

# Corporate Governance Report

At Systemair AB (publ), corporate governance is exercised via the Annual General Meeting (AGM), the Company's Articles of Association, the Board of Directors and the President, in accordance with the Swedish Companies Act, the Swedish Annual Accounts Act, the NASDAQ OMX Stockholm Rule Book for Issuers and the Swedish Code of Corporate Governance.

## Application of the Swedish Code of Corporate Governance ("the Code")

It is generally accepted practice in the stock market for Swedish companies whose shares are listed for trading in a regulated market to apply the Code. Systemair applies the Code without exceptions.

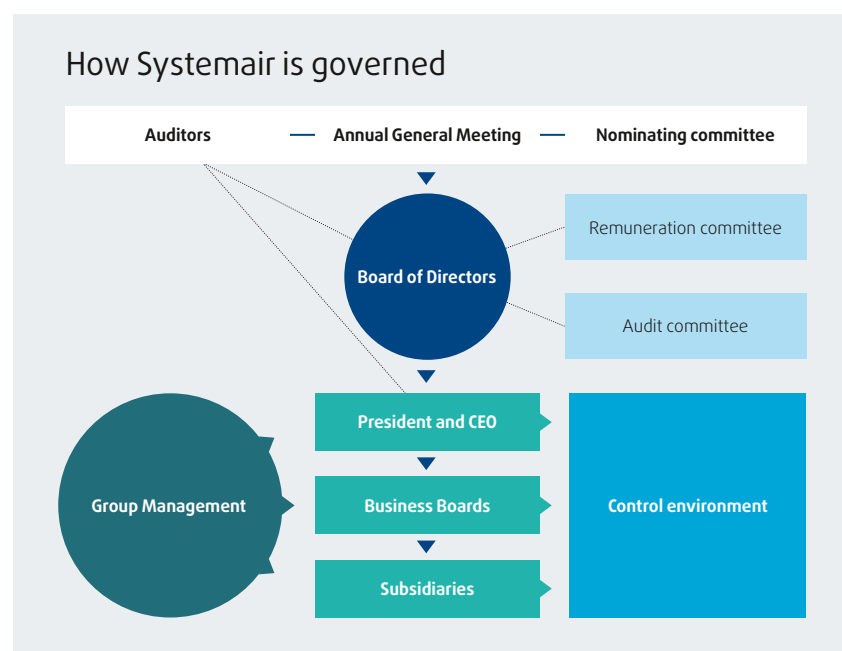
The AGM has appointed a nominating committee consisting of representatives of the three largest shareholders. Following consultation with the Company's three largest shareholders, ebm-papst AB decided to waive representation in the nominating committee. The fourth largest shareholder, Didner & Gerge Fonder, was therefore contacted. The following were appointed as members of the committee:

- Ulrik Grönvall (Chairman), Swedbank Robur Funds
- Henrik Didner, Didner & Gerge Fonder AB
- Gerald Engström, Färna Invest AB

Chairman of the Nomination Committee is Ulrik Grönvall, representing Swedbank Robur Fonder, which owns 10.2 percent of the capital and votes. Gerald Engström, also Chairman of the Board, represents the wholly owned subsidiary Färna Invest, which owns 42.8 percent of the share capital and votes. Didner & Gerge Fonder holds 4.9 percent of the share capital and is represented in the nominating committee by Henrik Didner.

## Shareholders and share capital

Systemair AB (org. reg. no. 556160-4108), headquartered at Skinnskatteberg in the County of Västmanland, central Sweden. The Company's shares have been quoted on the Mid Cap List of Nasdaq Stockholm since 12 October 2007. The Company's trading symbol is SYSR. At the end of the accounting period,



Systemair AB had 4,639 shareholders. The largest individual shareholder is Färna Invest AB, which owns 42.8 percent of the capital and votes and is 100 percent controlled by the Board Chairman Gerald Engström. Other major shareholders are ebm-papst AB, Järfälla, Sweden, wholly owned subsidiary of ebm-papst GmbH, Mulfingen, Germany, with 10.7 percent of the capital and votes, and Swedbank Robur Fonder, with 10.2 percent of the capital and votes. All shares have a quotient value of SEK 1.00. At the financial year-end, 30 April 2021, the total number of shares outstanding was 52,000,000, all of the same class. For more information, see section "The Systemair Share" on page 44.

## Articles of association

Systemair is a limited company whose business is to conduct the manufacture

and sale of ventilation and heating products. The Board of Directors shall consist of no fewer than three and no more than eight members and no more than three deputy members. In addition, the trade unions are entitled by Swedish law to appoint two members and two deputies. The Board of Directors shall have its registered office in Skinnskatteberg Municipality, Västmanland County. The Company's Annual Report and the management of the Company by the Board of Directors and the President shall be audited by a registered public accounting firm or an auditor, with or without a deputy auditor. The Company's financial year shall be 1 May–30 April. For the complete articles of association, please visit Systemair's website: <https://group.systemair.com/se/investerare/information/bolagsstyrning/>.

## Work of the Board during the year



### Nominating committee

The 2020 AGM resolved that the nominating committee shall be made up of representatives of three of the biggest shareholders. The record date for determining the three largest shareholders was 31 January 2021. Following consultation with the Company's three largest shareholders, ebm-papst AB decided to waive representation in the nominating committee. The fourth largest shareholder, Didner & Gerge Fonder, was therefore invited to take up representation on the committee. The nominating committee shall submit nominations for the Chairman of the AGM, the Board and Chairman of the Board, the choice of auditors in consultation with the audit committee, proposed fees to the Chairman of the Board and other Board members, remuneration for work on committees and proposed auditors' fees. These proposals shall be presented to the AGM. The nominating committee held two minuted meetings in 2020/21. No remuneration was paid for work on the nominating committee. The proposals of the nominating committee to the 2021 AGM are listed in the Notice of AGM, published on the Systemair website at group.systemair.com. Shareholders wishing to submit proposals to the nominating committee may do so by e-mail to any member of the nominating committee.

### Board of Directors

#### Diversity policy regarding size and composition of Board

Systemair's diversity policy regarding the size and composition of the Board states that Systemair AB's Board of Directors must be of a size and composition that ensures its ability to administer the Company's affairs with integrity and efficiency. The Board's composition must be characterised by diversity and breadth in terms of competence, experience and

background. The Board must also strive to achieve gender balance. The majority of the Board members elected by the General Meeting must be independent of the Company and the Company's Management Board. No Board member shall be appointed for a longer period than to the end of the following AGM.

#### Board's composition during the financial year

In the period until the 2020 AGM, Systemair's Board of Directors comprised five members: Carina Andersson, Gerald Engström (Chairman), Patrik Nolåker, Svein Nilsen and Gunilla Spongh, all elected by the AGM. At the 2020 AGM, all were re-elected. Gerald Engström was elected Chairman of the Board. The employees elected two representatives, Åke Henningsson, Unionen, and Ricky Sten, IF Metall. More detailed biographies of the members of the Board of Directors are provided on pages 52–53 of this annual report.

Anders Ulff, CFO, serves as Board Secretary. As the table shows, all members of the Board elected by the AGM except for Gerald Engström are independent of Systemair. Senior executives participate as needed in Board meetings in a reporting capacity.

#### Work of the Board

During the 2020/21 financial year, the Board held eight meetings and one statutory meeting. According to the Board's rules of procedure, the Board must meet at least six times during the financial year. All decisions taken by the Board were unanimous and placed on record. The work of the Board is governed by annually approved standard procedures that regulate the work of the Board and its internal allocation of tasks, including committees, the decision-making process within the Board and the Board's meeting procedures. The President also maintains regular contact with the Chairman of the Board. During the year,

#### Composition of the nominating committee prior to the 2021 AGM

Member	Representative of	Contact (e-mail)
Ulrik Grönvall, Chairman of the nominating committee	Swedbank Robur Fonder	ulrik.gronvall@swedbankrobur.se
Henrik Didner	Didner & Gerge Fonder AB	henrik.didner@didnergerge.se
Gerald Engström	Färna Invest AB, and Board Chairman	gerald.engstrom@systemair.se

#### Directors – attendance and dependence/independence

	Board of Directors	Remuneration committee	Audit committee	Year elected	Dependent/Independent	
					Company	Shareholder
Number of meetings	9	1	6			
Gerald Engström	9	1	–	1974	Dep.	Dep.
Carina Andersson	9	1	6	2015	Indep.	Indep.
Svein Nilsen	9	–	–	2016	Indep.	Indep.
Patrik Nolåker	8	1	–	2016	Indep.	Indep.
Gunilla Spongh	9	–	6	2019	Indep.	Indep.
Åke Henningsson <sup>1)</sup>	9	–	–	2015	–	–
Ricky Sten <sup>1)</sup>	9	–	–	2014	–	–

<sup>1)</sup> Employee representative.

the Board of Directors evaluated its work. All directors participated in the assessment and provided observations. The Chairman of the Board is responsible for the evaluation.

#### Remuneration committee

The Board appointed a remuneration committee consisting of Carina Andersson (Chair), Gerald Engström and Patrik Nolåker. The committee's functions are:

- to prepare proposals on behalf of the Board regarding remuneration in the form of fixed and variable salaries, pensions, severance payments and any other types of remuneration to senior executives
- to monitor and assess programmes for variable remuneration to senior executives in progress and concluded during the year
- to monitor and assess the application of guidelines for remuneration to senior management as well as current remuneration structures and levels.

The members of the committee are appointed annually by the Board at the first ordinary Board meeting. The committee shall consist of three members. No member may participate in issues related to his or her own remuneration. Over the financial year, the committee held one minuted meeting, at which all members were present.

#### Audit committee

The Board appointed an audit committee consisting of Board members Carina Andersson and Gunilla Spongh (Chair).

The committee's tasks include:

- supervising the Company's internal controls, risk management and internal audits
- keeping informed about the external audit
- reviewing and monitoring the impartiality and independence of the auditor
- assisting in the preparation of the proposal for the selection of auditors
- supervising the financial reporting
- valuation issues, such as testing of needs for impairment.

The committee held six minuted meetings, which were also attended by the Company's CFO, a Group controller and an auditor. These meetings addressed issues such as the risk assessment of internal control and risk management with respect to financial reporting, procurement of auditing services and IT security. Reports were submitted from internal audits performed. The findings of the meetings were minuted and presented at the next Board meeting.

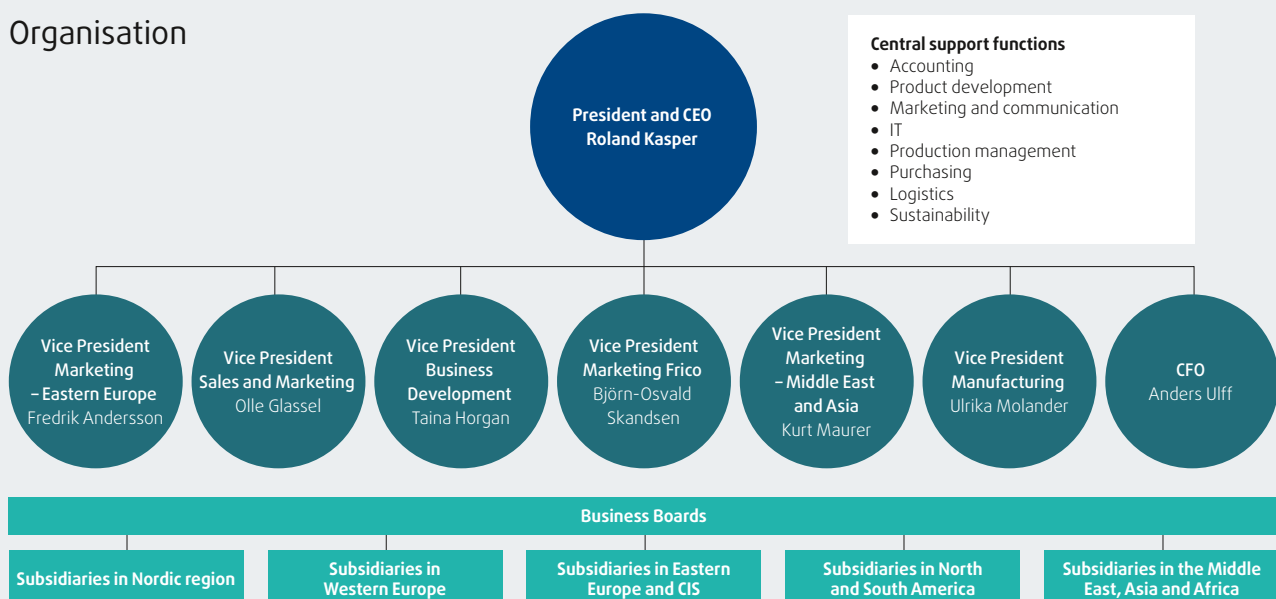
#### Group Management

President Roland Kasper, who is also Chief Executive Officer of the Parent Company, is responsible for day-to-day control of

the Group. He receives reports from the Group's Executive Management Team, comprising Vice President Marketing – Eastern Europe and CIS Fredrik Andersson, Vice President Sales and Marketing Olle Glassel, Vice President Business Development Taina Horgan, Vice President Marketing – Middle East and Asia Kurt Maurer, Vice President Manufacturing Ulrika Molander, Vice President Marketing Frico and President of Systemair AS Norway Björn-Osvold Skandsen and Chief Financial Officer Anders Ulff. CEO Roland Kasper oversees the work of the Group's Executive Management Team.

Group Management holds regular meetings during the year to review the performance of the Group and individual subsidiaries, as well as the market and business situation, and to take decisions on strategic and operational issues within frameworks set by the Board. One of these yearly meetings is wider-ranging, with more detailed discussion and planning for operations and target setting at Group and subsidiary levels. Systemair's organisation is characterised by a simple, straightforward style of communication, so ongoing informal contact among Company executives is also key to the management culture. The Executive Management Team is supported by functions at Group level for Group financing, treasury, business development, product development, production, purchasing, logistics, communication and IT.

## Organisation



### Business boards and governance of subsidiaries

The Systemair Group consists of 86 operating companies. The Parent Company is Systemair AB (co. reg. no. 556160-4108), which owns most of the subsidiaries directly. All subsidiaries are 100 percent-owned, apart from Divid AB i Jönköping, Sweden, which is 60 percent-owned, Systemair-HSK, Turkey, which is 90 percent-owned, Systemair Traydus, Brazil, which is 75 percent-owned, Systemair Maroc, Morocco, which is 60 percent-owned, Burda, Germany, which is 50 percent-owned and Frico A/S, Denmark, which is 60 percent-owned.

Operating activities in the subsidiaries are governed at overall level via business boards, which may best be described as executive steering committees for the subsidiaries. Each of these consists of one or two members of Group Management and/or other key person from the Parent Company, plus the subsidiary's MD. Each business board sets targets and monitors financial outcomes; takes decisions on major market and product issues; and serves as the link between Parent Company and the particular subsidiary regarding various organisational matters. Business boards meet two to four times each year. Each subsidiary also has a formal board of directors, if required by law in that country.

### Senior executive remuneration

#### Guidelines

At the 2020 AGM, guidelines on senior executive remuneration were adopted. Remuneration to senior executives shall – based on the conditions in the market in which the Company operates and the environment in which the particular executive works – be competitive, enable the recruitment of new executives and motivate senior executives to remain with the Company. "Senior executives" refers to the President and other members of Group Management. The system of remuneration shall consist of a fixed salary and pension but may also include variable salary and benefits such as, for example, a company car. In addition to the above, special incentive programmes approved by the AGM may apply. Fixed salary and benefits are to be determined individually based on the aforementioned criteria and the specific competence of the executive. Variable remuneration shall be based on results judged according to personal, clearly defined and measurable qualitative and quantitative goals aimed at promoting the strategy, long-term value-creation and sustainability of the Company. The variable portion is paid as a proportion of the fixed salary and may amount to no more than 40 percent of the annual salary for the Chief Executive Officer and

25 percent for other senior executives. Remuneration to the President and other senior executives is described in Note 11.

#### Notice of termination and severance payments

The President's employment may be terminated with 12 months' notice by the Company or six months' notice by the President. For other senior executives, the period of notice is as stated in the applicable collective bargaining agreement or is no more than 12 months from the Company or six months from the employee. No other agreements entitle the President or other senior executives to severance pay.

#### Pensions

The Chairman and the directors do not receive any pension benefits in connection with their Board duties. The pensionable age for all senior executives is 65 years. As a principle, pensions shall be premium-based and shall not exceed 35 percent of the fixed salary. The size of the pension shall adhere to the same criteria as above and shall be based on fixed salary. The Board is entitled to depart from these guidelines if justified in any particular case. Pension costs for senior executives totalled SEK 4.4 million in 2020/21.

## Annual General Meeting 2020

At the Annual General Meeting on 26 August 2020 in Skinnskatteberg, 91 voting shareholders were present – or had submitted valid postal votes – corresponding to 82 percent of the number of shares and votes in the company. Gerald Engström, Chairman of the Board, was appointed to chair the meeting. The Chairman, Gerald Engström, informed the AGM of the work of the Board and reported on the guidelines for remuneration to senior executives and on the work of the Board's committees. In addition, CEO Roland Kasper reported on Systemair's business during the 2019/20 financial year. Åsa Lundvall, auditor in charge, presented sections of the audit report.

Resolutions adopted at the AGM:

- To discharge the Board and CEO from liability in respect of the past financial year.
- To re-elect Gerald Engström, Carina Andersson, Svein Nilsen, Patrik Nolåker and Gunilla Spongh as members of the Board.
- To elect Gerald Engström as Chairman of the Board.
- To pay a Board fee of SEK 600,000 to the Chairman and SEK 300,000 to each director not employed by the Company, together with an extra fee of SEK 400,000 to the Chairman of the Board for work in connection with acquisition and strategy issues. In addition, fees shall be paid to the audit committee in a total amount of SEK 90,000, with SEK 60,000 being paid to the committee chairman and SEK 30,000 to the other member. In addition, remuneration to the Remuneration Committee shall amount to SEK 25,000 to the chairman of the committee and no remuneration to any other member. A fee of SEK 30,000 shall be paid to each employee representative.
- That no dividend shall be paid.
- That the nominating committee shall be made up of representatives of the three biggest shareholders, based on the shareholder details on 31 January 2021.
- To authorise the Board, during the period until the 2021 AGM, to resolve upon the issue of new shares amounting to no more than 10 percent of the number of shares in the Company.

The minutes from the 2020 AGM are available on Systemair's website at: <https://group.systemair.com/se/investerare/information/aarsstaemma/>

# Internal control related to financial reporting

## Report of the Board of Directors on internal control for financial year 2020/21

Under the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal control. This report has been drawn up in accordance with the Swedish Annual Accounts Act. It describes how the internal control of financial reporting is performed. The Board thus has an important role to play in quality assuring financial reporting, which includes issues of internal control and compliance, verification of reported amounts and estimates and other issues that could influence the quality of the financial disclosures. Internal control is based on the structure in the framework for internal control referred to as the COSO model, from the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

## Control environment

Effective work by the Board of Directors is the basis of effective internal control. The control environment in Systemair is characterised by short paths between Group management and the operational units. The Board of Directors has adopted several key documents to create and maintain a smoothly functioning control environment that is material to financial reporting. These include the Board of Directors' rules of procedure, instructions for the CEO, a financial policy and accounting manuals. Instructions and guidelines for financial reporting are prepared and updated continuously by the Parent Company's group finance team. An audit committee has been established within the Board of Directors. Its task is to ensure that policies adopted for the financial reporting and internal control are complied with and developed. The committee also maintains day-to-day relationship with the Company's auditor. The audit committee and the Board include accounting and auditing issues as a regular item on the agenda at the four Board meetings at which quarterly reports are discussed.

## Risk assessment

Systemair's Board of Directors is responsible for identifying and managing significant financial risks and risks of errors in financial reporting. With respect to financial reporting, the primary risk is deemed to be material errors arising in the disclosures of the Company's results and position. The Board, audit committee and management continuously assess reporting from a risk viewpoint, in which comparisons of income statement and balance sheet items with previous disclosures and budgets form an essential element. In addition, regular risk assessments are conducted in connection with strategic planning, budgeting, forecasting and acquisition activities.

## Control activities

Key instructions and guidelines for financial reporting are prepared and updated continuously by the Parent Company's group finance team and are readily accessible on the Group's intranet.

All companies in the Group report within five working days after the end of the month in a common group consolidation and reporting system so that, for example, any deviations or errors can be rectified.

At the end of the accounting period, the Group comprised around 90 subsidiaries that for the most part are owned directly by the Parent Company, Systemair AB. The subsidiaries are legal entities with their own comprehensive income statements and balance sheets. Each individual subsidiary reports to the Parent Company every month, where consolidation is performed.

Group controllers are directly responsible for following up a number of companies that they continuously monitor and analyse. Outcome is reviewed regularly against plans and targets in consultation with representatives of the subsidiaries, business boards and Group management.

For the majority of subsidiaries, the Group has a common, fully-integrated ERP system that serves as a highly efficient tool for management, control and follow-up. For major decisions such as those in connection with acquisitions, investments and significant contracts, clearly-defined decision-making methods and processes are in place.

In addition, every unit normally also receives regular visits by representatives of business boards and Group Management for ongoing evaluation of internal control and financial reporting. In 2020/21, however, the ongoing pandemic resulted in most of these meetings being conducted digitally.

## Information and communication

The President and the CFO are jointly responsible for the accuracy and good quality of all information published externally, including quarterly reports, press releases and company presentations in conjunction with analysts' meetings. The tasks of the Company's auditor include reviewing accounting issues that are material to financial reporting and reporting his or her observations to the Board.

Each month, the Board receives a reporting package that includes the complete financial reports for each important subsidiary, as well as the consolidated financial reports for the Group. Several key performance measures and benchmarks are also included. These reports enable the results for the period to be compared with budget and the outcome for preceding years.

The Board's standard operation procedure regulates which reports and information of a financial nature will be presented on an ongoing basis and to each Board meeting.

To promote awareness of policies and manuals among the Group's employees, information is available to all concerned on the Group's intranet. To ensure that external information is accurate and comprehensive, the Board of Directors has therefore adopted a Communication Policy.

## Follow-up

Systemair is characterised by simplicity in its legal and operational structure, and by smoothly functioning and well-established management and control systems. The Board, remuneration committee and Group Management monitor compliance with policies and guidelines adopted. At every Board meeting, the Company's financial situation is discussed, and prior to the publication of quarterly reports and annual reports, the Board reviews the financial information. Each month, Group Management and business board members review the performance of each subsidiary and discuss deviations from plan with the CEO of the subsidiary concerned.

The tasks of the external auditors include supervising internal control in the Group companies annually. The auditors maintain continuous contact with and report directly to the Board of Directors. During the year, the group finance performed several internal audits of subsidiaries. This work adheres to a standardised model, in which various material issues associated with internal guidelines and policies are followed up.

Working procedures for internal audits are being developed continuously, and an annual plan for audit activities has been adopted and is discussed by the Board.

## Internal audit

Systemair has a simple operating structure with excellent environment for internal control. Compliance with the system of governance and internal control developed by the Company is regularly followed up by the Group controllers. In addition, ongoing follow-up is performed by the business boards and Group management. Further control and follow-up is conducted by the Board of Directors.

Day-to-day dialogue between the Company and its external auditors and the checks carried out by the above-mentioned bodies are considered at present to be adequate to ensure that internal control remains effective. Every year, the Board evaluates the need for internal auditing. To date, it has concluded that a separate internal auditing function would not deliver any material benefit. This judgement is assessed continuously, and a review will take place in the 2021/22 financial year.

# Board of Directors



## **Patrik Nolåker**

*Director*

Chairman, AQ Group, ViaCon Group, Saferoad Group and Fibo Group.

Director, iMPREG Group.

Education: Upper secondary qualification in Engineering, MSc in Business Administration and MBA from the Maastricht School of Management.

Formerly: CEO at Dywidag Systems International S.a.r.l. and Alimak Hek Group; senior positions at Atlas Copco, ABB etc.

Holding: 4,000

Born: 1963

Year elected: 2016

Independent: Yes

## **Gunilla Spongh**

*Director*

Chair, Bluefish Pharmaceuticals.

Deputy Chair, Swedish Stirling. Board member, AQ group, Byggmax, Consivo group, Lernia, Meds, Momentum group and Pierce group.

Education: M.Sc. Industrial Economics, Institute of Technology at Linköping University.

Formerly: CFO Preem, Head of International Affairs and CFO Mekonomen Group, CFO Enea and CFO CashGuard.

Holding: 654

Born: 1966

Year elected: 2019

Independent: Yes

## **Svein Nilsen**

*Director*

Education: B.Sc. in Engineering, with Heating, Ventilation & Sanitation, from the Norwegian University of Science and Technology (NTNU), Trondheim.

Formerly: Vice President Marketing, Systemair AB, etc.

Holding: 5,000

Born: 1947

Year elected: 2016

Independent: Yes



### **Gerald Engström**

*Chairman of the Board*

Chairman, Bluefish Pharmaceuticals AB.

Director, Hanza Holding.

Education: Upper secondary school qualification in Engineering, Business Studies at Stockholm University.

Formerly: Chief Executive Officer and President of Systemair AB and CEO of Ziehl-ebm AB etc.

Holding: 22,264,162 (shares owned by Färna Invest AB).

Born: 1948

Year elected: 1974

Independent: No

### **Carina Andersson**

*Director*

Director, Beijer Alma AB, BE Group AB, Gränges AB, Detection Technology Oyj and Swedish Stirling.

Education: Mining Engineering degree from the Royal Institute of Technology Stockholm (KTH).

Formerly: Senior position at Sandvik AB, CEO, Ramnäs Bruk AB and Scana Ramnäs AB.

Holding: 1,000

Born: 1964

Year elected: 2015

Independent: Yes

### **Ricky Sten**

*Employee Representative*

Current position: Materials Handler

Holding: –

Born: 1968

Year elected: 2014

### **Åke Henningsson**

*Employee Representative*

Current position: Technical Consultant

Holding: 400

Born: 1957

Year elected: 2015

# Executive Management Team



**Kurt Maurer**

*Vice President Marketing Middle East and Asia, CEO Menerga.*

Education: Mechanical Engineering Diploma, Heilbronn University, Germany.

Formerly: Technical Director, Lti Lüftungstechnik; Product Development, Rosenberg; Product Development, ebm-papst.

Holding: 77,308

Born: 1959

Employed since: 1994

**Taina Horgan**

*Vice President Business Development*

Education: Dipl. in Business Economics, IHM Business School.

Formerly: Sales and Marketing Director, Fläkt Group.

Holding: –

Born: 1965

Employed since: 2019

**Bjørn-Osvold Skandsen**

*Marketing Director Frico and CEO Systemair AS, Norway*

Education: Master's degree in Mechanical Engineering, Norwegian University of Technology and Science and an MBA in Brand Management, Norwegian School of Economics.

Formerly: Director of Technology and Marketing at GK Inneklima, Head of Technical Support at Systemair Group and Head of Sales at Systemair Sweden.

Holding: 750

Born: 1973

Employed since: 2018, 2000–2006

**Olle Glassel**

*Vice President Sales and Marketing*

Education: Qualified Ventilation Engineer, Diploma in Business Administration.

Formerly: MD, Systemair Ltd, United Kingdom, Sales Director, Systemair, Sweden.

Holding: 13,200

Born: 1966

Employed since: 2002





### Anders Ulff

*CFO*

Education: M.Sc. Business Administration, Uppsala University. Formerly: Auditor and consultant, Ernst & Young; Financial Director, Systemair. Holding: 39,500 Born: 1967 Employed since: 1999

### Fredrik Andersson

*Vice President Marketing – Eastern Europe and CIS*

Education: Master's degree in International Economics, with Russian and German, Uppsala University. Formerly: Export Manager and Russia Manager Systemair, Managing Director, Fläkt Woods, Russia. Holding: 5,640 Born: 1966 Employed since: 2014, 1997-2012

### Roland Kasper

*President and CEO*

Education: Mechanical Engineering Diploma. Technology Engineering Diploma, University of Applied Sciences Giessen-Friedberg, Germany. Formerly: Product Manager, Fläkt Woods Group and ABB Ventilation Products GmbH. Holding: 23,200 Born: 1969 Employed since: 2007

### Ulrika Molander

*Vice President Manufacturing*

Education: Graduate engineer, Borås University. Formerly: President, BDx Företagen AB. Operations Director, Sapa Profiler AB. Holding: 672 Born: 1966 Employed since: 2016