments

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 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 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 authorisation 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

2018, the Chairman organised a written questionnaire for all Board members. The collective opinion based on the 2018 evaluation is that the Board's work functioned well and that the Board fulfilled the Code's requirements regarding assignment of the Board.

The Annual General Meeting resolved, in accordance with the proposal from the Nomination Committee, to allocate Board fees amounting to SEK 2,345,000, of which SEK 590,000 to the Chairman of the Board and SEK 330,000 to the Executive Vice Chairman, and SEK 285,000 to each of the other Board members. Furthermore, fees for Committee work are to be paid as follows: SEK 70,000 to the Chairman of the Audit Committee, SEK 40,000 to each of the other members of the Audit Committee, SEK 40,000 to the Chairman of the Remuneration Committee and SEK 25,000 to each of the other members of the Remuneration Committee.

### Board Committees

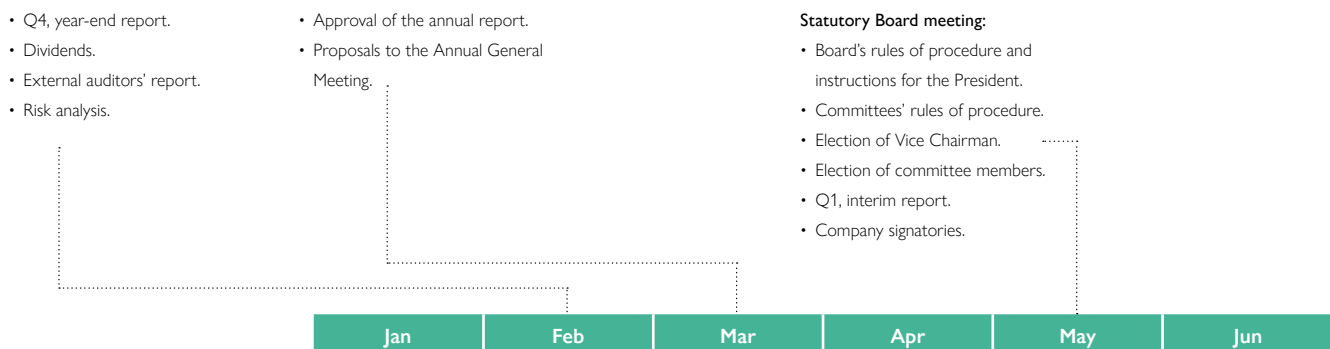
The Board has established a Remuneration Committee and an Audit Committee. The Committees' work mainly comprises preparing issues and providing consultation, although the Board can delegate authority to make decisions in specific cases. The members and Chairmen of the Committees are appointed at the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

### Audit Committee

The Audit Committee's duties comprise:

- monitoring the company's financial statements and making recommendations and proposals to ensure reporting reliability and to be responsible for the preparation of the Board's work on quality assuring the company's financial statements, including making proposal on the "Board's report on internal control" regarding the financial reporting for the respective financial year
- with regard to the financial reporting, monitoring the efficiency of the company's internal control, internal audit and risk management
- staying informed of the audit of the annual accounts and the consolidated accounts and the result of the Swedish Inspectorate of Auditors' quality control
- informing the Board of the results of the audit and the manner in which the audit contributed to the reliability of the financial reporting and what role the Audit Committee had in the process
- performing annual risk analyses together with the President and Group CFO to govern the resources of the internal audit towards key risk areas
- establishing an audit plan for internal audits and preparing an audit plan for the Board for external audits and ensuring coordination between them

### Overview of all points on the Board's agenda in 2018



Ordinary Board meetings 2018

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

- meeting the auditors on a running basis to keep informed about the audit's emphasis and scope as well as discussing the coordination between the external and internal audits and the view of the Company's risks
- inspecting and monitoring the auditor's impartiality and independence and preparing guidelines for the other non-audit services that the company may procure from the company's auditors and, where necessary, grant pre-approval when the company's auditors are engaged for assignments other than audit assignments
- annually following up audit costs against budget and the share of costs that pertain to the audit and assignments other than auditing services
- evaluating the audit effort and informing the company's Nomination Committee of the results of the evaluation
- studying the audit report to the Audit Committee as per Article 11 of the Audit Regulation and taking any requisite action due to it
- assisting the company's Nomination Committee in the preparation of proposals on auditors and remuneration of the audit effort, whereby the Audit Committee shall ensure that the auditor's mandate period does not exceed applicable rules, procuring the audit and providing a recommended motivation in accordance with what is stated in Article 16 of the Audit Regulation
- annually evaluating the Audit Committee's formal work plan
- preparing other matters the Board assigns the Audit Committee to handle

As of 9 May 2018, the Audit Committee consists of Board members Helena Skåntorp (Chair), Magnus Håkansson and John S. Quinn. In 2018, the Audit Committee held six meetings. The respective member's participation is presented in the table on page 48. The Group's external auditors, the Group's CFO and Head of Accounting also participated at the meetings.

#### Remuneration Committee

The task of the Remuneration Committee is to discuss, decide on and present 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. The work of the Remuneration Committee is based on resolutions by the Annual General Meeting pertaining to guidelines for remuneration of senior executives.

Until the end of the 2018 Annual General Meeting, the Remuneration Committee consisted of Malin Persson (Chair), John S. Quinn, Joseph M. Holsten and Christer Åberg.

As of 9 May 2018, the Remuneration Committee consists of Board members Malin Persson (Chair), John S. Quinn, Joseph M. Holsten and Eivor Andersson.

The Remuneration Committee held six meetings in 2018, of which four were before 9 May and two after 9 May. The respective member's participation is presented in the table on page 48. The company's president, Pehr Oscarson, was also present at six of these meetings. The Group's CFO was the committee secretary at five meetings and the Corporate HR Director at one meeting.

#### Group Management Team

##### President

The President 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 Group since 1 March 2017. Prior to that, he served as the acting President and CEO of Mekonomen Group since 6 October 2016. In addition to his assignment for Mekonomen Group, Pehr is the Vice Chairman of SBF (Sveriges Bilgrossisters Förening - Swedish Automotive Wholesalers' Association), and a Board member of Fresks Holding AB and Oscarson Invest Aktiebolag. Pehr Oscarson has no shareholdings or partial ownership in companies that the Mekonomen Group has significant business ties with.

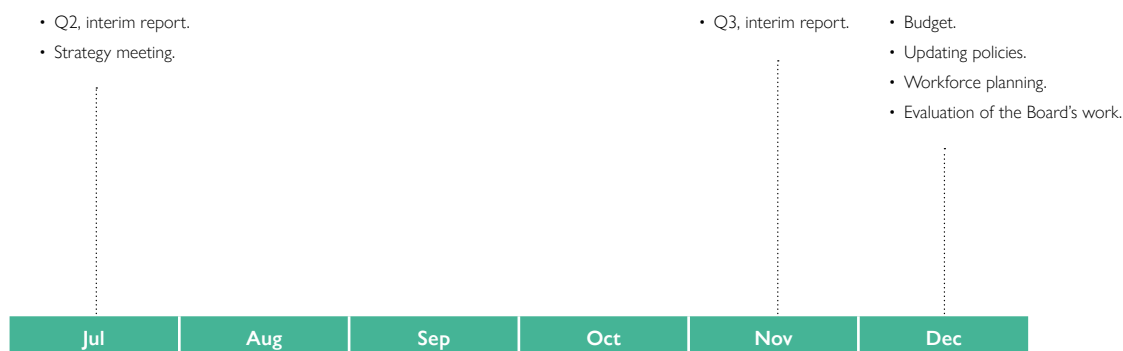
##### Group Management Team

In 2018, Group Management consisted of the Group's CEO, the Group's CFO, the Group's HR director, President of Sørensen and Balchen, President of MECA Sweden, President of MECA Norway, President Mekonomen Sweden, President Mekonomen Norway and directors for Purchasing & Product Supply, Marketing & Communication, Legal Affairs & Sustainability and Head of the Group's Venture operations.

From 14 February 2019, Mekonomen Group's management structure has changed in order to better adapt to the structure of the new Group. As of February 14, 2019, Group Management consists of the following persons:

- Pehr Oscarson, President and CEO
- Gabriella Granholm, Director of Marketing & Communication
- Robert Hård, Director of Legal Affairs & Sustainability
- Åsa Källenius, CFO
- Tobias Narvinger, Purchasing Director

A more detailed presentation of the current Group Management Team is found on page 49.



### Remuneration of 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 remuneration of senior executives approved by the 2018 Annual General Meeting 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.

Remuneration is to comprise:

- fixed basic salary,
- variable remuneration,
- pension benefits,
- other benefits and
- severance pay.

The guidelines encompass the Group Management Team, including the President. Remuneration is determined by the Board's Remuneration Committee. However, remuneration of the President is determined by the Board in its entirety.

The President 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 individual qualitative parameters and that can amount to a maximum of 60 per cent of the basic annual salary. The President receives a pension benefit amounting to a maximum of 30 percentage points of the base salary. Other benefits consist of a company car. The period of notice for the President is 12 months if employment is terminated by the company, and six months if terminated by the President. 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 distribution between basic salary and variable remuneration is to be proportionate to the senior executive's responsibilities and authorities. 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 varies between 33 and 60 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 2018 Annual General Meeting also resolved to establish a long-term incentive programme (LTIP 2018), in accordance with the Board's proposal. LTIP 2018 comprises a maximum of 16 employees consisting of the Group Management Team of Mekonomen Group and some other key individuals in the Group. For information on the complete proposal, see the Annual General Meeting minutes 2018 on the company's website. As a result of the acquisition of FTZ and Inter-Team, the targets in LTIP 2018 were not achieved. The Board of Directors has decided to not change the targets, but rather discontinue LTIP 2018 in its entirety and instead propose to the Annual General Meeting to pass a resolution on a new programme for 2019.

In connection with the approval of the long-term share-based incentive programme (LTIP 2018) by the AGM, the earlier programme that ran during the financial years 2016-2018 ceased to apply. No payments regarding this programme have yet been made.

There are no ongoing share-based incentive programmes.

### Auditors

The auditors are appointed at the Annual General Meeting and are charged with reviewing the company's financial reporting and the Board's and President's management of the company. At the 2018 Annual General Meeting, PricewaterhouseCoopers AB (PwC) was appointed as the auditing firm until the 2019 Annual General Meeting. Auditor in charge is Authorised Public Accountant Lennart Danielsson and with Authorised Public Accountant Linda Corneliusson as co-signing auditor. PwC has an organisation comprising broad and specialised 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

	2018	2017
<b>PwC</b>		
Fees for audit assignments	8	6
Audit-related services other than the audit assignment	1	0
Tax consultancy	0	0
Other services	6	0
<b>Total PwC</b>	<b>15</b>	<b>7</b>
<b>Other auditing firms<sup>1)</sup></b>		
Fees for audit assignments	1	-
Audit-related services other than the audit assignment	0	-
Tax consultancy	0	-
Other services	1	-
<b>Total other</b>	<b>1</b>	<b>-</b>
<b>Total fees to auditors</b>	<b>16</b>	<b>7</b>

<sup>1)</sup> Other auditors refer mainly to KPMG in Inter-Team (Poland) and EY in FTZ (Denmark).

PwC submits an auditor's report for Mekonomen AB (publ) and for the company's subsidiaries excluding Inter-Team, FTZ and a few other smaller subsidiaries. The auditors also perform a review of the third-quarter interim report. 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.

### The Board report on internal control regarding financial reporting

Under the Swedish Companies Act, the Board shall ensure that the company's organisation is structured so that accounting, financial management and the company's financial affairs otherwise can be adequately controlled. The Swedish Corporate Governance Code ("the Code") clarifies this and prescribes that the Board is responsible for internal control. This report is prepared in accordance the Annual Accounts Act and the Code. The reporting is limited to addressing internal control concerning financial reporting in accordance with the Code, item 7.4.

The Board supervises the quality of the financial reporting through instructions to the President. It is the President's duty, jointly with the Group's CFO, to review and quality-assure all external financial reporting including financial statements, interim reports, annual reports and press releases with financial content, as well as presentation material in connection with meetings with the media, shareholders and financial institutions.

The rules of procedure decided annually by the Board include detailed instructions on, for example, the financial reports and the type of financial information to be submitted to the Board. In addition to financial statements, interim reports and annual reports, the Board examines and evaluates comprehensive financial information that pertains to the Group as a whole and to the various units included in the Group.

The Board also examines, primarily through the Board's Audit Committee, the most significant accounting policies applied to the financial reporting by the Group, and significant changes to policies in the reporting. The Audit Committee's duties also include examining internal and external audit reports regarding internal control and the processes for financial reporting.

The Group's external auditors report to the Board as required, but at least once a year. At least one of these meetings, the President and CFO leave after presenting their formal reports to enable Board members to conduct discussions with auditors without the participation of senior executives. The Group's external auditors also participate at the meetings of the Audit Committee. The Audit Committee reports back to the Board after every meeting. All Audit Committee meetings are minuted and the minutes are available for all Board members and the auditors.

### **Control environment**

The control environment represents the basis for the internal control over financial reporting. An important part of the control environment is that decision paths, authorities and responsibilities must be clearly defined and communicated between various levels in the organisation and that the control documents are available in the form of internal policies, handbooks, guidelines and manuals. Thus, a key part of the Board's work is to prepare and approve a number of fundamental policies, guidelines and frameworks. These include, among other things, the Board's rules of procedure, Instructions for the President, Investment policies, Financial policies and the Insider policy. The aim of these policies is to create a basis for sound internal control.

Furthermore, the Board focuses on ensuring that the organisational structure provides distinct roles, responsibilities and processes that benefit the effective management of the operation's risks and facilitate goal fulfilment. Part of the responsibility structure includes an obligation for the Board to evaluate the operation's performance and earnings on a regular basis, through appropriate report packages containing income statements, balance sheets, analyses of important key figures and comments pertaining to the business status of each operation. The Board has established an Audit Committee to assist the Board specifically in the financial reporting. To help strengthen the internal control, Mekonomen Group has prepared a financial handbook that provides an overall view of existing policies, rules and regulations and procedures within the financial area. This is a living document, which is updated regularly and adapted to internal and external changes. In addition to the financial handbook, there are instructions that provide guidance on daily work in branches and the rest of the organisation, for example, pertaining to stock taking and cash-register reconciliation, etc.

#### **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 2006
- Information about the 2019 Annual General Meeting

### **Risk assessment**

Mekonomen Group conducts continuous surveys of the Group's risks. In these surveys, a number of items are identified 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. Furthermore, risks are addressed in a special forum, including questions related to start-ups and acquisitions. For a more detailed description of risks, refer to Risks and uncertainties in the Administration Report and in Note 35 Financial risks in the 2018 Annual Report.

### **Control activities**

Risks of errors in the financial reporting are reduced through a high level of internal control over the financial reporting, with specific focus on significant areas defined by the Board. Within Mekonomen Group, the control structures comprise an organisation with clear roles that enables effective and, from an internal control perspective, suitable division of responsibilities, specific control activities that aim to identify and prevent risks of misstatements in the reporting in time.

Examples of control activities include clear decision-making processes and decision orders for significant decisions, results analyses and other control activities within significant processes. Control activities within these processes include analytical follow-up, spot checks, account reconciliation, inventory checks in stock and branches and engagement reviews.

### **Internal audit**

In 2018, Mekonomen Group hired the auditing firm Deloitte to conduct the internal audit in the Group. The internal audit function as an independent and objective assurance and advisory function, which creates value and increases certainty in internal control. 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. Reporting is done to the Audit Committee, the President and the CFO and information is provided to management in each business area and other units on the results of the audits performed.

### **Information and communications**

Policies and guidelines are particularly important for accurate accounting, reporting and dissemination of information. Policies and guidelines on the financial process are continuously updated at Mekonomen Group. Such updates mainly take place in each Group function for the various operations through e-mails, but also at regular CFO meetings in which representatives from the Group finance function participate. For communication with internal and external parties, a communications policy is in place that states guidelines for conducting communication. The aim of the policy is to ensure that all information obligations are complied with in a correct and complete manner.

### **Follow-up**

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 CEO and CFO hold monthly reviews of financial position with each Head of Operations. 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.

## MEKONOMEN ANNUAL REPORT 2018 — MEMBERS OF THE BOARD



John S. Quinn	Helena Skåntorp	Eivor Andersson	Kenny Bräck	Joseph M. Holsten	Magnus Håkansson	Malin Persson
<b>Board position</b>						
Chairman of the Board. Member of Mekonomen's Audit Committee. Member of Mekonomen's Remuneration Committee.	Executive Vice Chairman. Chairman of Mekonomen's Audit Committee.	Board member. Member of Mekonomen's Remuneration Committee.	Board member.	Board member. Member of Mekonomen's Remuneration Committee.	Board member. Member of Mekonomen's Audit Committee.	Board member. Chairman of Mekonomen's Remuneration Committee.
<b>Education</b>						
M.B.A, Bachelor of Business Administration and certified public accountant. Certified Management Accountant.	Graduate in Business Administration, Stockholm University.	Marketing specialist and studies in Business Management at IHM Business School as well as board of directors training at Michael Berglund AB.	Upper secondary school education.	M.B.A, Bachelor of Arts and certified public accountant.	BSc, Stockholm School of Economics. MSc, MIT Sloan School. AMP, Harvard Business School.	MSc in Engineering, Chalmers University of Technology.
<b>Elected in</b>						
2017	2004	2018	2007	2017	2017	2015
<b>Born</b>						
1958	1960	1961	1966	1952	1963	1968
<b>Position and Board assignments</b>						
CEO and Managing Director of LKQ Europe. Member of the Boards in a number of LKQ subsidiaries.	Self-employed. Co-founder and Chairman of the Board of Nielstorp AB. Board member of ByggPartner i Dalarna Holding AB (publ). Chairman of the Board and President of Skåntorp & Co AB. Board member of Storyfire AB.	Chairman of the Board of SkiStar Aktiebolag (publ) and Svanudden AB. Board member of AB Svenska Spel and Unlimited Travel Group UTG AB (publ).	Chief Test and Development Driver for McLaren Automotive. Minority owner and Board member of Motorsport Auctions Ltd.	Chairman of the Board of LKQ Corporation. Member of the Board of Covanta Holding Corporation.	CEO of RNB Retail and Brands AB (publ). Chairman of the Boards of Tenant & Partner Group AB and GS1 Sweden AB.	Member of the Boards of Getinge AB, HEXPOL AB and Peab AB.
<b>Work experience</b>						
EVP and CFO of LKQ Corporation for six years. SVP, CFO and Treasurer of Casella Waste Systems, Inc., SVP of Finance at Allied Waste Industries, Inc. and held several financial and operating roles at Waste Management, Inc.	President of Lernia AB, President and CEO of SBC Sveriges BostadsrättsCentrum AB, President and CEO of Jarowskij, CFO of Aria and authorised public accountant at Öhrlings/PwC.	President and CEO of TUI Nordic (Fritidsresor AB, Star Tour AS Norway/Danmark, Finnmatkat OY, TUIfly Nordic AB), Chairman of the Board of TUI Nordic Holding AB, CEO COOP Marknad and CEO Ving Sverige AB & Thomas Cook Sweden.	Former professional race car driver.	President and CEO of LKQ Corporation for 13 years. Active for 17 years in the U.S. and international operations of Waste Management, Inc., most recently as EVP and COO. Prior to that auditor at a public accounting firm.	CEO of Expert Sverige AB, CFO of KF Group and consultant at McKinsey & Co. Chairman of the Board in RNB Retail and Brands AB (publ) 2010-2011.	President of Volvo Technology AB and the Chalmers University of Technology Foundation. Many years of experience from large Swedish industrial companies, including SKF, ASG and the Volvo Group.
<b>Total remuneration, SEK</b>						
655 000	400 000	310 000	285 000	310 000	325 000	325 000
<b>Attendance at Board meetings</b>						
23/24 <sup>1)</sup>	32/32	23/23	30/32	24/24 <sup>1)</sup>	31/32	31/32
<b>Attendance at Audit Committee meetings</b>						
6/6	6/6	-	-	-	6/6	-
<b>Attendance at Remuneration Committee meetings</b>						
6/6	-	2/2	-	6/6	-	6/6
<b>Own shareholdings and shareholdings of related parties</b>						
None.	3 142	None.	1 571	None.	None.	1 571
<b>Independent of the company/company management</b>						
Yes.	Yes.	Yes.	Yes.	Yes.	Yes.	Yes.
<b>Independent of major shareholders</b>						
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.

<sup>1)</sup> Due to the presence of LKQ's subsidiary in Poland and the independence of the Board and the interests of all shareholders, a number of the meetings that concerned the acquisition of FTZ and Inter-Team were held excluding John S. Quinn and Joseph M. Holsten.

**Changes in the Board**

Christer Åberg withdrew from the Board in connection with the 2018 AGM. Christer Åberg participated in seven out of ten Board meetings before the 2018 AGM. He was a member of the Remuneration Committee until the 2018 AGM and participated in four of four meetings. He was also a member of the Remuneration Committee and participated in two of three meetings until the 2018 AGM.

Remuneration and compensation set by the AGM are expensed every calendar year. Remuneration for Board and committee work during 2018 to Christer Åberg was therefore reported under 2017.



## GROUP MANAGEMENT TEAM FROM 14 FEBRUARY 2019



Pehr Oscarsson	Gabriella Granholm	Robert Hård	Åsa Källenius	Tobias Narvinger
<b>Role</b>				
President and CEO.	Director of Marketing & Communication.	Director of Legal Affairs & Sustainability.	CFO.	Purchasing Director, and President, Bileko Car Parts.
<b>Born</b>				
1963	1982	1966	1967	1974
<b>Education</b>				
Technical upper-secondary school, supplemented with short economics and management courses.	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.
<b>Employed</b>				
2001	2010	2003	2017	2011–2016, 2017–
<b>Work experience</b>				
President of MECA Scandinavia and before that held senior positions in MECA since 2001, President of Swecar AB.	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.
<b>Board appointments</b>				
Deputy Chairman of Association of Swedish Wholesalers of Automotive Parts and Accessories (SBF). Member of the Board of Fresks Holding AB and Oscarson Invest Aktiebolag.	-	-	Green Landscaping, Källenius Invest AB, KAAX Investment AB, KAAX Fastigheter AB.	-
<b>Own shareholdings and shareholdings of related parties</b>				
70,457	1,317	1,625	16,582	4,000

### Changes in the Group Management Team

Throughout 2018, the Group management has consisted of the Group's CEO, the Group's CFO, the Group's HR director, President of Sørensen and Balchen, President of MECA Sweden, President of MECA Norway, President of Mekonomen Sweden, President of Mekonomen Norway and responsible for Purchasing & Supply, Market & Communications, Legal & Legal & Sustainability and Business Area Manager for the Group's Venture Company.

From 14 February 2019, Mekonomen Group's management structure has changed in order to better adapt to the structure of the new Group. As of February 14, 2019, the Group Management consists of the Group's CEO, CFO, Purchasing Director, Communications & Marketing Director and Legal Affairs & Sustainability Director.