

CORPORATE GOVERNANCE REPORT

Mekonomen Group comprises approximately 200 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

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 2019:

Deviation from the Code (rule 2:4):

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

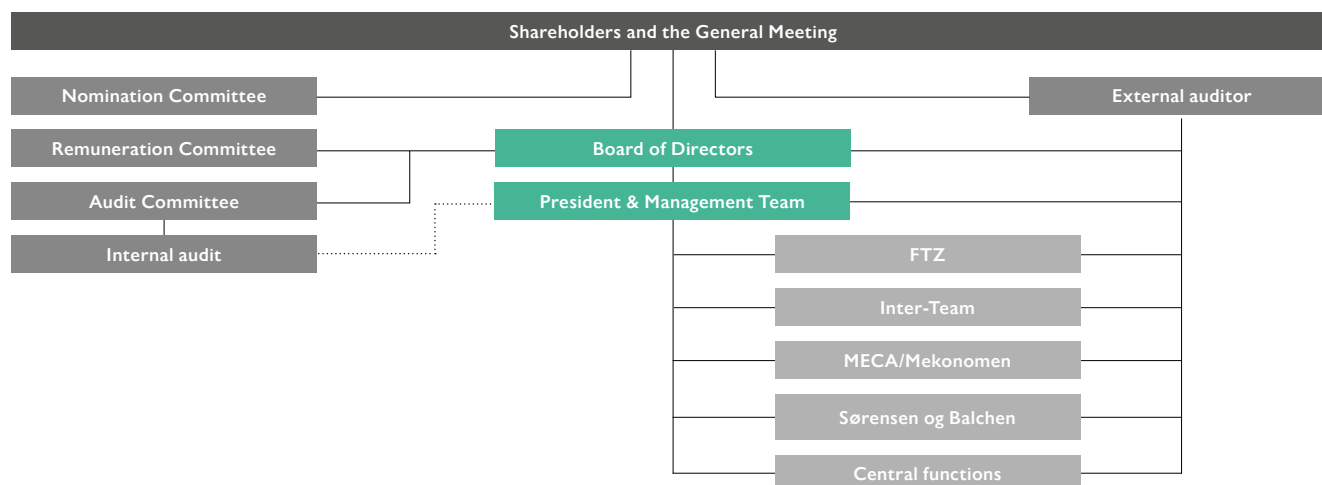
Explanation:

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.

Shareholders

The Mekonomen share has been listed on the Nasdaq Stockholm, Mid Cap segment since 29 May 2000. Share capital amounted to SEK 141 M on 31 December 2019, 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 2019 amounted to SEK 5,2 billion, based on the closing price of SEK 93,05. 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.

Overall Corporate Governance Model



The number of shareholders on 31 December 2019 was 12 259 (12,310). On the same date, the ten largest shareholders controlled 63.6 per cent (60.8) of the capital and voting rights and the participation of foreign owners accounted for 42.5 per cent (37.8) 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 2019 amounted to 26.6 per cent (26.6). For further information on Mekonomen's shares and shareholders, see pages 34–35.

General Meeting

The General Meeting is the company's highest governing body, at which every shareholder is entitled to participate. The Annual General 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 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 and CEO, auditors and other members of the Group Management Team must always be present at the Meeting.

General Meeting 2019

The Annual General Meeting was held in Stockholm on 2 May 2019. The complete minutes of the Annual General Meeting are available on the company's 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 0 per share to shareholders.
- to discharge the members of the Board and the President and CEO 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 3,435,000, of which SEK 620,000 relates to fees to the Chairman of the Board, SEK 400,000 relates to the Executive Vice Chairman, and also SEK 300,000 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 for Committee work, to be paid as follows: SEK 120,000 to the Chairman of the Audit Committee, SEK 50,000 to each of the other members of the

Audit Committee, SEK 45,000 to the Chairman of the Remuneration Committee and SEK 25,000 to each of the other members of the Remuneration Committee. Total Board fees also includes a one-time fee of SEK 600,000 to Helena Skåntorp, for the special work effort during 2018 in connection with the Company's acquisition of FTZ and Inter-Team.s in 2019.

- to re-elect John S. Quinn as the Chairman of the Board.
- to re-elect Board members John S. Quinn, Helena Skåntorp, Eivor Andersson, Kenny Bräck, Joseph M. Holsten and Magnus Håkansson and to elect Arja Taaveniku as a new Board member.
- to re-elect the auditing firm of Pricewaterhouse-Coopers AB as the company's auditor for the period until the 2020 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 2019) 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 5,641,662 shares.

Nomination Committee

In accordance with the guidelines established at the Annual General Meeting on 2 May 2019, 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 2019 as provided by Euroclear Sweden AB.

The Nomination Committee for the 2020 Annual General Meeting is comprised of John Quinn, LKQ Corporation, Kristian Åkesson, Didner & Gerge, Arne Lööv, Fourth Swedish National Pension and Caroline Sjösten, Swedbank Robur Fonder. 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 2020

The Annual General Meeting will be held on 7 May 2020 at 11:00 a.m. at Norra Latin (Pelarsalen) Barnhusgatan 7B, 111 23 Stockholm, Sweden

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

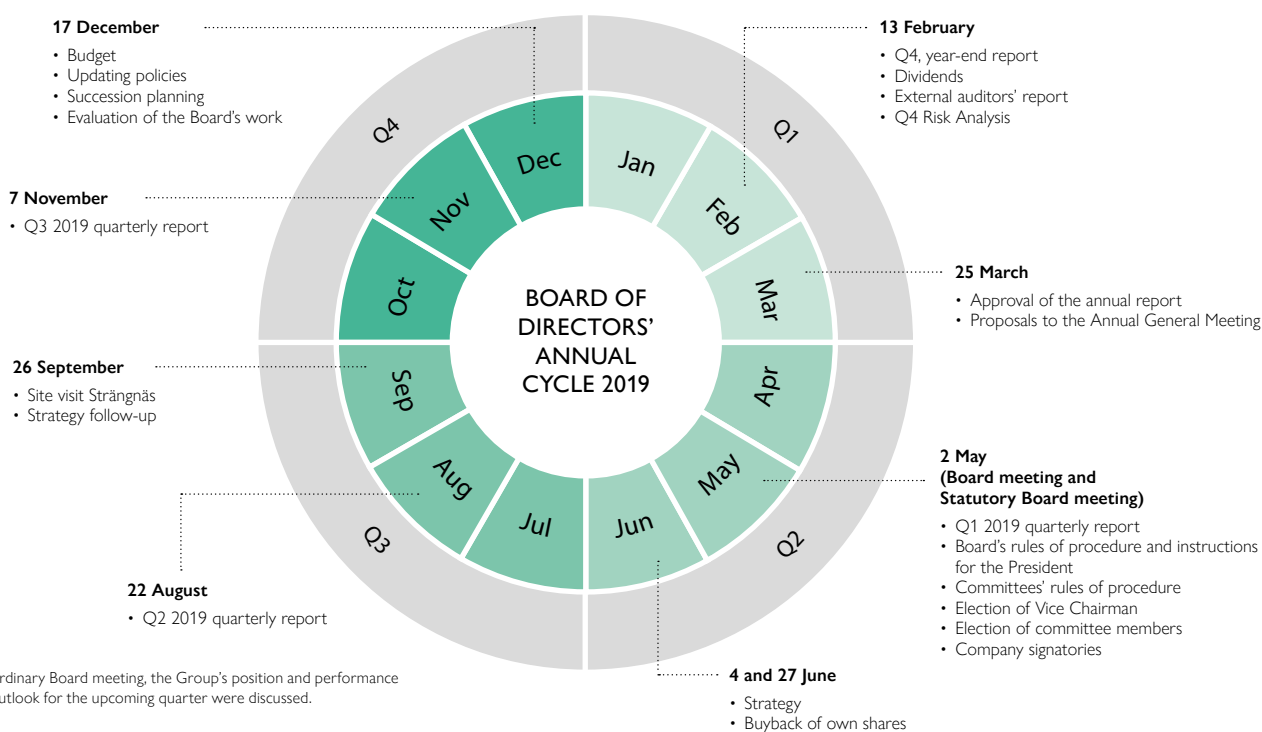
The Annual General Meeting on 2 May 2019 resolved that the Board was to comprise seven ordinary members with no deputy members. In accordance with the Nomination Committee's proposal, the Annual General Meeting resolved to re-elect John S. Quinn (also re-elected as the Chairman), Helena Skåntorp (Executive Vice Chairman), Eivor Andersson, Kenny Bräck, Joseph M. Holsten and Magnus Håkansson to the Board and to elect Arja Taaveniku 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 and CEO 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 46.

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,

Overview of all points on the Board's agenda in 2019 (Ordinary Board meetings 2019)



education and professional background. The diversity policy forms the basis of the Nomination Committee's proposal to the Board at the 2020 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 is to also make decisions pertaining to strategic issues. In 2019, the Board held 10 meetings (32) of which 1 was an independent board meeting. The minutes of the meetings were recorded by the Board's secretary, who is the Group's CFO. As in previous years, independent board meetings were held for issues that might involve conflicts of interest, in which the board members representing LKQ Corporation did not participate, and separate confidential minutes were written.

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, internal control and policies were addressed.

The Board of Director's 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 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 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 2019, the Chairman organised a written questionnaire for all Board members. The collective opinion based on the 2019 evaluation is that the Board's work functioned well and that the Board fulfilled the Code's requirements regarding assignment of the Board.

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 tasks are documented in the rules of procedure for the Audit Committee, which are annually approved by the Board of Directors.

- 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 tasks include a risk review regarding the Group's risks related to the market and competitors, operational risks and financial risks.
- 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 end of the 2019 Annual General Meeting, the Audit Committee consisted of Helena Skåntorp (Chair), Magnus Håkansson and John S. Quinn. As of 2 May 2019, the Audit Committee consists of Board members Helena Skåntorp (Chair), Joseph M. Holsten and Magnus Håkansson. In 2019, the Audit Committee held five meetings. The respective member's participation is presented in the table on page 46. The Group's external auditors, the CFO, the Head of Risk Management and Internal Audit as well as the Head of Accounting participated at the meetings. The Head of Accounting was the Committee's secretary.


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 and CEO. 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 2019 Annual General Meeting, the Remuneration Committee consisted of Malin Persson (Chair), John S. Quinn, Joseph M. Holsten and Eivor Andersson. As of 2 May 2019, the Remuneration Committee consists of Board members Eivor Andersson (Chair), John S. Quinn and Arja Taaveniku.

The Remuneration Committee held five meetings in 2019, of which two were before 2 May and three after 2 May. The respective member's participation is presented in the table on page 46. The company's president and CEO, Pehr Oscarson, was also present at five of these meetings. The Group's CFO was the Committee's secretary for four meetings. The Group's former HR Director was the Committee's secretary during the Remuneration Committee's first meeting in 2019.

BOARD OF DIRECTORS

						
John S. Quinn	Helena Skåntorp	Eivor Andersson	Kenny Bräck	Joseph M. Holsten	Magnus Håkansson	Arja Taaveniku
Chairman of the Board. Member of Mekonomen's Remuneration Committee.	Executive Vice Chairman of the Board. 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						
MBA Bachelor of Business Administration and certified public accountant.	Graduate in Business Administration, Stockholm University.	Economics, 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.	Executive MBA, Stockholm School of Economics.
Elected in						
2017	2004	2018	2007	2017	2017	2019
Born						
1958	1960	1961	1966	1952	1963	1968
Position and Board assignments						
Executive Strategic Advisor, LKQ Corporation, Member of Supervisory Board ATR International.	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 Cellink AB (publ).	Chairman of the Board of SkiStar Aktiebolag (publ) and Svanudden AB. Board member of AB Svenska Spel, Unlimited Travel Group UTG AB (publ) and United Camping AB.	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.	Chairman of the Boards of Department & Stores AB, Tenant & Partner Group AB, GS1 Sweden AB and Impande Foundation Sweden.	Board member of Handelsbanken, and nominated to the Nobia AB's board.
Work experience						
Managing Director and CEO, LKQ Europe, Executive Vice President and CFO of LKQ Corporation. Senior Vice President, CFO and Treasurer of Casella Waste Systems, Inc, Senior Vice President of Finance at Allied Waste Industries, Inc, and held several financial and operating roles at Waste Management, Inc.	President and CEO of Lernia AB, President and CEO of SBC Sveriges Bostadsråts Centrum AB, President and CEO of Jarowskij, CFO of Arla and authorised public accountant at Öhrlings/PwC.	President and CEO of TUI Nordic. CEO of Coop Marknad AB and CEO of Ving Sverige AB/Thomas Cook Sweden, as well as many years of experience from board work in Swedish companies.	Former professional race car 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 and Brands AB (publ), Managing Director 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.	Chief Offer & Supply Chain Officer and member of the Management of Kingfisher Plc (UK), CEO of Ikano Group in Luxembourg and leading positions within IKEA Group internationally.
Total remuneration, SEK						
645,000	1,120,000	345,000	300,000	350,000	350,000	325,000
Attendance at Board meetings						
9/9	9/9	8/9	7/9	9/9	9/9	6/9
Attendance at independent board meetings						
–	1/1	1/1	1/1	–	1/1	1/1
Attendance at Audit Committee meetings						
3/5	5/5	–	–	2/5	5/5	–
Attendance at Remuneration Committee meetings						
5/5	–	5/5	–	2/5	–	3/5
Own shareholdings and shareholdings of related parties						
None	3,142	None	1,571	None	None	None
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	Gabriella Granholm	Robert Hård	Åsa Källenius	Tobias Narvinger	Petra Bendelin
President and CEO	Director of Communication & Marketing	Director of Legal Affairs & Sustainability	CFO	Director of Purchasing	Director of Business Development & Strategy
Born					
1963	1982	1966	1967	1974	1978
Education					
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.	Master Psychology/Behavioral Science, Luleå University of Technology
Employed					
2001	2010	2003	2017	2011–2016, 2017–	2010
Work experience					
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 Vinge. 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.	Managing Director ProMeister Solutions. Various positions within business development in MECA, Sigma, Tectura and as self-employed.
Board appointments					
Deputy Chairman of Association of Swedish Wholesalers of Automotive Parts and Accessories (SBF). Member of the Board of Oscarson Invest Aktiebolag.	–	–	Green Landscaping, Källenius – Invest AB, KAAX Investment AB, KAAX Fastigheter AB.	–	Member of the Board of Swedspot, Telge Tillväxt, Lasingoo Sweden and Forthright
Own shareholdings and shareholdings of related parties					
170,457	1,317	1,625	16,582	5,000	1,745

Changes in the Board

Malin Persson withdrew from the Board in connection with the 2019 AGM. Malin Persson participated in 3 out of 3 Board meetings before the 2019 AGM. She was a member of the Remuneration Committee until the 2019 AGM and participated in 2 out of 2 meetings.

Helena Skåntorp's total remuneration includes a one-time fee of SEK 600,000 for the special work effort during 2018 in connection with the Company's acquisition of FTZ and Inter-Team.

At the 2019 Annual General Meeting on 7 May, Arja Taaveniku was elected to the Board. Arja participated in all Board and Remuneration Committee meetings thereafter during the year. In total 7 of 10 Board meetings and 3 of 5 Remuneration Committee meetings in 2019.

In connection with the Annual General Meeting on May 2, 2019, the composition of the Board's two committees changed, which affects the attendance record for John S. Quinn and Joseph M. Holsten. Both have full attendance at the respective committee meetings for the time they were members of the committee.

Changes in Group Management

In 2019, the Group Management Team consisted of the President and CEO, the CFO, the Director of Purchasing, the Director for Communication & Marketing and the Director of Legal Affairs & Sustainability. In addition to the aforementioned functions, the former HR Director, Managing Director Sørensen og Balchen, Managing Director MECA Sweden, Managing Director MECA Norway, Managing Director Mekonomen Sweden, Managing Director Mekonomen Norway and Manager for the Group's Venture Company were members of the Group Management Team until 14 February 2019.

As of 7 February, 2020, Petra Bendelin, Director Business Development and Strategy, is included in the Group Management.

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. In addition to his assignment for Mekonomen AB, Pehr is the Deputy Chairman of Association of Swedish Wholesalers of Automotive Parts and Accessories (SBF). Member of the Board of Oscarson Invest Aktiebolag. Pehr 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 2019, the Group Management Team consisted of the President and CEO, the CFO, the Director for Communication & Marketing, the Director of Legal Affairs & Sustainability and the Director of Purchasing. A more detailed presentation of the current Group Management Team is found on page 47.

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 2019 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,
- short-term variable remuneration
- long-term share-based incentive programme (LTIP)
- pension benefits,
- other benefits and
- severance pay.

The guidelines encompass the Group Management Team, including the President and CEO. Remuneration is determined by the Board's Remuneration Committee. However, 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 individual qualitative parameters and that can amount to a maximum of 60 per cent of the basic annual salary. The President and CEO is included in LTIP 2019, which was approved 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 benefits primarily consist of a company car. The period of notice for the President and CEO is 12 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 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 2019 Annual General Meeting also resolved to establish a long-term incentive programme (LTIP 2019), in accordance with the Board's proposal. LTIP 2019 comprises a maximum of 19 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 2019 Annual General Meeting on the company's website and Note 5 of the 2019 Annual Report.

There are no other ongoing share-based incentive programmes.

External 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 and CEO's management of the company. At the 2019 Annual General Meeting, PricewaterhouseCoopers AB (PwC) was re-elected as the auditing firm until the 2020 Annual General Meeting. The Auditor-in-Charge is Authorised Public Accountant Linda Corneliussen. PwC has an organisation comprising broad and specialised competency that is well-suited to Mekonomen AB's operations and has been the company's auditing firm since 2014.

Fees to auditors, SEK M

	2019	2018
PwC		
Fees for audit assignments	10	8
Audit-related services other than the audit assignment	1	1
Tax consultancy	0	0
Other services	0	6
Total PwC	11	15
Other auditing firms¹⁾		
Fees for audit assignments	0	1
Audit-related services other than the audit assignment	0	0
Tax consultancy	0	0
Other services	0	1
Total other	0	1
Total fees to auditors	12	16

1) Other auditors primarily refers 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 a few 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.

Internal audit

For a number of years, Mekonomen Group has hired the auditing firm Deloitte to conduct the internal audit in the Group. In 2019, their focus was to work together with Mekonomen Group to strengthen the internal control framework for stock management at the central warehouses through interviews and self-rating by the units. To strengthen focus on risk management, the internal control environment and internal audit, a manager for risk management and internal audit was hired at the end of 2018, reporting to the Audit Committee and the Group Management Team.

The internal audit functions 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 CEO and the CFO and information is provided to management in each business area and other units on the results of the audits performed.

Internal control financial reporting

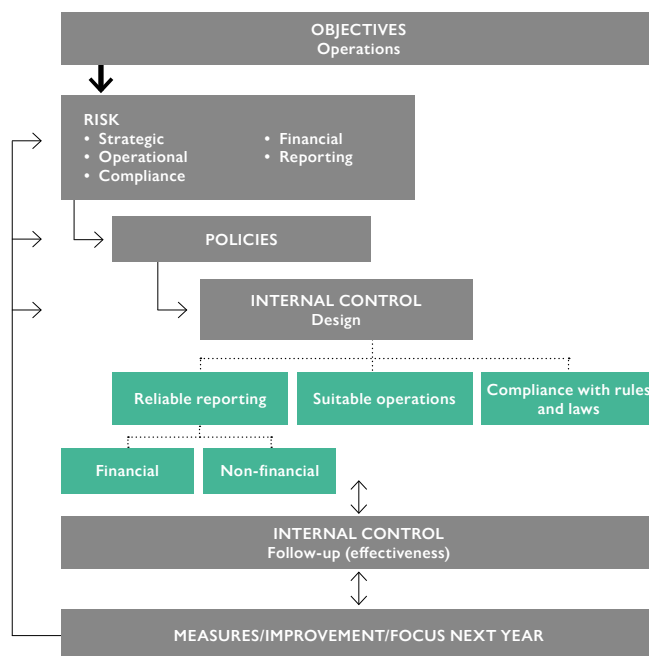
The Board of Directors is responsible for Mekonomen Group's internal control, whose overall purpose is to protect the owners' investment and the company's assets. The figure below shows the process for the Group's internal control work, which is based on a risk assessment on conducted operations and its objectives, which causes mitigating measures based primarily on policies or other form of guidance for the organization. Internal control frameworks are designed and implemented continuously, the follow-up and its effectiveness is reported to the Board annually.

The Board supervises the quality of the financial reporting through instructions to the President and CEO. It is the President and CEO'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 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. This also includes ensuring that capacity exists to implement extensive changes, such as IFRS 16 in 2019 and the European Single Electronic Format (ESEF) from 2020. 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 CEO and the 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



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

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.

Internal control framework regarding financial reporting

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, 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 organisation 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. 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. During the year, a substantial update was done of the financial handbook to fully be adapted to the new operational structure, considering the large subsidiaries acquired in Denmark and Poland in 2018.

In addition, work is underway to produce a comprehensive governance document that will provide mainly new employed, but also current managers a collective overview of the requirements placed on managers and ensuring good internal control and management of their units. This document will clarify organisation and decision pathways, goals, values and overall strategies, formal governance tools and all of the Group policies.

Risk assessment

Risk assessment and risk management mean that the management is aware of and has itself assessed risks and threats in the business. Mekonomen Group conducts regularly surveys of the Group's risks and 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.

During the year, a special forum was established on a Group level, the Risk and Compliance Committee, which operationally handles identified risks for further reporting to the Audit Committee and the Board of Directors. For a more detailed description of risks, and the committees' work, see section Risks and risk management in the Administration Report and in Note 35 Financial risks in the 2019 Annual Report regarding the Group's risk work.

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 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, the work of strengthening the Group's internal control framework with key controls continued, where the framework to "close the books" was further formalised and implemented and the framework for "inventory management" at central warehouses was reviewed and aligned to be fully implemented in 2020.

Information and communications

In order for individual task to be able to be done in a satisfactory manner, the employees in an organisation must have access to relevant and current information. Policies and guidelines are particularly important for accurate accounting, reporting and dissemination of information. Guidelines on the financial process are updated as necessary 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. A review of policies is done once a year or in the event of significant changes. For communication with internal and external parties, a communications policy is in place that states guidelines for conducting communication.

Follow-up and evaluation

The final component in the framework pertains to follow-up of the structure and effectiveness of internal governance and control. 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 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.

During the year, a special review was done of each business area of their self-rating of the level by significant legal unit of their internal control framework for financial reporting, including the CFO, Head of Accounting and the Head of Internal Audit for the Group and the CFO for the respective business area.

Sustainability governance

The sustainability work is an integrated part of the operations as a part of the ongoing business activities. In order to identify and prioritize the Group's most important sustainability issues, stakeholder dialogues and materiality analysis are conducted. Our most significant sustainability risks can be found in the risk management section on pages 18–21, mainly under the headings Employees, Environment, Suppliers and Corruption risks.

The Group's Code of Conduct was approved by the Board of Directors and was last updated in 2019. The Code of Conduct contains several Group-wide policies and serves as a starting point for all of the Group's other policies and rules.

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

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

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

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 2020 Annual General Meeting